
In the
Court of Appeal
of the
State of California
FOURTH APPELLATE DISTRICT
DIVISION ONE

D075028

SALAM RAZUKI,
Plaintiff-Respondent,

v.

NINUS MALAN, SAN DIEGO UNITED HOLDINGS GROUP, LLC,
FLIP MANAGEMENT, LLC, BALBOA AVE COOPERATIVE,
CALIFORNIA CANNABIS GROUP, DEVILISH DELIGHTS, INC.,
CHRIS HAKIM, MIRA ESTE PROPERTIES, LLC and ROSELLE PROPERTIES, LLC,
Defendants-Appellants.

APPEAL FROM THE SUPERIOR COURT OF SAN DIEGO COUNTY
HONORABLE EDDIE C. STURGEON · CASE NO. 37-2018-000034229-CU-BC-CTL

APPELLANTS' APPENDIX
Volume 13 of 19 – Pages 4136 to 4532 of 6477

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California Cannabis Group and Devilish Delights, Inc.*



Exhibit O
to cross-complaint

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** (the "Manager" and "Optionee" as context requires), and **Roselle Properties, LLC**, a California limited liability company (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 which the Parties believe may be used to operate a medical marijuana cultivation and/or manufacturing site (the "Operations"), and which is 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 real property is located at 10685 Roselle Street, San Diego, California 92121 (the "Facility"), for which a CUP has been submitted with the City of San Diego for such purposes. The Company owns the Facility in fee simple. The planned Facility will consist of approximately 20,000 SF. There is currently an unaffiliated tenant at the Facility (which currently has 4000 SF). The Company seeks to lease the Facility to one or more affiliated, qualified cannabis cultivation and/or manufacturing operators following the termination of the current lease consistent with the terms of this Agreement. The existing management company for the Company has assigned its rights to Manager under other agreements between the primary parties.

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. There are currently to cannabis-related operations occurring at the Facility.

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 Old Operators, 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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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.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

TERMS OF AGREEMENT

1. ENGAGEMENT

1.1. Engagement of Manager. Company hereby engages Manager to provide the Administrative Services for the Operations on the terms and conditions described herein, and Manager accepts such engagement. Manager shall be the sole and exclusive provider of the administrative, management, and other services to be provided to or on behalf of Company for the Operations as more particularly outlined herein. Manager in its sole discretion shall determine which services shall be provided to Company from time-to-time so long as the Administrative Services are provided in compliance with this Agreement. For purposes of this Agreement, "Administrative Services" shall not include any management services to Roselle Properties, LLC relating to its ownership of the Facility unless and until Manager exercises the option to purchase 50% of the Facility as more particularly outlined in this Agreement.

1.1.1. No Warranty or Representations. Company acknowledges that Manager has not made and will not make any express or implied warranties or representations that the Administrative Services provided by Manager will result in any particular amount or level of income to the Company. Specifically, Manager has not represented that its Administrative Services will result in higher revenues, lower expenses, greater profits, or growth in the number of clients receiving services or purchasing goods at the Facility.

1.2. Agency. Company hereby appoints Manager as Company's true and lawful agent throughout the Term of this Agreement, and Manager hereby accepts such appointment.

1.3. Power of Attorney. In connection with billing, collection, banking, and related services incident to or under the Administrative Services to be provided hereunder, Company, in accordance with applicable law, hereby grants to Manager a limited power of attorney and appoints Manager as Company's true and lawful agent and attorney-in-fact consistent with Manager's duties under this Agreement, and Manager hereby accepts such special power of attorney and appointment, for the following purposes:

- i. To collect and deposit all amounts received, including all cash received, patient co-payments, cost reimbursements, co-insurance and deductibles, and accounts receivable, into the "Manager's Account," which shall be and at all times remain in Company's name through accrual on Company's accounting records.

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- ii. To make demand with respect to, settle, and compromise such claims and to coordinate with collections agencies in the name of Company or Manager.
- iii. To take possession of and endorse in the name of Company on any note, check, money order, insurance payment or any other instrument received.
- iv. To effectuate the payment of Company expenses, including to the Manager for the Management Fee as it becomes due.
- v. To sign checks, drafts, bank notes or other instruments on behalf of Company and to make withdrawals from the Manager's Account for other payments specified in this Agreement and as determined appropriate by the Manager.

1.4. Documentation to Bank. Upon request of Manager, Company shall execute and deliver to the financial institution wherein the Manager's Account is maintained, such additional documents or instruments as may be necessary to evidence or effect the limited power of attorney granted to Manager. Company will not take any action that interferes with the transfer of funds to or from Manager's Account, nor will Company or its agents remove, withdraw or authorize the removal or withdrawal of any funds from the Manager's Account for any purpose. Manager agrees to hold all funds in the Manager's Account in accordance with California agency law.

1.5. Expiration of Power of Attorney. The power of attorney shall expire on the date this Agreement is terminated. Upon termination or expiration of this Agreement, Manager further agrees to execute any and all documentation confirming the termination of this limited power of attorney.

2. DUTIES AND RESPONSIBILITIES OF MANAGER

2.1. General Responsibilities. During the Term of this Agreement Manager shall, in a manner determined at Manager's sole discretion, provide such services as are necessary and appropriate for the day-to-day administration and management of Company's business in a manner consistent with good business practice, including without limitation: Human Resources, Information Technology, Equipment and Supplies, Banking, Accounting and Finance, Insurance Procurement, Risk Management, Contract Negotiation, Cultivation, Marketing, and Licensing of Intellectual Property, Trade Names and Trademarks, as all are more specifically set forth below.

2.1.1. Personnel. Manager has full right, obligation, and authority to hire and retain personnel and other persons or entities needed to perform the Administrative Services for Manager under this Agreement. All personnel will be employees, agents, or independent contractors of the Company, and all costs (including payroll and withholding taxes and expenses, any employment insurance costs, health insurance expenses and insurance, and other customary expenses) associated with such personnel shall be paid by Manager from Company funds managed by Manager, or by Manager if such funds are insufficient.

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2.1.2. Manager Personnel. Manager may employ or contract with and provide all necessary personnel ("Manager Personnel") it reasonably needs to provide the Administrative Services hereunder. Such personnel shall be under the direction, supervision, and control of Manager, and shall be employees of Manager. Manager shall be responsible for setting and paying the compensation and providing the fringe benefits of all Manager Personnel. Company shall be not responsible in any way for Manager Personnel, and Manager indemnifies, defends, and holds Company harmless from any such liability.

2.1.3. Training. Manager shall provide reasonable training to personnel in all aspects of the Operations material to the role of such personnel, including but not limited to administrative, financial, and equipment maintenance matters.

2.1.4. Insurance. Manager shall assist Company in Company's purchase of necessary insurance coverage, with the cost of such insurance paid from Company's funds managed by Manager.

2.1.5. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation, and keeping of records and books of accounting related to the business and financial affairs of Company. Such books and records shall at all times be accessible and available to Company and the Old Operators.

2.1.6. Tax Matters. Manager shall oversee the preparation of the annual report and tax information returns required to be filed by Company. All of Company's tax obligations shall be paid by Manager out of Company's funds managed by Manager. Manager shall provide such information, compilations, and other relevant information to Company on a timely basis in order to file all returns with the taxing agencies. Company shall also make such reserves and set asides for taxes as directed by Manager throughout the year.

2.1.7. Reports and Information. Manager shall furnish Company in a timely fashion quarterly or more frequent operating reports and other business reports as reasonably requested by Company, including without limitation (i) copies of bank statements and checks relating to Company's bank accounts and (ii) all other financial information and financial statements relating to Operations.

2.1.8. Budgets. Manager shall prepare for review and approval by Company, all capital and annual operating budgets as needed, and such approval shall not be unreasonably withheld.

2.1.9. Expenditures. Manager shall manage all cash receipts and disbursements of Company, including the payment on behalf of Company for any of the items set forth in this Article 2, such as taxes, assessments, licensing fees, and other fees of any nature whatsoever in connection with the operation of the Operations as the same become due and payable, unless payment thereof is being contested in good faith by Company.

2.1.10. Contract Negotiations. Manager shall advise Company with respect to and negotiate, either directly or on Company's behalf, as appropriate and permitted by applicable

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law, such contractual arrangements with third Parties as are reasonably necessary and appropriate for Company's Operations.

2.1.11. Billing and Collection. On behalf of and for the account of Company, Manager shall establish and maintain credit and billing and collection policies and procedures, and shall exercise reasonable efforts to bill and collect in a timely manner all professional and other fees for all billable services provided by Company.

2.1.12. All Other Matters Reasonably Needed for Operations. The Manager shall perform all tasks required for the good governance and operation of the Operations, including making reasonable repairs, at Company's expense, for any facility used in the Operations as may be required under any lease or mortgage that encumbers the property, or to protect public safety.

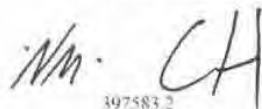
2.1.13. Company Approval of Various Actions Relating to Operations. The parties agree Manager has authority to make decisions relating to the day-to-day business operations of the Operations and execute on behalf of Operations all instruments and documents needed in the course of the customary and ordinary operation of Operations, including the payment of ordinary expenses incurred during Operations and other related payments. Manager shall also coordinate any public statements or press interactions.

2.2. Responsibilities as Agent. In connection with the appointment of Manager as Agent of Company under Section 2.1 above, Manager shall further undertake the following:

2.2.1. Billing. Manager shall bill, in Company's name and on Company's behalf, any claims for reimbursement, cost offset, or indemnification from members or customers, insurance companies and plans, all state or federally funded benefit plans, and all other third party payors or fiscal intermediaries.

2.2.2. Collections. Manager shall collect and receive on Company's behalf, all accounts receivable generated by such billings and claims for reimbursement, to take possession of, and deposit into the Manager's Account (accruing such deposits on the general ledger of Company) any cash, notes, checks, money orders, insurance payments, and any other instruments received in payment of accounts receivable, to administer such accounts including, but not limited to, extending the time or payment of any such accounts for cash, credit or otherwise; discharging or releasing the obligors of any such accounts; assigning or selling at a discount such accounts to collection agencies; or taking other measures to require the payment of any such accounts.

2.2.3. Banking. The Parties shall cooperate in opening such bank accounts as shall be required for prudent administration of the Operations, including a Manager's Account, opened by and under the control and domain of Manager for the deposit of collections and the disbursement of expenses and other purposes as set forth herein, and (ii) such other accounts as Manager determines in its sole discretion are reasonable and necessary. Manager shall sign checks, drafts, bank notes or other instruments on behalf of Company, and make withdrawals from Manager's Account for payments specified in this Agreement. Manager, in its sole


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discretion, may make a pledge or assignment of Company's accounts to support financing instruments.

2.2.4. Litigation Management. Manager shall, in consultation with Company, (a) manage and direct the defense of all claims, actions, proceedings or investigations against Company or any of its officers, directors, employees or agents in their capacity as such, and (b) manage and direct the initiation and prosecution of all claims, actions, proceedings or investigations brought by Company against any person other than Manager.

2.2.5. Marketing, Advertising, and Public Relations Programs. Manager shall propose, with Company's consultation, marketing and advertising programs to be implemented by Company to effectively notify the community of the services offered by Company. Manager shall advise and implement such marketing and advertising programs, including, but not limited to, analyzing the effectiveness of such programs, preparing marketing and advertising materials, negotiating marketing and advertising contracts on Company's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. Manager and Company agree that all marketing and advertising programs shall be conducted in compliance with all applicable standards of ethics, laws, and regulations.

2.2.6. Information Technology and Computer Systems. Manager shall set up workstations and other information technology required for the Operations.

2.2.7. Supplies. Manager shall order and purchase all supplies in connection with the Administrative Services and the Operations, including all necessary forms, supplies and postage, provided that all such supplies acquired shall be reasonably necessary in connection with the Operations.

2.2.8. Retention Payments. From Company funds managed by the Manager or as otherwise provided herein, Manager shall make payments to Monarch Management Consulting, Inc. ("Monarch") in the aggregate of \$50,000 per month (the "Roselle-Guaranteed Payment") which shall be due on the 15th of each month starting on January 15, 2018. The Roselle-Guaranteed Payment shall be increased to \$56,250 per month on the actual first anniversary of the initial payment of the Roselle-Guaranteed Payment, and increased again on the second such anniversary to \$63,280 per month. Notwithstanding anything else herein, no payment of the Roselle-Guaranteed Payment shall be due or accrue unless and until the Certificate of Occupancy and the CUP are issued for the planned Facility. Monarch shall be responsible for all income and other taxes due relating to the monthly Roselle-Guaranteed Payment paid to Monarch. Further provided, the Roselle-Guaranteed Payment shall continue to be paid to Monarch from and after Manager's exercise of the Option, and by execution of this Agreement the Company consents to all such payments to Monarch.

3. RELATIONSHIP OF THE PARTIES

3.1. Relationship of the Parties. Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary joint venture, or employment relationship between Manager and Company. In performing all services required hereunder, Manager shall be in the

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relation of an independent contractor to Company, providing Administrative Services to the Operations operated by Company.

4. RESPONSIBILITIES OF COMPANY

4.1. General Responsibilities of Company. Company shall own and operate the Operations during the Term of this Agreement, with Manager managing the day-to-day Operations as provided herein. At all times during this Agreement, the Manager and Company shall coordinate to obtain and maintain in full force and effect all available and necessary licenses, approvals, permits and/or certificates (collectively "Approvals") required under any and all local and state laws allowing the Company to engage in the Operations at the Facility, and the Company's performance of its respective obligations pursuant to this Agreement. Company agrees to promptly deliver to Manager any notice of denial or revocation of any such Approvals within three (3) calendar days of receipt by the Company. From and after the Effective Date, Company and Manager shall coordinate and insure, at Company's expense, that the Operations are in compliance with all Approvals issued by any and all local or state government regarding the Company's legal standing and ability to engage in the Operations at the Facility, including but not limited to all requirements of any insurance or underwriters or any other body which may exercise similar functions. Company agrees to promptly deliver to Manager any notice of violation of any said Approvals within three (3) calendar days of receipt by the Company.

4.2. Exclusivity. During the Term of this Agreement, Manager shall serve as Company's sole and exclusive manager and provider of the Administrative Services, and Company shall not engage any other person or entity to furnish Company with any sites for conduct of its Operations, any policies or procedures for conduct of the Operations, or any of the financial or other services provided hereunder by Manager. Manager may assign its rights hereunder to manage the operations (but not under the Option) to San Diego Building Ventures, LLC, or such other entity formed for such purpose by Manager, and Company and Old Operators acknowledge its approval of such assignment.

4.3. Representations and Warranties of Company. Company represents and warrants to Manager as follows:

4.3.1. Company is a duly organized, validly existing and in good standing under the laws of California. The Company represents and warrants that, to Company's knowledge, it holds or is pursuing all required Approvals, which for purposes of this Agreement means collectively all applicable California San Diego City and San Diego County licenses, approvals, permits, authorizations, registrations and the like required by any governmental organization or unit having jurisdiction over Company or the Facility necessary to permit the Company to own and operate the Facility as a cannabis cultivation site.

4.3.2. The Company has full power, authority and legal right to execute, perform and timely observe all of the provisions of this Agreement. The Company's execution, delivery and performance of this Agreement have been duly authorized.

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4.3.3. This Agreement constitutes a valid and binding obligation of the Company and does not and will not constitute a breach of or default under the charter documents, membership agreements or bylaws as the case may be of Company or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Company is a party or by which it or any of its assets is bound or affected.

4.3.4. Company shall, at its own expense, keep in full force and effect its legal existence; and Company shall make commercially reasonable efforts to obtain, as and when required for the performance of its obligations under this Agreement, and to maintain the Approvals required for it timely to observe all of the terms and conditions of this Agreement.

4.3.5. Company is the sole owner of the real property on which the Facility is located and is the sole owner of the improvements comprising the Facility and all real and personal property located therein. The Company has full power, authority and legal right to own such real and personal property.

4.3.6. There is no litigation or proceeding pending or threatened against Company that could reasonably be expected to adversely affect the validity of this Agreement or the ability of Company to comply with its obligations under this Agreement.

4.3.7. The Company nor any of its agents or subsidiaries has received any notice of revocation, modification, denial or legal or administrating proceedings relating to the denial, revocation or modification of any local or state approvals, which, singly or in the aggregate, would prohibit the Company's Operations at the Facility.

5. FINANCIAL ARRANGEMENTS

5.1 All net income, revenue, cash flow, and other distributions from Operations will be held by Manager as a Management Fee, subject to Manager's further obligations to make payments and pay rent and expenses as otherwise provided herein.

5.2 Once the current tenancy is extinguished, Manager shall pay to Company a monthly rental of \$16,000 for its use of space at the Facility. The Old Operators shall pay the NNN expenses for the Facility and the debt service on any liens until the existing tenants have vacated the Facility, whereupon the Manager shall take on the responsibility for the NNN expense and remit \$18,200 in monthly rental payments.

5.3. The Old Operators and Manager will split the costs of CUP and other mitigations 50/50, and once the Option is exercised, the Manager (or its assignee) and the Old Operators will own the property and cash flows from Manager on a 50/50 basis.

5.4 The Old Operators are and will remain solely responsible for the lien on the property of approximately \$1,250,000, and shall make all payments due thereunder on a timely basis pursuant to the terms of the indebtedness.

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5.5 Prior to the closing of Manager's exercise of the Option, one third (1/3) of any remaining net income is to be paid to Company (it being understood and agreed that the Roselle-Guaranteed Payments, once due, are credited toward this payment of 1/3 of remaining net income sharing.) All such payments constitute a material part of Manager's obligations under this Agreement.

6. TERM AND TERMINATION

6.1. Term. Subject to the provisions contained in this Agreement, this Agreement shall commence as of the Effective Date and continue in full force and effect for a period of twenty (20) years.

6.2. Termination. Except as provided herein, this Agreement is not terminable by any Party and may only be not-renewed at the option of the Manager at the expiration of the term hereunder through the provision of ninety (90) days' advance written notice. This Agreement may be terminated through mutual consent of Manager and Company. This Agreement may also be terminated at the option of the Manager if the Operations fail to obtain either (i) any CUP or other local approvals, or (ii) the required California State permissions and licenses, in each case to allow the conduct of Operations at the Facility. This Agreement may be terminated at the option of the Company upon the failure by Manager to make any payments as are required herein, and such failure has gone uncured for twenty-five (25) days following notice to Manager by Company and/or the Old Operators.

7. RECORDS AND RECORD KEEPING

7.1. Access to Information. Company hereby authorize and grants to Manager full and complete access to all information, instruments, and documents relating to Company which may be reasonably requested by Manager to perform its obligations hereunder, and shall disclose and make available to representatives of Manager for review and photocopying all relevant books, agreements, papers, and records of Company. Manager shall further timely provide Company with all books and records generated from Operations. This shall be a continuing 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.

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- 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 be solely and personally responsible for paying in a timely fashion and ultimately paying off, the first lien of approximately \$1,250,000. 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)	\$2,250,000
March 31, 2018 (or prior)	\$2,375,000
June 30, 2018 (or prior)	\$2,500,000

8.3 Closing of Escrow. Escrow shall close on or before the sixtieth (60th) day following 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, with the protections for Manager against lien holders as stated in 8.1a, above.

8.4 Expiration of Option. If Manager does not exercise the Option prior to July 1, 2018, all of Manager's rights to exercise this 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 Roselle Facility in San Diego Building Ventures, LLC, a Delaware Series Limited Liability Company. Such ownership interest shall become effective as of the closing of the Option, and the Parties shall incorporate into that Operating Agreement Series such terms as are reflected in that certain LOI dated October 17, 2017 among the Parties with respect to Managers of the Series and related

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issues set forth therein. The terms of the Operating Agreement for San Diego Building Ventures, LLC shall govern the operations of the Roselle Facility and the Manager upon the closing of the Option. The Parties shall cooperate on the final structural decisions and documentation consistent with the terms contained in the LOI. From and after the closing of Manager's exercise of the Option, this new management company shall further take over all of the Manager's duties and responsibilities as outlined in this Agreement.

8.6. Grant of CUP. Notwithstanding anything else contained in this Agreement, no obligation, passage of time, date, or other matter with respect to the Option shall become effective until the City of San Diego has granted the Facility a conditional use permit ("CUP") permitting the Company's Operations to the satisfaction of Manager. In that regard each of the dates set forth in Section 8.2 above are tolled until the 30th, 90th, and 150th day, respectively, following the granting of the CUP, to Manager's satisfaction. The expiration date of the Option in section 8.4, above, is similarly tolled.

9. GENERAL

9.1. Conversion. At the option of Manager and in consultation with the Old Operators, any nonprofit may be converted into a for-profit entity and owned as the Parties may otherwise agree, and as is required for compliance with law.

9.2. Indemnification.

9.2.1. Indemnification by Company. Company hereby agree to indemnify, defend, and hold harmless Manager, its officers, directors, owners, members, employees, agents, affiliates, and subcontractors, from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, awards, costs, and expenses (including reasonable attorneys' fees) related to third party claims, whether or not covered by insurance, arising from or relating to any willful misconduct relating to the breach of this Agreement by Company. The provisions of this Section shall survive termination or expiration of this Agreement. Company shall immediately notify Manager of any lawsuits or actions, or any threat thereof, that are known or become known to Company that might adversely affect any interest of Company or Manager whatsoever.

9.2.2. Indemnification by Manager. Manager hereby agrees to indemnify, defend, and hold harmless Company, their respective officers, directors, shareholders, employees and agents from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, and awards, costs, and expenses (including reasonable attorneys' fees), whether or not covered by insurance, arising from or relating to (a) any material breach of this Agreement by Manager, (b) any acts or omissions by Manager and its employees to the extent that such is not paid or covered by the proceeds of insurance, and (c) all other Operations conduct at the Facility as part of Manager providing Administrative Services to the Company. The provisions of this Section shall survive termination or expiration of this Agreement. Notwithstanding the foregoing, Manager shall not indemnify Company for the acts or omissions of others employed or engaged by Company, or for matters relating to operations at the two downstairs suites unless due to the

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gross negligence of the Manager. Manager shall immediately notify Company of any lawsuits or actions, or any threat thereof, that are known or become known to Manager that might adversely affect any interest of Manager or Company whatsoever.

9.3. Dispute Resolution. In the event that any disagreement, dispute or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a "Dispute"), such Dispute shall be settled in accordance with the following procedures:

9.3.1. Meet and Confer. In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the "Dispute Notice"). The Parties shall meet and confer in San Diego County to discuss the Dispute in good faith within five (5) days following the other Parties' receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the "Meet and Confer Period" (as defined herein below).

9.3.2. Mediation. If the Parties are unable to resolve the Dispute within ten (10) days following the date of receipt of the Dispute Notice by the other parties (the "Meet and Confer Period"), then the parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the "Rules") of ADR Services, Inc. ("ADR Services") in San Diego County within thirty (30) days of delivery of the initial Dispute Notice. A single disinterested third-party mediator shall be selected by ADR Services in accordance with its then current Rules. The Parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

9.3.3. Arbitration. Any Dispute which cannot be resolved by the Parties as outlined above, such Dispute shall be resolved by final and binding arbitration (the "Arbitration"). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of ADR Services. The Arbitration shall be held in San Diego County, unless the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator(s) selected in accordance with the then current Rules of ADR Services. The arbitrator(s) shall apply California substantive law, or federal substantive law where state law is preempted. The arbitrator(s) selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of California. The arbitrator(s) shall have the power to grant all legal and equitable remedies provided by California law and award compensatory damages provided by California law, except that punitive damages shall not be awarded. The arbitrator(s) shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the Superior Court for the State of California in San Diego County. The prevailing party in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and nonexpert witness costs and any other expenses incurred

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directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator(s).

THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2):

JURY TRIAL WAIVED:

Company

By:

By:

By:

Manager

By:

Old Operators:

By:

By:

9.4. Entire Agreement; Amendment. This Agreement constitutes the entire agreement among the Parties related to the subject matter hereof and supersedes all prior agreements, understandings, and letters of intent relating to the subject matter hereof. This Agreement may be amended or supplemented only by a writing executed by all Parties. The Recitals of this Agreement are incorporated herein by this reference.

9.5. Notices. All notices, requests, demands or consents hereunder shall be in writing and shall be deemed given and received when delivered, if delivered in person, or four (4) days after being mailed by certified or registered mail, postage prepaid, return receipt requested, or one (1) day after being sent by overnight courier such as Federal Express, to and by the Parties at the following addresses, or at such other addresses as the Parties may designate by written notice in the manner set forth herein:

If to Manager:

SoCal Building Ventures, LLC

If to Company:

If to Old Operators:

9.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which, when taken together, will constitute one and the same instrument.

9.7. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California, without reference to conflict of law principles.

9.8. Assignment. Unless expressly set forth to the contrary hereinabove, this Agreement shall not be assignable by any Party hereto without the express written consent of the other Parties; provided, however, Old Operators may assign their holding interest to Monarch or another legal entity owned by the Old Operators, and SoCal Building Ventures, LLC may assign all or a portion of its rights and obligations to San Diego Building Ventures, LLC.

9.9. Waiver. Waiver of any agreement or obligation set forth in this Agreement by either Party shall not prevent that party from later insisting upon full performance of such agreement or obligation and no course of dealing, partial exercise or any delay or failure on the part of any Party hereto in exercising any right, power, privilege, or remedy under this Agreement or any related agreement or instrument shall impair or restrict any such right, power, privilege or remedy or be construed as a waiver therefor. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought.

9.10. Binding Effect. Subject to the provisions set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and upon their respective successors and assigns.

9.11. Waiver of Rule of Construction. Each Party has had the opportunity to consult with its own legal counsel in connection with the review, drafting, and negotiation of this

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Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting party shall not apply.

9.12. Severability. If anyone or more of the provisions of this Agreement is adjudged to any extent invalid, unenforceable, or contrary to law by a court of competent jurisdiction, each and all of the remaining provisions of this Agreement will not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

9.13. Force Majeure. Any Party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, terrorism, bio-terrorism, riot or insurrection, law or regulation, strike, flood, earthquake, water shortage, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities. This provision shall not release such Party from using its best efforts to avoid or remove such cause and such Party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such Party shall give prompt written notice thereof to the other Party, provided that failure to give such notice shall not in any way limit the operation of this provision.

9.14. Authorization for Agreement. The execution and performance of this Agreement by Company and Manager have been duly authorized by all necessary laws, resolutions, and corporate or partnership action, and this Agreement constitutes the valid and enforceable obligations of Company and Manager in accordance with its terms.

9.15. Duty to Cooperate. The Parties acknowledge that the Parties' mutual cooperation is critical to the ability of Manager and Company to perform successfully and efficiently its duties hereunder. Accordingly, each party agrees to cooperate fully with the other in formulating and implementing goals and objectives which are in Company's best interests.

9.16. Proprietary and Confidential Information. The Parties agree with regard to Confidential Information that Manager may be given or obtain as a result of Manager's performance under this Agreement, or vice versa, such Confidential Information is secret, confidential and proprietary, and shall be utilized only for those purposes of this Agreement or as otherwise directed or agreed to in writing. The term "Confidential Information" means any information or knowledge concerning or in any way related to the practices, pricing, activities, strategies, business plans, financial plans, trade secrets, relationships and methodology of Operations of the business, performance of the Administrative Services, or other matter relating to the business. The Parties shall take appropriate action to ensure that all employees permitted access to Confidential Information are aware of its confidential and proprietary nature and the restrictions placed on its use. The Parties shall not reproduce or copy the Confidential Information of the Company, or any part thereof, in any manner other than is necessary to perform under this Agreement, and no Party shall disclose or otherwise make the Confidential Information available to any other person, corporation, or other entity, except to the other Party, or as otherwise required by law.

9.16.1 All Confidential Information constitutes a valuable, confidential, special and unique asset. The Parties recognize that the disclosure of Confidential Information may give rise

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to irreparable injury or damage that are difficult to calculate, and which cannot be adequately compensated by monetary damages. Accordingly, in the event of any violation or threatened violation of the confidentiality provisions of this Agreement, a non-violating Party shall be entitled to an injunction restraining such violation.

9.17 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties; provided, however, at the request of either Party, the other Party shall execute such additional instruments and take such additional acts as are reasonable and as the requesting Party may deem necessary to effectuate this Agreement.

9.18 Consents, Approvals, and Exercise of Discretion. Whenever this requires any consent or approval to be given by either Party, or either Party must or may exercise discretion, and except where specifically set forth to the contrary, the Parties agree that such consent or approval shall not be unreasonably withheld or delayed, and that such discretion shall be reasonably exercised.

9.19 Third Party Beneficiaries. Except as otherwise provided herein, this Agreement shall not confer any rights or remedies upon any person other than Manager and Owner and their respective successors and permitted assigns.

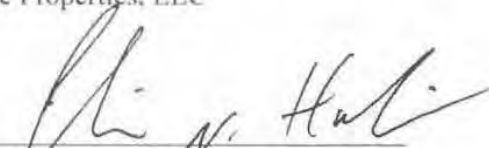
[signature page follows]

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IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

"COMPANY"

Roselle Properties, LLC

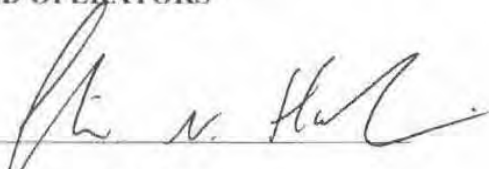
By: 
Its:

"MANAGER"

SoCal Building Ventures, LLC

By: 
Its:

"OLD OPERATORS"

By: 


By: 

Exhibit P
to cross-complaint

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into by and between Montgomery Field Business Condominiums Association (“Association”), Balboa Ave Cooperative (“Balboa”), San Diego United Holdings Group, LLC (“SDUHG”), Ninus Malan (“Malan”), Razuki Investments, LLC (“Razuki LLC”), and Salam Razuki (“Razuki”). The Association, Balboa, SDUHG, Malan, Razuki LLC and Razuki are sometimes referred to in this Agreement individually as a “Party” or collectively as the “Parties.” The Parties agree as follows:

1. Recitals. This Agreement is made with reference to the following recitals:

1.1 The Association is a California mutual benefit corporation that was organized on or about June 19, 1981 pursuant to its Articles of Incorporation, dated May 27, 1981 filed with the California Secretary of State. The Association was organized and operates as a Commercial or Industrial Common Interest Development as defined by Civil Code section 6531. The Association is also a “Condominium Project” as defined by Civil Code section 6542. The Association consists of certain commercial real property, including 62 office and industrial units, located within the City of San Diego, State of California (“Units”).

1.2 The Units are subject to the Association’s governing documents (as that term is defined in Civil Code section 6552), including, but not limited to, the Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums (“CC&Rs”) recorded on July 31, 1981, as Document Number 1981-242889, in the official records of the San Diego County Recorder, as amended from time to time. The Units are also subject to a valid and enforceable 2015 Amendment to Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums Association, dated February 26, 2015, recorded on March 2, 2015 as Document Number 2015-0093872 (“2015 Amendment”). A true and correct copy of the 2015 Amendment is attached to this Agreement as Exhibit “1” and is incorporated herein by reference. The 2015 Amendment was adopted by the Association pursuant to a valid vote of the Members of the Association (as defined in Section 16 of the CC&Rs), which took place in January and February 2015. In summary, the 2015 Amendment generally prohibits marijuana activities within the Association including the Units. In the 2015 Amendment, “Marijuana Activities” are defined as the “consumption, cultivation, manufacture, processing, possession, sale and/or distribution of marijuana and/or cannabis-related or cannabis-containing products and/or the operation of a medical marijuana collective, a medical marijuana cooperative, a medical marijuana dispensary, or a marijuana business for the sale of any marijuana product.”

1.3 On March 20, 2017, upon the recording of a Grant Deed, dated March 2, 2017 (recorded in the Official Records of the San Diego County Recorder), SDUHG became the record owner of two units within the Association located at 8863 Balboa Ave #E and 8861 Balboa Ave #B (the “SDUHG Units”). The SDUHG Units were transferred from Razuki LLC to SDUHG pursuant to this Grant Deed. In addition, Razuki LLC obtained a Deed of Trust with Assignment of Rents, which was recorded against the SDUHG Units on March 20, 2017 as Document Number 2017-0126557 recorded in the Official Records of the San Diego County Recorder. Malan is the managing member of SDUHG and Razuki is the principal member of Razuki LLC.

1.4 In or about April 2017, pursuant to Conditional Use Permit No. 1296130 8863 Balboa Ste E MMCC – Project No. 368347 (“CUP”), granted by City of San Diego Planning Commission, which is attached as Exhibit “2” and incorporated by reference, the Defendants, either individually or jointly, began some Marijuana Activities within the SDUHG Units.

1.5 On May 26, 2017, the Association commenced a civil enforcement action against the Defendants in San Diego County Superior Court, case number 37-2017-00019384-CU-CO-CTL (“Action”) to enforce the CC&Rs and the 2015 Amendment against the Defendants related to the Marijuana Activities occurring at the SDUHG Units. In the Action, Defendants raised numerous defenses to the validity or enforceability of the 2015 Amendment.

1.6 On September 8, 2017, the Court granted the Association a Preliminary Injunction, which was later modified. The Parties have posted several civil bonds in this Action related to the Preliminary Injunction and other ex parte applications filed in this Action (“Bonds”). Upon execution of this Agreement and the Stipulation, and upon the filing of a Notice of Settlement as set forth in Section 2.18, the Parties shall cooperate in obtaining the release of any bonds as part of this Agreement, if necessary.

1.7 On December 21, 2017, a Posted Notice of Application from the City of San Diego Development Services Department states that SDUHG applied for a Conditional Use Permit for a Marijuana Production Facility to operate within 8859 Balboa Ave, Suites A-E, located within the Association (“Proposed Production Facility”).

1.8 From May 26, 2017 through the present date, the Association has incurred \$127,924 in attorney’s fees and \$14,648.52 in costs in this Action as a result of (i) preparing, filing and serving the Complaint in this Action; (ii) approximately a dozen court hearings resulting or related to various ex parte applications filed by the parties and the preliminary injunction motion; (iii) a deposition; (iv) written discovery; and (v) other related litigation activities. The Association has limited funds, leaving it unable to pay its attorneys’ fees related to this Action in full unless it imposes one or more special assessments to Association’s Unit owners. In the Action, Defendants raised numerous defenses to the validity or enforceability of the 2015 Amendment.

1.9 As set forth in this Agreement, the Parties wish to forever settle, waive, and release any and all allegations, causes of action and claims, whether known or unknown, arising from or related to the Action by or between the Parties other than those claims specifically excluded from the releases herein.

2. Agreement.

In consideration of the recitals, terms, promises, conditions, and mutual covenants contained herein, the Parties agree as follows:

2.1 Settlement Payment. Defendant Malan shall pay the Association \$142,572 (One Hundred Forty-Two Thousand, Five Hundred Seventy-Two Dollars) for its attorneys' fees and costs incurred by the Association in the Action (the "Settlement Payment"). The Settlement Payment shall be paid by certified check, money order, or wire transfer made payable to the "Epsten Grinnell & Howell Client Trust Account" and delivered to the attention of Mandy D. Hexom, Epsten Grinnell & Howell, APC, 10200 Willow Creek Drive, Suite 100, San Diego, California 92131. The Settlement Payment shall be paid in the following manner:

2.1.1. By March 1, 2018, Defendant Malan shall pay the Association \$50,000 ("First Installment") to be applied exclusively toward the Settlement Payment; and

2.1.2. The remainder of the Settlement Payment, or \$92,572 (Ninety-Two Thousand, Five Hundred Seventy-Two Dollars), shall be paid in 15 monthly installments in the amount of \$6,171.47. The first \$6,171.47 installment payment shall be made on or before April 1, 2018 and continuing on the first day of each successive month until the remainder of the Settlement Payment is paid ("Remaining Monthly Installments").

2.2 Use Variance. In exchange for the Settlement Sum and for other valuable consideration as set forth herein, the Association shall permit Defendants to conduct Marijuana Activities and have armed guards as permitted by State and local law including the applicable governmental authorities from the City of San Diego. The Marijuana Activities may only occur within the SDUHG Units and/or the Proposed Production Facility as allowed by state and local law ("Use Variance"). The Use Variance shall be applicable to and run with Defendants only. The Use Variance shall be immediately and automatically revoked upon sale or transfer of the SDUHG Units or the Proposed Production Facility. However, the Board of Directors of the Association may approve a transfer of the Use Variance or approve a new Use Variance to another person or entity ("Transferee") for the SDUHG Units, but such transfer will require a new written agreement between the Association and any Transferee under the same terms and conditions of this Agreement including compliance with Sections 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10, and 2.11 herein (unless performance is complete as to those specific provisions) and any other conditions that the Board deems necessary. Furthermore, an agreed transfer of the Use Variance to a Transferee will not waive or dispose of any other obligations imposed on Defendants pursuant to this Agreement that may be due or performed prior to any transfer.

2.2.1 The Parties agree that the 2015 Amendment is valid and enforceable. However, the Association agrees to provide the Use Variance for Marijuana Activities and armed guards even if such activities violate the 2015 Amendment. The Use Variance does not act as a waiver of the Association's ability to enforce its governing documents against any Unit owner within the Association including but not limited to any Party to this Agreement.

2.2.2 The Use Variance shall be in effect as long as Defendants are in compliance with this Agreement, the Stipulation, any applicable Conditional Use Permit, and state and local laws pertaining to Marijuana Activities. In the event of a dispute between the Parties related to the Use Variance, the Parties agree that such dispute shall be made pursuant to an application or motion (with at least 16 court days prior notice) to enforce this Agreement

which allows the non-moving party the opportunity to file an opposition. If the Association prevails on such a motion or application, Judgment shall be entered and the Use Variance will be deemed revoked.

2.2.3 Nothing in this Agreement shall constitute a waiver by any Unit owner from opposing any applications related to any Marijuana Activities within the Association. However, the Association, including the Board of Directors, agrees not to oppose any such applications by the Defendants for any Marijuana Activities that may be allowed pursuant to the terms of this Agreement.

2.2.4 Should any Defendants or their Transferee(s), their/his/its agents or representatives serve on the Board of Directors of the Association, they/he/she/it shall not participate in any decisions on behalf of the Board, the Association, or a Committee of the Board, that relate to the Use Variance, this Agreement, or the Stipulation.

2.3 Payment of Insurance. The Association currently has a package policy of insurance with Farmers. A true and correct copy of the Certificate of Insurance and Memo to Mortgage Processors is attached herewith as Exhibit "3" ("Insurance Policy"). The Association currently has the following deductibles: (i) \$0.00 for Commercial General Liability Deductible; (ii) \$500 for Directors and Officers (D&O) Deductible; (iii) \$2,500 Property Deductible; (iv) \$2,500 Crime Deductible (Money/Fidelity); and (v) \$2,500 Cyber Liability Deductible (collectively "Association Deductibles" or individually "Association Deductible"). The current annual premium for the Association's Insurance Policy is \$14,000 ("Premium"). Defendants agree to the following insurance obligations:

2.3.1 Should the Association's Insurance Policy be cancelled or not renewed because of or related to, in whole or in part, Defendants' Marijuana Activities or armed guards, the Association or its authorized insurance agents and/or brokers, at its sole and exclusive authority and right, may procure or obtain an alternative insurance policy or policies for the Association. Defendants shall not interfere with the Association obtaining any insurance proposal, quotes or policies.

2.3.2 Should the Association be required, at any time in the future, to pay or deduct any deductibles, as required by any Association insurance policies in effect, in an amount for any and all claims involving the Marijuana Activities and/or armed guards permitted pursuant to the Use Variance, Defendants shall pay or reimburse any such deductible amount within 30 days of receipt of a written demand by the Association, which shall include verification by the insurer or an agent of the insurer of such required deductible by written letter, email or notice to the Association or its agent.

2.3.3 Beginning May 1, 2018 and during the time that Defendants conduct Marijuana Activities or have armed guards within the Association, Defendants shall pay the Association's insurance premiums. The Association agrees to send a demand for payment which shall include a copy of the invoice or notice of the required premium for the Association insurance policies ("Insurance Notice"). Defendants agree to pay the Association premium within 30 days of receipt of such Insurance Notice.

2.4 Payment of Association Water and Sewer Costs. Beginning on March 1, 2018, Defendants shall reimburse the Association any and all water and sewer costs above \$500.00 per billing period, which is every two months. The Association agrees to send a demand for payment to Defendants for reimbursement of these water and sewer costs, which shall include a copy of the invoice or bill ("Water Bill Notice"). Defendants agree to pay the Association's water costs above \$500.00 within 15 days of receipt of the Water Bill Notice.

2.5 Payment of Common Area Asphalt Costs. Beginning no earlier than September 1, 2018 and every five years thereafter, as long as this Agreement is in effect, Defendants shall pay or reimburse the costs for asphalt repairs, re-sealing, restriping, and restenciling of the common area parking stalls or parking spaces of the Association driveways and parking lots within the common areas of the Association ("Asphalt Costs"). The Parties agree that the Association will obtain a quote prior to obligating Defendants to the Asphalt Costs and present the quote to Defendants. In the event Defendants deem the quote too high, the Parties agree that the Association shall present three proposals or quotes from a licensed contractor and Defendants will be obligated to pay to the Association the lowest proposal for the Asphalt Costs. However, the Board of Directors of the Association will continue to have the authority to choose or select the contractor that will ultimately perform the work.

2.6 Payment of Painting Costs. Defendants agree to pay John Peak and Jason McKinney to paint the exterior of the Association's two front buildings that face Balboa Avenue (8855 Balboa Ave Units A-H and 8865 Balboa Avenue Units A-H) pursuant to a Board-approved proposal for such work ("Painting Costs"). Defendants agree to pay the Painting Costs by March 1, 2020.

2.6.1 In the event John Peak and/or Jason McKinney are unable or unwilling to perform the exterior painting, or if the Association determines these painters do not have adequate insurance, the Parties agree that the Association will obtain a total of three quotes from licensed painting contractors and Defendants will be required to pay to the Association the lowest proposed amount. Payment of these Painting Costs shall be due within 60 days upon receipt by Defendants of the invoice or proposal from the Association. However, the Board of Directors of the Association will continue to have the authority to choose or select the contractor that will ultimately perform the work.

2.7 Payment of Sewer Line Costs.

2.7.1 Defendants agree to hydro-jet the sewer line(s) associated with the SDUHG Units on or before April 1, 2018 and annually thereafter if the Association deems annual hydro-jet service is required or necessary to the SDUHG Units. If the sewer lines associated with the SDUHG Units or the Proposed Production Facility require repair, replacement or other ancillary work to be performed, Defendants shall reimburse the Association for any such costs upon receipt of a written demand by the Association within 60 days.

2.7.2 Between December 1, 2020 and March 1, 2021, Defendants agree to pay the cost to replace the Association's main sewer line ("Sewer Line Replacement"). The

Parties agree that the Association will obtain three quotes from a licensed and insured plumber prior to obligating Defendants to the Sewer Line Replacement and present the lowest quote to Defendants. Reimbursement of the cost of the Sewer Line Replacement shall be due within 60 days upon receipt by Defendants of the lowest proposal received by Defendants from the Association.

2.8 Water Valve Costs. Defendants shall reimburse the Association for the costs to replace 8 shut-off or shut down valves (one of each building) in addition to related new meter vales (5 total) ("Water Valve Costs"). The Association will obtain a total of three quotes from a licensed plumber and Defendants will be required to pay to the Association the lowest proposed amount. Payment of these Water Valve Costs shall be due within 60 days upon receipt by Defendants of the invoice or proposal from the Association. However, the Board of Directors of the Association will continue to have the authority to choose or select the contractor that will ultimately perform the work, provided that such reimbursement or payment will not be due before December 1, 2019.

2.9 Signs. Defendants agree that they cannot erect any signs for any Marijuana Activities or otherwise on the common areas of the Association unless such signs are first approved by the Board. The current signs on the Units will be approved by the Board of Directors of the Association at the Board meeting in February 2018.

2.10 Architectural Approval. Defendants must comply with Article VII, Section of the CC&RS. The Board of Directors of the Association may conduct an inspection of the interior of the SDUHG Units or the Proposed Production Facility upon 24 hours advanced written notice to Defendants if the Board of Directors obtains credible written information which details a potential violation of the governing documents of the Association.

2.11 Indemnification. Defendants hereby agree to and shall indemnify, hold harmless, and defend, at their own cost and expense, the Association and its employees, agents, officers, directors, board members, or representatives (collectively, "Association") from and against any and all losses, damages, judgments, rulings, settlements, claims, demands, actions, complaints, lawsuits, arbitrations, mediations, costs and expenses, including attorney's fees and costs (collectively "Claims" or individually "Claim") incurred by Association related to or resulting from any and all claims asserted or brought against Association in connection with the Marijuana Activities or armed guards involving the Defendants. Defendants further agree to defend, promptly and diligently, without compromising any deadlines imposed by law, at their sole expense, any such Claims brought against the Association or against the Association and/or Defendants, and to reimburse the Association any monies Association may have had to advance or pay to Defendants to protect the Association from such Claims (although nothing herein shall be construed to require Association to do so) or as the Association is required to pay by law or regulation or in order to avoid a fine, penalty, or forfeiture, or otherwise is paid by the Association in connection with, or as an expense, in defense of any Claim relating to Marijuana Activities or armed guards within the Association. This indemnification provision and its obligations shall be covered by any applicable insurance coverage(s) and for purposes of such insurance, Defendants shall list the Association as an additional insured party. The provisions

and obligations of this Indemnification paragraph shall survive for as long as the Use Variance is in effect or in use.

2.12 Stipulation. The Parties shall enter into the Stipulation for Court Jurisdiction to Enforce Settlement Upon Default Pursuant to Code of Civil Procedure Section 664.4 and Entry of Judgment Upon Default; Proposed Order Thereon, a true and correct copy of which is attached herewith as Exhibit "4" ("Stipulation"). The Parties shall also execute the proposed Judgment as to form only, which is attached herewith as Exhibit "5." The Judgment shall not be filed unless and until there is an adjudicated violation pursuant to Code of Civil Procedure section 664.6. The Parties further understand and agree that this Agreement will be attached as an exhibit to an application or motion should Party be required to file a noticed application or motion to enforce the terms of this Agreement pursuant to Section 2.17 herein.

2.13 Dismissal of Avila Restraining Order, Contempt, and Appeal. Balboa, SDUHG, Malan and Association agree that they will, in good faith, attempt to obtain a dismissal of the restraining order against Board President, Daniel Burakowski and dismissal of the related contempt and appeal, in exchange for a mutual waiver of fees and costs by the parties in that action and appeal, entitled *Anthony Avila v. Daniel Burakowski*, San Diego Superior Court Case Number 37-2017-00020519-CU-HR-CTL and Court of Appeal Case Number D072772.

2.14 Dismissal of Action. Within seven business days upon the receipt of a fully executed copy of this Agreement and the Stipulation, the Association shall file a Conditional Notice of Settlement using Judicial Council Form CM-200 indicating that the settlement is conditioned on obligations not to be performed until after payment of the Settlement Sum as set forth in Section 2.1. Upon payment of the Settlement Payment, the Association shall file with the court the attached Stipulation with the court in order to effectuate the execution of the Stipulation by the court and to obtain dismissal of the action without prejudice pursuant to the Stipulation. The Parties understand and agree that the Association may appear ex parte in this Action only to obtain the court's agreement and signature to retain jurisdiction as set forth in the Stipulation after the payment of the Settlement Payment.

2.15 Mutual Release of Claims by the Parties. With the exception of his/her/its/their respective rights and obligations created pursuant to this Agreement and the Stipulation, and as otherwise set forth in this Agreement or the Stipulation, upon execution of this Agreement and the Stipulation, and upon completed performance of Sections 2.1 herein, each Party hereby forever mutually releases and discharges each other Party his/her/its/their predecessors, successors and assigns and his/her/its/their respective officers, agents, directors, employees, other representatives and shareholders, from any and all claims including, without limitation, rights, defenses, demands, causes of action, liabilities, suits, obligations, controversies, damages, losses, expenses, penalties, costs, attorney's fees, and expenses of each and every kind and nature whatsoever, whether known or unknown, suspected or unsuspected, fixed or contingent, based upon, related to, or arising out of the Action related to this Action (the "Released Claims").

2.16 Waiver of Civil Code Section 1542. The Parties acknowledge this Agreement and all releases and waivers contained herein are intended to and do apply to all such

If to Salam Razuki or Razuki Investments, LLC, then to:
Douglas Jaffe
Law Offices of Douglas Jaffe
501 West Broadway, Suite 800
San Diego, CA 92101

If to Association, then to:
Mandy D. Hexom
Epsten Grinnell & Howell, APC
10200 Willow Creek Road, Suite 100
San Diego, CA 92131

3.2 Independent Counsel. The Parties have been represented or have had the opportunity to be represented by independent counsel of their own choice throughout any and all negotiations which preceded the execution of this Agreement. Each Party executed this Agreement with the consent and upon the advice of said independent counsel including with respect to the meaning of California Civil Code section 1542. The Parties have conducted their own independent investigation and relied upon their own advisors and attorneys regarding the settlement and terms of this Agreement and are entering into this Agreement on their own free will.

3.3 Waiver of Attorney's Fees and Costs. Except as other set forth herein, each Party shall bear their/its/his/her own costs and attorneys' fees in any way related to the Action, and the negotiation, documentation, and consummation of this Agreement and the Stipulation.

3.4 Authorized Signatory. The Parties, or the authorized representative thereof, has read this Agreement and understands the contents set forth herein. Each individual signing this Agreement on behalf of its respective entity or individual Party warrants and represents that each has the full power and authority to do so and thereby binds such respective Party.

3.5 Integration. This Agreement and Stipulation memorializes and constitutes the final expression and understanding between the Parties as to the claims being released herein, the complete exclusive statement of the Agreement, and supersedes and replaces all prior negotiations and agreements whether written or oral. The Stipulation is incorporated herein.

3.6 No Oral Modification or Modification by Interested Defendants. This Agreement may only be amended or modified by a writing signed by the Parties.

3.7 Cooperation and Drafting. Each Party has cooperated in the drafting and preparation of this Agreement and Stipulation. Hence, if any construction is made of this Agreement and Stipulation, the same shall not be construed against any Party.

3.8 California Law. This Agreement shall be deemed to have been executed and delivered within the County of San Diego, State of California, and the rights and obligations

of the parties hereto shall be governed and enforced in accordance with the laws of the State of California.

3.9 Further Assurances. The Parties shall perform any further acts and execute and deliver any documents which may be reasonably necessary to carry out the intent of this Agreement.

3.10 Captions. Sections, paragraphs, captions and/or headings contained in this Agreement are inserted for reference and convenience, and are not intended to define, limit, extend or otherwise define the scope or content of this Agreement or any provision hereof and shall not affect in any way the meaning or interpretation of this Agreement.

3.11 Counterparts. This Agreement may be executed in counterparts and when each Party has signed and delivered one such counterpart, each counterpart shall be deemed an original and, when taken together with other signed counterparts, shall constitute one Agreement which shall be binding upon and effective as to all Parties.

3.12 Facsimile or Electronic Signatures. This Agreement may be executed and signature pages exchanged via facsimile. Upon receipt via facsimile by all Parties, each executed signature page, combined with other original signature pages, shall be deemed an original and shall constitute one Agreement which shall be binding upon and effective as to all parties. A signed copy of the Agreement transmitted by facsimile machine, or other electronic image, will have the same force and effect as an original signature.

3.13 No Waiver. No delay or omission on the part of either Party in exercising or enforcing any rights under this Agreement shall constitute a waiver of the right, or of any right, including, but not limited to, the right to enforce any continuing breach of this Agreement.

3.14 Effective Date of Agreement. This Agreement shall become effective upon the date it is last signed by the Parties (the "Effective Date") and upon all Parties executing the Stipulation.

3.15 Time is of the Essence. Time is of the essence as to each and every term, covenants and condition of this Agreement in which time is a factor.

EACH OF THE UNDERSIGNED HEREBY DECLARES THAT THE TERMS OF THIS AGREEMENT HAVE BEEN COMPLETELY READ AND ARE FULLY UNDERSTOOD, AND BY EXECUTION HEREOF VOLUNTARILY ACCEPT THE TERMS WITH THE INTENT TO BE LEGALLY BOUND THEREBY.

Dated: _____

BALBOA AVE COOPERATIVE

By: _____

Title: _____

Dated: _____

SAN DIEGO UNITED HOLDINGS GROUP, LLC

By: _____

Title: _____

Dated: _____

NINUS MALAN

Dated: _____

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

By: _____

Daniel Burakowski
Board President

Dated: _____

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

By: _____

Glenn Strand
Vice President

Dated: _____

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

By: _____

Chris Williams
Secretary

Dated: _____

RAZUKI INVESTMENTS, LLC

By: _____

Title: _____

Dated: _____

SALAM RAZUKI

EXHIBIT 1

DOC# 2015-0093872



Mar 02, 2015 01:34 PM
OFFICIAL RECORDS
Ernest J. Dronenburg, Jr.,
SAN DIEGO COUNTY RECORDER
FEES: \$35.00

Recording Requested By:

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

When Recorded, Return To:

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION
c/o Epsten Grinnell & Howell APC
10200 Willow Creek Rd., Suite 100
San Diego, California 92131

7/2
10/12

**2015 AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS FOR
MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION**

**NOTICE
(Govt. Code §12956.1)**

IF THIS DOCUMENT CONTAINS ANY RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, GENDER, GENDER IDENTITY, GENDER EXPRESSION, SEXUAL ORIENTATION, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, GENETIC INFORMATION, NATIONAL ORIGIN, SOURCE OF INCOME AS DEFINED IN SUBDIVISION (P) OF SECTION 12955, OR ANCESTRY, THAT RESTRICTION VIOLATES STATE AND FEDERAL FAIR HOUSING LAWS AND IS VOID, AND MAY BE REMOVED PURSUANT TO SECTION 12956.2 OF THE GOVERNMENT CODE. LAWFUL RESTRICTIONS UNDER STATE AND FEDERAL LAW ON THE AGE OF OCCUPANTS IN SENIOR HOUSING OR HOUSING FOR OLDER PERSONS SHALL NOT BE CONSTRUED AS RESTRICTIONS BASED ON FAMILIAL STATUS.

THIS AMENDMENT is made on this 13th day of February, 2015, by MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION, a California nonprofit mutual benefit corporation ("Association"), with reference to the following:

RECITALS

A. The Association is a corporation whose Members are the Owners of all the Office Units and Industrial Units within that certain real property in the City of San Diego, County of San Diego, State of California, more particularly described in Exhibit "A" attached hereto and made a part hereof (hereinafter "Property").

B. The Property was developed in part as a "Commercial or Industrial Common Interest Development" as defined in section 6531 of the California Civil Code, and as a "Condominium Project" as defined in section 6542 of the California Civil Code, and currently consists of Office Units, Industrial Units and Exclusive Use Areas as shown on the "Condominium Plan" recorded July 31, 1981 as Document No. 81-242888 in the San Diego County Recorder's Office.

C. The Property is currently subject to the covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, liens and charges set forth in the "Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums" recorded on July 31, 1981 in the Official Records of the San Diego County Recorder as Document No. 81-242889 ("Declaration"), and all amendment thereto, including but not limited to the First Amendment to Declaration recorded September 14, 1989 as Document No. 1989-495903, and the Second Amendment to Declaration recorded on August 24, 1999, as Document No. 1999-0582901.

D. The Association and its Members desire to amend the Declaration as set forth below. By this 2015 Amendment, members representing at least seventy-five percent (75%) of the total voting power of the Association desire to amend certain provisions of the Declaration.

E. Article XIII, Section 2 of the Declaration provides that the Declaration may be amended from time to time by an instrument signed by members representing at least seventy-five percent (75%) of the total voting power of the Association.

F. The undersigned President and Secretary of the Association certify that at the time the ballots were counted the number of members in good standing and entitled to vote on matters related to the Association at the Special Meeting was 740. The undersigned President and Secretary of the Association certify that, to the best of their knowledge, the affirmative vote or written consent of at least the required percentage of Association Members has been obtained. The vote was 660 in favor of approval and 40 disapprovals, a total of 700 ballots were submitted out of total possible 740 eligible voters;

F. Each of the definitions contained in this 2015 Amendment shall be the same as those set forth in the Declaration except where such term is specifically deleted, amended or modified herein.

G. Notwithstanding any other provisions in the Declaration, the provisions of this Amendment shall apply and shall prevail in any inconsistency between this Amendment and the Declaration.

NOW, THEREFORE, pursuant to and in accordance with the provisions of Corporations Code Section 7513 and Article XIII, Section 2 of the Declaration, the Declaration is hereby amended as stated below:

Article VI, of the Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums, shall be amended to add the following language to the "Use Restrictions":

Section 20. Cultivation, Manufacture, Possession, Processing, Sale and/or Distribution of Marijuana Prohibited. The Association hereby implements a program to prohibit the use of Units for the consumption, cultivation, manufacture, processing, possession, sale and/or distribution of marijuana and/or cannabis-related or -containing products ("Marijuana Activities") and/or the operation of a medical marijuana collective, a medical marijuana cooperative, or a medical marijuana dispensary (collectively "Medical Marijuana Distributors"). The Association and its members have determined the following:

(a) Restrictive covenants pertaining to private land use (CC&Rs) are permitted to be more restrictive than public laws and zoning uses. *Mullaly v. Ojai Hotel Co.* (1968) 266 CA2d 9. To the extent such uses are permitted by law, the owners of this development have determined to make clear their desire to prevent uses which may otherwise be permissible at law. Accordingly, while Article VI, Sections 1 and 16, of this Declaration likely provide the Association with independent and adequate authority to restrict any and all activity related to marijuana, the threat posed by the possible presence of persons or businesses geared to Marijuana Activities or operations of Medical Marijuana Distributors, warrants additional clarity in this Declaration and the owners accordingly wish to prohibit all such activities to the greatest possible extent;

(b) Marijuana Manufacture, Cultivation, Possession and Distribution violates federal law. (21 USC Section 841(a)(1).)

(c) The presence of Marijuana Activities and/or operations of Medical Marijuana Distributors, would increase the likelihood of crime on the Property;

(d) The presence of a Marijuana Activities and/or the operation of Medical Marijuana Distributors would likely create parking and traffic flow problems for all Members;

(e) The carrier of the Association's master hazard insurance policy has informed the Members that the increased hazard presented by Marijuana Activities and/or the presence of Medical Marijuana Distributors due to high theft rates, break-ins, flammable products (i.e. THC methane wax extraction) and any manufacturing exposure could cause a claim to be denied and subject all Members of the Association to uncovered financial loss;

(f) The carrier of the Association's master hazard insurance policy has further informed the Members that associations whose units are involved in the sale or distribution of medical marijuana are ineligible for insurance coverage;

(g) The presence of Marijuana Activities and/or the presence of Medical Marijuana Distributors would likely decrease the property value of all Units;

(h) The California Supreme Court has concluded, "[N]either the [Compassionate Use Act of 1996 (Health & Safety Code § 11362.5) ("CUA")] nor the [Medical Marijuana Program (Health & Safety Code § 11362.7 et seq.) ("MMP")] expressly or impliedly preempts the authority of California cities and counties, under their traditional land use and police powers, to allow, restrict, limit, or entirely exclude facilities that distribute medical marijuana, and to enforce such policies by nuisance actions....[The CUA and the MMP]remove state-level criminal and civil sanctions from specified medical marijuana activities, but they do not establish a comprehensive state system of legalized medical marijuana; or grant a "right" of convenient access to marijuana for medicinal use; or override the zoning, licensing, and police powers of local jurisdictions; or mandate local accommodation of medical marijuana cooperatives, collectives, or dispensaries."(*City of Riverside v. Inland Empire Patients Health & Wellness Center, Inc.*, 56 Cal. 4th 729, 762-763 (Cal. 2013).)

Therefore, notwithstanding anything in this Declaration to the contrary, the use of any Unit for consumption, cultivation, manufacture, processing, possession, sale and/or distribution of marijuana and/or cannabis-related or -

containing products ("Marijuana Activities") and/or the operation of a medical marijuana collective, a medical marijuana cooperative, or a medical marijuana dispensary (collectively "Medical Marijuana Distributors"), is prohibited.

IN WITNESS WHEREOF, the undersigned have executed this **2015 Amendment to Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums Association**, on this 26 day of February, 2015.

MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION,
a California nonprofit mutual benefit corporation

By: Dan Burakowski
DAN BURAKOWSKI, President

By: Edward Quinn
Edward Quinn, Secretary

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On Feb. 26, 2015 before me, A. Caro DelCastillo, Notary Public, personally appeared Dan Burakowski and Edward Quinn, proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

[Signature]
Notary Public



**EXHIBIT A
LEGAL DESCRIPTION**

The Southwesterly 219.55 feet of the Northeasterly 413.55 feet of Lot 9 in the City of San Diego Industrial Park Unit No. 2., in the City of San Diego, County of San Diego, State of California, according to map thereof No. 4113, filed in the Office of the County Recorder of San Diego County, March 12, 1959.

Assessor's Parcel Numbers: 369-150-13-01 through 369-150-13-46

CERTIFICATE OF BOARD PRESIDENT AND SECRETARY
OF
MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION
A California Nonprofit Mutual Benefit Corporation

We, the undersigned, do hereby certify:

That we are the duly elected President and Secretary, respectively, of Montgomery Field Business Condominiums Association, a California non-profit, mutual benefit corporation.

That the foregoing 2015 Amendment to Article VI of the "Declaration of Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums," recorded on July 31, 1981 in the Official Records of the San Diego County Recorder as Document No. 81-242889, was approved by a majority vote of the membership on February 13, 2015 and was recorded on NA, 2015 as Document No. 2015-NA in the Official Records of San Diego County, California, and affects the real property legally described in Exhibit A to the 2015 Amendment.

MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION
a California nonprofit mutual benefit corporation

By: *Dan Burakowski*
DAN BURAKOWSKI, President

By: *Edward Quinn*
Edward Quinn, Secretary

EXHIBIT 2

13p
1c

DOC# 2015-0399133



Jul 29, 2015 10:11 AM
OFFICIAL RECORDS
Ernest J. Dronenburg, Jr.,
SAN DIEGO COUNTY RECORDER
FEES: \$51.00

PAGES: 13

RECORDING REQUESTED BY
CITY OF SAN DIEGO
DEVELOPMENT SERVICES
PERMIT INTAKE, MAIL STATION 501

PROJECT MANAGEMENT
PERMIT CLERK
MAIL STATION 501

SPACE ABOVE THIS LINE FOR RECORDER'S USE

INTERNAL ORDER NUMBER: 24004643

CONDITONAL USE PERMIT NO. 1296130
8863 BALBOA STE E MMCC - PROJECT NO. 368347
PLANNING COMMISSION

This Conditional Use Permit No. 1296130 is granted by the Planning Commission of the City of San Diego to LEADING EDGE REAL ESTATE, LLC, Owner and UNITED PATIENTS CONSUMER COOPERATIVE, Permittee, pursuant to San Diego Municipal Code [SDMC] section 126.0305. The 2.51-acre site located at 8863 Balboa Avenue is in the IL-3-1 Zone, the Airport Influence Area (Miramar and Montgomery Field), Montgomery Field Safety Zone 2, 5, and 6, the 60-65 dB CNEL for Montgomery Field, and within the Kearny Mesa Community Plan Area. The project site is legally described as: Lot 9, Industrial Park No. 2, Map No. 4113, March 12, 1959.

Subject to the terms and conditions set forth in this Permit, permission is granted to Owner/Permittee to operate a Medical Marijuana Consumer Cooperative (MMCC) and subject to the City's land use regulations described and identified by size, dimension, quantity, type, and location on the approved exhibits [Exhibit "A"] dated July 9, 2015, on file in the Development Services Department.

The project shall include:

- a. Operation of a Medical Marijuana Consumer Cooperative (MMCC) in a 999 square-foot tenant space within an existing, 4,995 square-foot, one-story building on a 2.51-acre site;
- b. Existing landscaping (planting, irrigation and landscape related improvements);
- c. Existing off-street parking;

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4176

- d. Public and private accessory improvements determined by the Development Services Department to be consistent with the land use and development standards for this site in accordance with the adopted community plan, the California Environmental Quality Act [CEQA] and the CEQA Guidelines, the City Engineer's requirements, zoning regulations, conditions of this Permit, and any other applicable regulations of the SDMC.

STANDARD REQUIREMENTS:

1. This permit must be utilized within thirty-six (36) months after the date on which all rights of appeal have expired. If this permit is not utilized in accordance with Chapter 12, Article 6, Division 1 of the SDMC within the 36 month period, this permit shall be void unless an Extension of Time has been granted. Any such Extension of Time must meet all SDMC requirements and applicable guidelines in effect at the time the extension is considered by the appropriate decision maker. This permit must be utilized by July 9, 2018.
2. This Conditional Use Permit [CUP] and corresponding use of this MMCC shall expire on July 9, 2020.
3. In addition to the provisions of the law, the MMCC must comply with; Chapter 4, Article 2, Division 15 and Chapter 14, Article 1, Division 6 of the San Diego Municipal Code.
4. No construction, occupancy, or operation of any facility or improvement described herein shall commence, nor shall any activity authorized by this Permit be conducted on the premises until:
 - a. The Owner/Permittee signs and returns the Permit to the Development Services Department.
 - b. The Permit is recorded in the Office of the San Diego County Recorder.
 - c. A MMCC Permit issued by the Development Services Department is approved for all responsible persons in accordance with SDMC, Section 42.1504.
5. While this Permit is in effect, the MMCC shall be used only for the purposes and under the terms and conditions set forth in this Permit unless otherwise authorized by the appropriate City decision maker.
6. This Permit is a covenant running with the MMCC and all of the requirements and conditions of this Permit and related documents shall be binding upon the Owner/Permittee and any successor(s) in interest.
7. The continued use of this Permit shall be subject to the regulations of this and any other applicable governmental agency.

8. Issuance of this Permit by the City of San Diego does not authorize the Owner/Permittee for this Permit to violate any Federal, State or City laws, ordinances, regulations or policies including, but not limited to, the Endangered Species Act of 1973 [ESA] and any amendments thereto (16 U.S.C. § 1531 et seq.).

9. The Owner/Permittee shall secure all necessary building permits. The Owner/Permittee is informed that to secure these permits, substantial building modifications and site improvements may be required to comply with applicable building, fire, mechanical, and plumbing codes, and State and Federal disability access laws.

10. Construction plans shall be in substantial conformity to Exhibit "A." Changes, modifications, or alterations to the construction plans are prohibited unless appropriate application(s) or amendment(s) to this Permit have been granted.

11. All of the conditions contained in this Permit have been considered and were determined-necessary to make the findings required for approval of this Permit. The Permit holder is required to comply with each and every condition in order to maintain the entitlements that are granted by this Permit.

If any condition of this Permit, on a legal challenge by the Owner/Permittee of this Permit, is found or held by a court of competent jurisdiction to be invalid, unenforceable, or unreasonable, this Permit shall be void. However, in such an event, the Owner/Permittee shall have the right, by paying applicable processing fees, to bring a request for a new permit without the "invalid" condition(s) back to the discretionary body which approved the Permit for a determination by that body as to whether all of the findings necessary for the issuance of the proposed permit can still be made in the absence of the "invalid" condition(s). Such hearing shall be a hearing de novo, and the discretionary body shall have the absolute right to approve, disapprove, or modify the proposed permit and the condition(s) contained therein.

12. The Owner/Permittee shall defend, indemnify, and hold harmless the City, its agents, officers, and employees from any and all claims, actions, proceedings, damages, judgments, or costs, including attorney's fees, against the City or its agents, officers, or employees, relating to the issuance of this permit including, but not limited to, any action to attack, set aside, void, challenge, or annul this development approval and any environmental document or decision. The City will promptly notify Owner/Permittee of any claim, action, or proceeding and, if the City should fail to cooperate fully in the defense, the Owner/Permittee shall not thereafter be responsible to defend, indemnify, and hold harmless the City or its agents, officers, and employees. The City may elect to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification. In the event of such election, Owner/Permittee shall pay all of the costs related thereto, including without limitation reasonable attorney's fees and costs. In the event of a disagreement between the City and Owner/Permittee regarding litigation issues, the City shall have the authority to control the litigation and make litigation related decisions, including, but not limited to, settlement or other disposition of the matter. However, the Owner/Permittee shall not be required to pay or perform any settlement unless such settlement is approved by Owner/Permittee.

PLANNING/DESIGN REQUIREMENTS:

13. The use within the 999 square-foot tenant space shall be limited to the MMCC and any use permitted in the IL-3-1 zone.
14. Consultations by medical professionals shall not be a permitted accessory use at the MMCC.
15. Lighting shall be provided to illuminate the interior of the MMCC, facade, and the immediate surrounding area, including any accessory uses, parking lots, and adjoining sidewalks. Lighting shall be hooded or oriented so as to deflect light away from adjacent properties.
16. Security shall include operable cameras and a metal detector to the satisfaction of Development Services Department. This facility shall also include alarms and two armed security guards to the extent the possession of a firearm is not in conflict with 18 U.S.C. § 922(g) and 27 C.F.R § 478.11. Nothing herein shall be interpreted to require or allow a violation of federal firearms laws. The security guards shall be licensed by the State of California. One security guard must be on the premises 24 hours a day, seven days a week, the other must be present during business hours. The security guards should only be engaged in activities related to providing security for the facility, except on an incidental basis. The cameras shall have and use a recording device that maintains the records for a minimum of 30 days.
17. The Owner/Permittee shall install bullet resistant glass, plastic, or laminate shield at the reception area to protect employees.
18. The Owner/Permittee shall install bullet resistant armor panels or solid grouted masonry block walls, designed by a licensed professional, in adjoining walls with other tenants, reception area, and vault room (manager's office).
19. The name and emergency contact phone number of an operator or manager shall be posted in a location visible from outside of the MMCC in character size at least two inches in height.
20. The MMCC shall operate only between the hours of 7:00 a.m. and 9:00 p.m., seven days a week.
21. The use of vending machines which allow access to medical marijuana except by a responsible person, as defined in San Diego Municipal Code Section 42.1502, is prohibited. For purposes of this section and condition, a vending machine is any device which allows access to medical marijuana without a human intermediary.
22. The Owner/Permittee or operator shall maintain the MMCC, adjacent public sidewalks, and areas under the control of the owner or operator, free of litter and graffiti at all times. The owner or operator shall provide for daily removal of trash, litter, and debris. Graffiti shall be removed within 24 hours.

23. Medical marijuana shall not be consumed anywhere within the 2.51-acre site.
24. The Owner/Permittee or operator shall post anti-loitering signs near all entrances of the MMCC.
25. All signs associated with this development shall be consistent with sign criteria established by City-wide sign regulations and shall further be restricted by this permit. Sign colors and typefaces are limited to two. Ground signs shall not be pole signs. A sign is required to be posted on the outside of the MMCC and shall only contain the name of the business.
26. Interior spaces exposed to exterior aircraft noise sources shall be attenuated to achieve an indoor noise level of 50 dB CNEL.

ENGINEERING REQUIREMENTS:

27. Prior to the issuance of any building permit, the Owner/Permittee shall assure by permit and bond the replacement of the two easterly driveways with City standard driveways on Balboa Avenue per Standard Drawings SDG-159, satisfactory to the City Engineer.

TRANSPORTATION REQUIREMENTS:

28. No fewer than 5 parking spaces (including 1 van accessible space) for the proposed 999 square-foot MMCC (with 99 existing surface parking spaces -including 4 accessible spaces on the entire 2.5 acre site) shall be maintained on the property at all times in the approximate locations shown on Exhibit "A". All on-site parking stalls and aisle widths shall be in compliance with requirements of the City's Land Development Code and shall not be converted and/or utilized for any other purpose, unless otherwise authorized in writing by the Development Services Department.
29. Prior to any building permit/tenant improvement for 8861 Balboa Avenue Suite #B, the applicant shall demonstrate that the converted portion of the warehouse space to 2-car parking garage at 8861 Balboa Suite #B is to be accessed accessible for minimum turning path for passenger car design vehicle to accommodate ingress/egress of two (2) side-by-side dimensionally acceptable interior garage parking spaces, one of which is to be assigned to this CUP for 8863 Balboa Avenue Suite #E as employee parking while the other to be assigned to 8861 Balboa Avenue Suite #B, which may in turn require its own building permit to convert a portion of Suite #B into a parking garage satisfactory to BDR - Structural Review staff. Improvements to the existing garage space that may be required include, but are not limited to, a wider garage door and improvements required for separation of the parking and warehouse uses in 8863 Balboa Avenue Suite #E, satisfactory to BDR - Structural Review staff.

POLICE DEPARTMENT RECOMMENDATION:

30. The San Diego Police Department recommends that a Crime Prevention Through Environmental Design (CPTED) review be requested by their department and implemented for the MMCC.

INFORMATION ONLY:

- The issuance of this discretionary use permit alone does not allow the immediate commencement or continued operation of the proposed use on site. The operation allowed by this discretionary use permit may only begin or recommence after all conditions listed on this permit are fully completed and all required ministerial permits have been issued and received final inspection.
- Any party on whom fees, dedications, reservations, or other exactions have been imposed as conditions of approval of this Permit, may protest the imposition within ninety days of the approval of this development permit by filing a written protest with the City Clerk pursuant to California Government Code-section 66020.
- This development may be subject to impact fees at the time of construction permit issuance.

APPROVED by the Planning Commission of the City of San Diego on July 9, 2015 and Resolution No. PC-4716.

Conditional Use Permit No.1296130/PTS No. 368347
Date of Approval: July 9, 2015

AUTHENTICATED BY THE CITY OF SAN DIEGO DEVELOPMENT SERVICES
DEPARTMENT

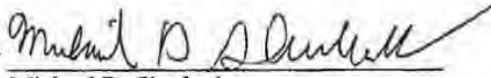


Edith Gutierrez
Development Project Manager

**NOTE: Notary acknowledgment
must be attached per Civil Code
section 1189 et seq.**

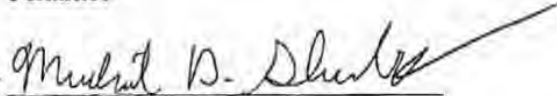
**The undersigned Owner/Permittee, by execution hereof, agrees to each and every condition of
this Permit and promises to perform each and every obligation of Owner/Permittee hereunder.**

LEADING EDGE REAL ESTATE, LLC
Owner

By 

Michael D. Sherlock
Managing Member

UNITED PATIENTS CONSUMER
COOPERATIVE
Permittee

By 

Michael D. Sherlock
Permittee

**NOTE: Notary acknowledgments
must be attached per Civil Code
section 1189 et seq.**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Diego)
On July 27, 2015 before me, Vivian M. Gies, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared Edith Gutierrez
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Vivian M. Gies
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document PTS 368347/8863 Balboa Ste.E MMCC/CUP #1296130
Title or Type of Document: _____ Document Date: _____
Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney In Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney In Fact
 Trustee Guardian or Conservator
 Other: _____
Signer Is Representing: _____

ORIGINAL

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of San Diego)

On July 23rd, 2015 before me, Christine Gasparyan, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Michael DeCarlo Sherlock
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Christine Gasparyan
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Conditional Use Permit #1291230 Document Date: _____
Number of Pages: 7 Signer(s) Other Than Named Above: N/A

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer is Representing: _____

Signer's Name: _____
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Individual Attorney in Fact
 Trustee Guardian or Conservator
 Other: _____
Signer is Representing: _____

ORIGINAL

PLANNING COMMISSION
RESOLUTION NO. PC-4716
CONDITONAL USE PERMIT NO. 1296130
8863 BALBOA STE E MMCC PROJECT NO. 368347

WHEREAS, LEADING EDGE REAL ESTATE, LLC, Owner and UNITED PATIENTS CONSUMER COOPERATIVE, Permittee, filed an application with the City of San Diego for a permit to operate a Medical Marijuana Consumer Cooperative (MMCC) in a 999 square-foot tenant space within an existing, 4,995 square-foot building (as described in and by reference to the approved Exhibits "A" and corresponding conditions of approval for the associated Permit No. 1296130), on portions of a 2.51-acre site;

WHEREAS, the project site is located at 8863 Balboa Avenue is in the IL-3-1 Zone, the Airport Influence Area (Miramar and Montgomery Field), Montgomery Field Safety Zone 2, 5, and 6, the 60-65 dB CNEL for Montgomery Field, and within the Keamy Mesa Community Plan Area;

WHEREAS, the project site is legally described as Lot 9, Industrial Park No. 2, Map No. 4113, March 12, 1959;

WHEREAS, on April 22, 2015, the Hearing Officer of the City of San Diego approved Conditional Use Permit No. 1296130 pursuant to the Land Development Code of the City of San Diego;

WHEREAS, on March 25, 2015, Stephen Cline and Daniel Burakowski filed appeals of the Hearing Officer's decision;

WHEREAS, on July 9, 2015, the Planning Commission of the City of San Diego considered the appeal of Conditional Use Permit No. 1296130 pursuant to the Land Development Code of the City of San Diego;

WHEREAS, on November 20, 2014, the City of San Diego, as Lead Agency, through the Development Services Department, made and issued an Environmental Determination that the project is exempt from the California Environmental Quality Act (CEQA) (Public Resources Code section 21000 et. seq.) under CEQA Guidelines Section 15303 (New Construction or Conversion of Small Structures); and the Environmental Determination was appealed to City Council, which heard and denied the appeal on March 3, 2015 pursuant to Resolution No. 309534;

NOW, THEREFORE, BE IT RESOLVED by the Planning Commission of the City of San Diego as follows:

That the Planning Commission adopts the following written Findings, dated July 9, 2015.

FINDINGS:

Conditional Use Permit Approval – Section §126.0305

1. **The proposed development will not adversely affect the applicable land use**

Plan.

The proposed project is a request for a Conditional Use Permit to operate in a 999 square-foot tenant space within an existing, 4,995 square-foot one-story building. The 2.51-acre site is located at 8863 Balboa Avenue in the IL-3-1 Zone, the Airport Influence Area (Miramar and Montgomery Field), Montgomery Field Safety Zone 2, 5, and 6, the 60-65 dB CNEL for Montgomery Field, and within the Kearny Mesa Community Plan area.

The site is designated Industrial in the Kearny Mesa Community Plan. The Industrial designation is intended for manufacturing, assembling, processing, warehousing or transporting goods or products. The Kearny Mesa Community Plan encourages continued development of Kearny Mesa as a regional employment center, containing a mix of industrial, office, retail and compatible housing land uses. The proposed MMCC was reviewed by MCAS Miramar and determined to be consistent with the Air Installation Compatible Use Zone (AICUZ) noise and safety compatibility guidelines.

The 2.51-acre site is zoned IL-3-1 and has eight detached buildings constructed in 1969. The proposed MMCC is located on the far southwest side of the lot. The existing uses on the site consist of vehicle sales and services, retail and commercial services (business services-offices). The existing uses are consistent with the Industrial designation of the community plan. The surrounding parcels are within the IL-2-1 Zone except from the south parcel which is Montgomery Field Airport and is unzoned. The proposed MMCC, classified as commercial services, is a compatible use for this location with a Conditional Use Permit and is consistent with the community plan, therefore will not adversely affect the applicable land use plan.

2. The proposed development will not be detrimental to the public health, safety, and welfare.

The proposed 999 square-foot MMCC site located at 8863 Balboa Avenue is within an existing 4,995 square-foot building on a 2.51-acre site. The existing tenant space is currently being used for vehicle sales and services. The project proposes interior improvements that include a reception area, dispensary area, office, employee lounge and restroom. The tenant improvement building permit will require compliance with the California Building Code, Plumbing Code, Mechanical Code, Electrical Code, Fire Code and all adopted referenced standards. Public improvements include the replacement of the two easterly driveways with City standard driveways on Balboa Avenue.

MMCCs are restricted to four per Council District, 36 city-wide, within commercial and industrial zones in order to minimize the impact on the City and residential neighborhoods. MMCCs require compliance with San Diego Municipal Code (SDMC) section 141.0614 which require a 1,000-foot separation, measured between property lines, from: public parks, churches, child care centers, playgrounds, libraries, minor-oriented facilities, other medical marijuana consumer cooperatives, residential care facilities, and schools. There is also a minimum distance requirement of 100 feet from a residential zone. In addition to minimum distance requirements, MMCCs prohibit consultations by medical professionals on site and do not allow certain types of vending machines. Security requirements include interior and exterior lighting, security cameras, alarms and a security guard. The security guard must be licensed by the State of California and be present on the premises during business hours. Hours of operation are limited from 7:00 a.m. to 9:00 p.m. seven days a week. MMCCs must also comply with Chapter 4, Article 2, Division 15 which provides guidelines for lawful operation.

The project requires compliance with the development conditions in effect for the subject property as described in Conditional Use Permit No. 1296130. The Conditional Use Permit is valid for five years, however may be revoked if the use violates the terms, conditions, lawful requirements, or provisions of the permit.

The referenced regulations and conditions have been determined as necessary to avoid adverse impact upon the health, safety and general welfare of persons patronizing, residing or working within the surrounding area and therefore, the proposed MMCC will not be detrimental to the public health, safety and welfare.

3. The proposed development will comply with the regulations of the Land Development Code including any allowable deviations pursuant to the Land Development Code.

The proposed 999 square-foot MMCC located at 8863 Balboa Avenue is within an existing 4,995 square-foot building. The 2.51-acre site is zoned IL-3-1 and has eight detached buildings totaling 39,674 square-feet constructed in 1969. The proposed MMCC is located on the far southwest side of the lot. The existing uses on the site consist of vehicle sales and services, retail and commercial services (business services-offices). The project proposes interior improvements that include a reception area, dispensary area, office, employee lounge and restroom. The tenant improvement building permit will require compliance with the California Building Code, Plumbing Code, Mechanical Code, Electrical Code, Fire Code and all adopted referenced standards. Public improvements include the replacement of the two easterly driveways with City standard driveways on Balboa Avenue.

MMCCs are allowed in the IL-3-1 zone with a Conditional Use Permit (CUP). The CUP requires MMCCs to comply with SDMC section 141.0614 which requires a 1,000-foot separation, measured between property lines, from: public parks, churches, child care centers, playgrounds, libraries, minor-oriented facilities, other medical marijuana consumer cooperatives, residential care facilities, and schools. There is also a minimum distance requirement of 100 feet from a residential zone. In addition to minimum distance requirements, MMCCs prohibit consultations by medical professionals on site and do not allow certain types of vending machines. Security requirements include interior and exterior lighting, security cameras, alarms and a security guard. The security guard must be licensed by the State of California and be present on the premises during business hours. Hours of operation are limited from 7:00 a.m. to 9:00 p.m. seven days a week. MMCCs must also comply with Chapter 4, Article 2, Division 15 which provides guidelines for lawful operation.

The proposed MMCC is consistent with the land use designation of Industrial. The proposed MMCC meets all development regulations, no deviations are requested, and the permit as conditioned assures compliance with all the development regulations of the San Diego Municipal Code. The proposed MMCC therefore complies with the regulations of the Land Development Code.

4. The proposed use is appropriate at the proposed location.

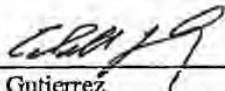
The proposed 999 square-foot MMCC located at 8863 Balboa Avenue is within an existing 4,995 square-foot building.

MMCCs, classified as commercial services, are allowed in the IL-3-1 zone with a Conditional Use Permit (CUP) and are consistent with the land use designation of Industrial use in the Kearny Mesa Community Plan. The CUP requires MMCCs to comply with SDMC section 141.0614 which requires a

1,000-foot separation, measured between property lines, from: public parks, churches, child care centers, playgrounds, libraries, minor-oriented facilities, other medical marijuana consumer cooperatives, residential care facilities, and schools. There is also a minimum distance requirement of 100 feet from a residential zone. In addition to minimum distance requirements, MMCCs prohibit consultations by medical professionals on site and do not allow certain types of vending machines. Security requirements include interior and exterior lighting, security cameras, alarms and a security guard. The security guard must be licensed by the State of California and be present on the premises during business hours. Hours of operation are limited from 7:00 a.m. to 9:00 p.m. seven days a week. MMCCs must also comply with Chapter 4, Article 2, Division 15 which provides guidelines for lawful operation.

The San Diego Municipal code limits MMCCs to commercial and industrial zones and the number of MMCCs to only four per Council District, 36 city-wide, in order to minimize the impact on the City and residential neighborhoods. The proposed MMCC is located on the far southwest side of a 2.51-acre site that is zoned IL-3-1 and has eight detached buildings. The existing uses on the site consist of vehicle sales and services, retail and commercial services (business services-offices). The proposed MMCC is a compatible use for this location with a Conditional Use Permit, is consistent with the community plan and the permit as conditioned assures compliance with all the development regulations of the San Diego Municipal Code, therefore the use is appropriate at the proposed location.

BE IT FURTHER RESOLVED that, based on the findings hereinbefore adopted by the Planning Commission, Conditional Use Permit No. 1296130 is hereby GRANTED by the Planning Commission to the referenced Owner/Permittee, in the form, exhibits, terms and conditions as set forth in Permit No. 1296130, a copy of which is attached hereto and made a part hereof.



Edith Gutierrez
Development Project Manager
Development Services

Adopted on: July 9, 2015

Job Order No. 24004643

EXHIBIT 3

EXHIBIT 4

1 Rian W. Jones, Bar No. 118830
Mandy D. Hexom, Bar No. 216390
2 EPSTEN GRINNELL & HOWELL APC
10200 Willow Creek Road, Suite 100
3 San Diego, California 92131
(858) 527-0111/ Fax (858) 527-1531
4 rjones@epsten.com
mhexom@epsten.com

5 Attorneys for Plaintiff,
6 MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

7
8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF SAN DIEGO, CENTRAL DIVISION

10
11 MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
12 California Nonprofit Mutual Benefit
Corporation,

13 Plaintiff,

14 v.

15 BALBOA AVE COOPERATIVE, a
16 California corporation; SAN DIEGO
UNITED HOLDINGS GROUP, LLC, a
17 California limited liability company; NINUS
MALAN, an individual; RAZUKI
18 INVESTMENTS, LLC, a California limited
liability company; SALAM RAZUKI, an
19 individual; and DOES 1 through 25,
inclusive,

20 Defendants.
21

CASE NO. 37-2017-00019384-CU-CO-CTL

**STIPULATION FOR COURT TO RETAIN
JURISDICTION TO ENFORCE
SETTLEMENT UPON DEFAULT
PURSUANT TO CODE OF CIVIL
PROCEDURE SECTION 664.6 AND
ENTRY OF JUDGMENT UPON
DEFAULT; [PROPOSED] ORDER
THEREON**

Case Assignment: Honorable Ronald L. Styn
Complaint Filed: May 26, 2017
Trial Date: March 9, 2018

[IMAGED FILE]

22 IT IS HEREBY STIPULATED by and between Plaintiff, MONTGOMERY FIELD
23 BUSINESS CONDOMINIUMS ASSOCIATION, a California Non-Profit Corporation
24 ("Plaintiff" or "Association") and Defendants, BALBOA AVE COOPERATIVE, SAN
25 DIEGO UNITED HOLDINGS GROUP, LLC, NINUS MALAN, RAZUKI INVESTMENTS,
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1
STIPULATION FOR ENTRY OF JUDGMENT UPON DEFAULT

1 LLC and SALAM RAZUKI (collectively, the “Defendants”) as follows:¹

2 1. Recitals. On or about May 26, 2017, the Association commenced this action
3 against the Defendants for causes of action related to the enforcement of the Association’s
4 Declaration of Covenants, Conditions and Restriction for Montgomery Field Business
5 Condominiums recorded on July 31, 1981 as Documents No. 1981-242889 in the Official
6 Records of the San Diego County Recorder’s Office (“CC&Rs”) and the Association’s 2015
7 Amendment to Declaration of Covenants, Conditions and Restrictions for Montgomery Field
8 Business Condominiums Association recorded on March 2, 2015 as Document No. 2015-
9 0093872 in the Official Records of the San Diego County Recorder’s Office (“2015
10 Amendment”). The complaint in this action also demanded attorney’s fees and costs incurred
11 by the Association to enforce the CC&Rs and 2015 Amendment.

12 2. Settlement Agreement. The Parties to this action and to this Stipulation have
13 entered into a Settlement Agreement (“Settlement Agreement”) providing, in part, at Section
14 2.2.1, that upon default or breach of the Settlement Agreement, the Association may have the
15 dismissal in this action set aside and Judgment (in an agreed-form attached herewith as Exhibit
16 A unless as otherwise modified by the court) filed and entered on its behalf as hereafter
17 provided by a noticed motion pursuant to Code of Civil Procedure section 1005.

18 3. Payment of Attorney’s Fees and Costs. Pursuant to Section 2.1 of the
19 Settlement Agreement, Defendant, MALAN agrees to pay and agree to be liable for the
20 Association’s attorney’s fees and costs incurred in this action in the total amount set forth in
21 Section 2.1 of the Settlement Agreement. The Parties agree that if the Association enforces
22 Section 2.1 of the Settlement Agreement, such payment is not to be considered a penalty.

23 4. Retention of Jurisdiction. The Parties agree that, pursuant to Section 664.6 of
24 the California Code of Civil Procedure, the San Diego Superior Court shall retain jurisdiction
25 over this case, and the performance of the obligations to be undertaken pursuant to the terms of
26 this Stipulation and the Settlement Agreement for as long as the court agrees to retain

27 ¹ The Association, Balboa Ave Cooperative, San Diego United Holdings Group, LLC, Ninus
28 Malan, Razuki Investments, LLC and Salam Razuki may be referred to as a “Party”
individually or “Parties” collectively in this Stipulation.

1 jurisdiction, and the Parties agree to submit to said jurisdiction. In the event any obligation
2 imposed by the Stipulation or the Settlement Agreement is not fulfilled as prescribed herein,
3 the court may set aside the dismissal entered in this action and, upon reasonable notice and
4 after hearing set forth herein, enforce the terms of this Stipulation and the Settlement
5 Agreement pursuant to Code of Civil Procedure section 664.6, and enter judgment against
6 either Party for violations of any of the terms set forth in this Stipulation and/or the Settlement
7 Agreement. This Stipulation and Settlement Agreement memorializes the settlement terms
8 entered into by the Parties, and is signed by all Parties to this action.

9 5. Default Terms. It is hereby agreed by the Parties that Defendants will be in
10 default under the terms of the Settlement Agreement should they fail to comply with any of the
11 terms set forth in Section 2 of the Settlement Agreement. It is further agreed by the Parties that
12 any Party will be in default under the terms of the Settlement Agreement should they fail to
13 comply with any of the Settlement Agreement's terms that he/she or it is obligated to perform.

14 6. Entry of Judgment Upon Default. Should any Party allege a breach or default of
15 any of the terms of the Settlement Agreement, the non-breaching Party will give the alleged
16 breaching Party written notice, via first class mail, which will be sent pursuant to the Required
17 Notices provision of the Settlement Agreement at Section 3.1. If the deficiencies, breach or
18 default of the Settlement Agreement is not corrected within ten (10) days from the date of said
19 written notice, then the non-breaching Party may apply or move the court on with at least 16
20 court days prior notice to the other Party, for enforcement of the Settlement Agreement and
21 other relief as the court deems just and proper.

22 7. If the breach or default is adjudicated against MALAN as to Section 2.1 of the
23 Settlement Agreement, Judgment will be entered against MALAN as set forth and attached as
24 Exhibit A unless otherwise modified by the court as it deems just and necessary.

25 8. In addition, upon a finding by the court that Defendants are in breach or default
26 of any terms set forth in Section 2 of the Settlement Agreement, the Association will be
27 entitled to and may seek, as part of a Judgment, a permanent injunction order prohibiting
28 Defendants, or any other persons or entities on behalf of Defendants or its successors, from

1 performing Marijuana Activities or having armed guards within the Association. This order
2 will also require Defendants and their agents or successors from immediately and permanently
3 ceasing any and all "Marijuana Activities" as defined in Section 20 of the Association's
4 CC&Rs and/or as defined in the 2015 Amendment and will be prohibited from having any
5 armed guards within the Association.

6 9. The Association is entitled to, and may seek, as part of the Judgment, the
7 Association's reasonable attorney's fees and costs incurred to enforce the terms of this
8 Stipulation and Settlement Agreement including the attorney's fees and costs to prepare and
9 file the default notice, the notice of motion, any related documents or pleadings, and to attend
10 a hearing to file and enter Judgment. The Parties stipulate and agree that the amounts for these
11 attorney's fees and costs may be inserted by the Association or the court in the Judgment upon
12 the filing of this Stipulation in support of an ex parte application or motion to set aside
13 dismissal and enforce the Settlement Agreement. The Parties agree that if a Party enforces
14 Section 2.17 of the Settlement Agreement or this provision of the Stipulation and the court
15 requires payment of such attorney's fees and costs to enforce the Settlement Agreement, such
16 obligation is not to be considered a penalty.

17 10. Dismissal without Prejudice. The Parties agree and state that this action may be
18 dismissed without prejudice and with a reservation of power and jurisdiction of the court to set
19 aside said dismissal and order entry of judgment in the manner provided in this Stipulation and
20 Settlement Agreement and pursuant to Code of Civil Procedure Section 664.6. If any
21 enforcement is necessary or a dispute arises after entry of any dismissal, the court reserved
22 jurisdiction to reinstate this action nuc pro tunc as of the date of this Stipulation and Order so
23 that the court can issue orders as set forth herein.

24 11. Defendants waive findings of fact, conclusions of law, any right to appeal from
25 any Judgment entered pursuant to this Stipulation and Settlement Agreement, the right to
26 move for a new trial, and any notices of hearings except as set forth herein.

27 12. If any provision or term of this Stipulation is determined to be invalid, such
28 invalidity shall not affect other provisions or terms which can be given effect without the

1 invalid provisions or terms; and to this end the provisions and terms of this Stipulation shall be
2 severable.

3 13. The Parties also agree that in the event of any dispute in the case, or as to the
4 language or meaning of the terms of this Stipulation, the court shall have sole and exclusive
5 power to render any decision related to such dispute.

6 14. This Stipulation and Settlement Agreement shall be effective upon its execution
7 by all Parties.

8 15. The Parties represent and warrant that (i) they have read and understand the
9 terms of this Stipulation and the Settlement Agreement, and (ii) have entered into this
10 Stipulation and Settlement Agreement for reasons of their own and not based upon
11 representations of any other Party hereto.

12 16. By executing this Stipulation and Settlement Agreement, each of the Parties
13 represents that it has the right, legal capacity, power and authority to enter into this Stipulation
14 and to perform its obligations hereunder, without the consent, approval or authorization of any
15 person, entity, tribunal or other regulatory or governmental authority.

16 17. At all times material hereto the Parties have had an opportunity to consult with
17 legal counsel of their own choosing concerning their rights with respect to the form and
18 content of this Stipulation and Settlement Agreement and the advisability of executing the
19 same.

20 18. This Stipulation and Settlement Agreement shall be binding on, and inure to the
21 benefit of the Parties hereto, and where applicable, their respective parents, subsidiaries,
22 affiliates, divisions, officers, directors, owners, associates, predecessors, successors, heirs,
23 assigns, agents, partners, employees, insurers, and representatives.

24 19. This Stipulation and Settlement Agreement may be executed in counterparts
25 and all such counterparts when so executed shall together constitute the final Stipulation as if
26 one document had been signed by all of the Parties. This Stipulation and Settlement
27 Agreement may be executed by e-mail or facsimile copy and each signature thereto shall be
28 and constitute an original signature, again as if all Parties had executed a single original

1 document. No modification of any provision of this Stipulation and Settlement Agreement
2 shall be effective unless the same is in writing and signed by all Parties, and then such
3 modification shall be effective only in the specific instance or for the purpose for which given.

4 20. Each of the Parties to this Stipulation and Settlement Agreement agree to
5 execute and deliver to the other Parties such other documents, instruments, and writings
6 reasonably necessary to effectuate this Stipulation and shall undertake such other actions to
7 cause the consummation of the transactions contemplated by this Stipulation and Settlement
8 Agreement.

9
10 Dated: February ____, 2018

BALBOA AVE COOPERATIVE

11
12 _____
By: Ninus Malan, Its President

13
14 Dated: February ____, 2018

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16 _____
NINUS MALAN

17
18 Dated: February ____, 2018

SAN DIEGO UNITED HOLDINGS GROUP,
LLC

19
20 _____
Ninus Malan, Its Managing Member

21
22 Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

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25 By: _____
Daniel Burakowski, Board President

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Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

By: _____

By: _____
Glen Strand, Vice-President

Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

By: _____
Chris Williams, Secretary

Dated: _____

RAZUKI INVESTMENTS, LLC

By: _____
Title: _____

Dated: _____

SALAM RAZUKI

APPROVED AS TO FORM AND CONTENT:

Dated: February ____, 2018

EPSTEN, GRINNELL & HOWELL, APC

Mandy D. Hexom
Attorneys for Plaintiff,
MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION

Dated: February ____, 2018

AUSTIN LEGAL GROUP, APC

Gina Austin
Tamara Leetham
Attorneys for Defendants,
BALBOA AVE COOPERATIVE, NINUS
MALAN, and SAN DIEGO UNITED
HOLDINGS GROUP, LLC

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Dated: February ____, 2018

LAW OFFICE OF DOUGLAS JAFFE

Douglas Jaffe
Attorneys for Defendants,
RAZUKI INVESTMENTS, LLC, and SALAM
RAZUKI

IT IS SO ORDERED:

Dated:

JUDGE OF THE SUPERIOR COURT

EXHIBIT 5

1 Rian W. Jones, Bar No. 118830
Mandy D. Hexom, Bar No. 216390
2 EPSTEN GRINNELL & HOWELL APC
10200 Willow Creek Road, Suite 100
3 San Diego, California 92131
(858) 527-0111/ Fax (858) 527-1531
4 rjones@epsten.com
mhexom@epsten.com
5

6 Attorneys for Plaintiff,
MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION
7

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA

9 COUNTY OF SAN DIEGO, CENTRAL DIVISION

10
11 MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
12 California Nonprofit Mutual Benefit
Corporation,

13 Plaintiff,

14 v.

15 BALBOA AVE COOPERATIVE, a
16 California corporation; SAN DIEGO
UNITED HOLDINGS GROUP, LLC, a
17 California limited liability company; NINUS
MALAN, an individual; RAZUKI
18 INVESTMENTS, LLC, a California limited
liability company; SALAM RAZUKI, an
19 individual; and DOES 1 through 25,
inclusive,
20

21 Defendants.

CASE NO. 37-2017-00019384-CU-CO-CTL

**[PROPOSED] JUDGMENT BY COURT ON
STIPULATION**

Case Assignment: Hon. Ronald L. Styn
Dept.: 72
Complaint Filed: May 26, 2017
Trial Date: March 9, 2018

[IMAGED FILE]

22 Plaintiff, MONTGOMERY FIELD BUSINESS CONDOMINIUMS ASSOCIATION
23 (“Association”) and Defendants, BALBOA AVE COOPERATIVE, SAN DIEGO UNITED
24 HOLDINGS GROUP, LLC, NINUS MALAN, RAZUKI INVESTMENTS, LLC, and
25 SALAM RAZUKI agreed that upon application or motion by a party (giving adequate notice
26 of at least 16 court days prior to a hearing) to enforce the Settlement Agreement pursuant to
27 Code of Civil Procedure section 664.6 and upon a finding of a default by the court, that
28 Judgment be entered in this case pursuant to the terms of the Stipulation for Court to Retain

1 Jurisdiction to Enforce Settlement Upon Default Pursuant to Code of Civil Procedure Section
2 664.6 and Entry of Judgment Upon Default; Proposed Order Thereon (“Stipulation and
3 Order”). The court signed the Stipulation which was previously filed and entered in this action.

4 IT IS ADJUDGED, ORDERED AND DECREED as follows:

5 1. The court determines and finds that _____ is in
6 default of the Settlement Agreement pursuant to a breach of Section _____ of
7 the Settlement Agreement.

8 2. The dismissal without prejudice entered against _____ on
9 _____ is vacated.

10 3. Judgment is entered by the court according to the Stipulation and Order as
11 follows, if applicable:

12 2.1 The Use Variance referenced in Section 2.2 of the Settlement
13 Agreement is hereby revoked and cancelled and Defendants, and each of them, should be
14 permanently enjoined and prohibited from having armed guards or from conducting marijuana
15 activities or operations that are in violation of the 2015 Amendment to Declaration of
16 Covenants, Conditions and Restrictions for Montgomery Field Business Condominiums
17 Association recorded as Document Number 2015-0093872 in the Official Records of the San
18 Diego County Recorder.

19 2.2 Defendant, NINUS MALAN must pay to Plaintiff Association the total
20 sum of \$142,572, minus any sums previously paid to the Association pursuant to Section 2.1
21 of the Settlement Agreement, for a total of \$ _____. The total Judgment
22 amount NINUS MALAN must pay to Plaintiff is \$ _____.

23 2.3 _____ must pay to the prevailing party, ____
24 _____ the total sum of \$ _____ which represents
25 reasonable attorney’s fees and costs incurred by that party to enforce the Settlement
26 Agreement.

27 The foregoing is agreed to in form, if any such provision(s) above is applicable, as a
28 Judgment upon default of the Settlement Agreement by the following:

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Dated: February ____, 2018

BALBOA AVE COOPERATIVE

By: _____
Ninus Malan, Its President

Dated: February ____, 2018

NINUS MALAN

Dated: February ____, 2018

SAN DIEGO UNITED HOLDINGS GROUP,
LLC

Ninus Malan, Its Managing Member

Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

By: _____
Daniel Burakowski, Board President

Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

By: _____

By: _____
Glen Strand, Vice-President

Dated: February ____, 2018

MONTGOMERY FIELD BUSINESS
CONDOMINIUMS ASSOCIATION, a
California Non-Profit Corporation

By: _____
Chris Williams, Secretary

Dated: _____

RAZUKI INVESTMENTS, LLC

By: _____
Title: _____

Dated: _____

SALAM RAZUKI

1 APPROVED AS TO FORM AND CONTENT:

2 Dated: February ____, 2018 EPSTEN, GRINNELL & HOWELL, APC

3
4 _____
5 Mandy D. Hexom
6 Attorneys for Plaintiff,
7 MONTGOMERY FIELD BUSINESS
8 CONDOMINIUMS ASSOCIATION

9 Dated: February ____, 2018 AUSTIN LEGAL GROUP, APC

10 _____
11 Gina Austin
12 Tamara Leetham
13 Attorneys for Defendants,
14 BALBOA AVE COOPERATIVE, NINUS
15 MALAN, and SAN DIEGO UNITED
16 HOLDINGS GROUP, LLC

17 Dated: February ____, 2018 LAW OFFICE OF DOUGLAS JAFFE

18 _____
19 Douglas Jaffe
20 Attorneys for Defendants,
21 RAZUKI INVESTMENTS, LLC, and SALAM
22 RAZUKI

23 IT IS SO ORDERED:

24 Dated: _____
25 JUDGE OF THE SUPERIOR COURT

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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

Attorneys for Defendant Ninus Malan

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

CENTRAL DIVISION

SALAM RAZUKI, an individual,

Plaintiff,

vs.

NINUS MALAN, an individual; MONARCH
MANAGEMENT CONSULTING, INC., a
California corporation; SAN DIEGO UNITED
HOLDING GROUP, LLC, a California limited
liability company; MIRA ESTE
PROPERTIES, LLC, a California limited
liability company; ROSELLE PROPERTIES,
LLC, a California limited liability company;
and DOES 1-100, 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.

On **September 20, 2018**, I served the foregoing document(s) in this action described as:

VERIFIED CROSS-COMPLAINT

PROOF OF SERVICE

1 [X] addressed as follows:

2 **Attorneys for Plaintiff**

3 Steven A. Elia
4 Maura Griffin
5 James Joseph

6 Law Offices of Steven A. Elia, APC
7 2221 Camino Del Rio South, Suite 207
8 San Diego, CA 92108
9 steve@elialaw.com

10 **Attorneys for Plaintiffs-in-Intervention**

11 Robert E. Fuller

12 Zachary E. Rothenberg
13 Salvatore J. Zimmitti

14 NELSON HARDIMAN LLP
15 11835 West Olympic Boulevard, Suite 900
16 Los Angeles, CA 90064
17 ZRothenberg@NelsonHardiman.com

18 **Attorneys for Defendant Chris Hakim**

19 Charles F. Gorla, Esq.

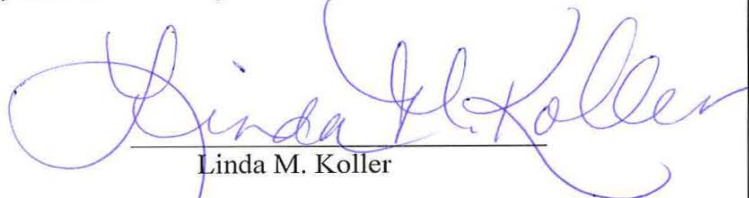
20 GORIA, WEBER & JARVIS

21 1011 Camino del Rio South, Suite 210
22 San Diego, CA 92108
23 Chasgoria@gmail.com

24 [X] **VIA ELECTRONIC FILING SERVICE:** Complying with Code of Civil Procedure
25 section 1010.6, my electronic business address is lkoller@galuppolaw.com and I caused
26 such document(s) to be electronically served through the e-service system for the above
27 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.

[X] **STATE** I declare under penalty of perjury under the laws of the State of California
that the above is true and correct.

Executed on **September 20, 2018** at Carlsbad, California


Linda M. Koller

PROOF OF SERVICE

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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E-mail: gaustin@austinlegalgroup.com
2 Tamara M. Leetham (SBN 234419)
E-mail: tamara@austinlegalgroup.com
3 AUSTIN LEGAL GROUP, APC
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4 San Diego, CA 92110
Phone: (619) 924-9600
5 Facsimile: (619) 881-0045

6 Attorneys for Defendant
7 San Diego United Holdings Group, LLC

8 **SUPERIOR COURT OF CALIFORNIA**
9 **COUNTY OF SAN DIEGO**

10
11 SALAM RAZUKI, an individual;

12 Plaintiff,

13 v.
14

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

26 Defendants.
27
28

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

**ANSWER TO COMPLAINT-IN-
INTERVENTION BY DEFENDANT SAN
DIEGO UNITED HOLDINGS GROUP,
LLC**

Complaint Filed: June 7, 2017
Trial Date: Not Set

1 AND RELATED COMPLAINT-IN-
2 INTERVENTION

3
4 Defendant San Diego United Holding Group, LLC (“Defendant”) hereby submits its
5 answer to the Complaint-In-Intervention of Intervenors SoCal Building Ventures, LLC and San
6 Diego Building Ventures, LLC ("Plaintiffs"):

7 Pursuant to the provisions of Code of Civil Procedure section 431.30, Defendant generally
8 and specifically denies each, every, and all of the allegations in the Complaint, including each and
9 every purported cause of action contained therein. Defendant further denies that Plaintiffs have
10 or will sustain damages in an amount alleged or in any amount whatsoever.

11 **AFFIRMATIVE DEFENSES**

12 Defendant alleges the following defenses as separate and distinct affirmative defenses to
13 the Complaint-In-Intervention, and to each and every cause of action stated therein, but in
14 asserting these defenses, Defendant does not assume the burden of proof as to matters that are
15 Plaintiffs burden to prove.

16 **FIRST AFFIRMATIVE DEFENSE**

17 1. As a first, separate, and affirmative defense to the Complaint-In-Intervention on
18 file herein, the answering Defendant alleges that Plaintiffs’ unverified Complaint-In-Intervention,
19 in its entirety, nor any purported cause of action set forth therein, alleges facts sufficient to
20 constitute a cause of action against the answering Defendant.

21 **SECOND AFFIRMATIVE DEFENSE**

22 2. The causes of action alleged against Defendant are barred by each and every
23 applicable statute of limitations, including, but not limited to Code of Civil Procedure section
24 339.

25 **THIRD AFFIRMATIVE DEFENSE**

26 3. As a third, separate, and affirmative defense to the unverified Complaint-In-
27 Intervention on file herein, the answering Defendant alleges that he has incurred damages by
28 reason of Plaintiffs’ conduct and that it has the right of offset of any amount of monies owed to

1 Plaintiff by way of damages.

2 **FOURTH AFFIRMATIVE DEFENSE**

3 4. As a fourth, separate, and affirmative defense to the unverified Complaint-In-
4 Intervention on file herein, the answering Defendant is informed and believes, and on such
5 information and belief, alleges that Plaintiffs are engaged in conduct that constitutes waiver of its
6 rights. By reason of such waiver, the answering Defendant is excused from the performance of
7 the obligation of the alleged contract.

8 **FIFTH AFFIRMATIVE DEFENSE**

9 5. As a fifth, separate, and affirmative defense to the unverified Complaint-In-
10 Intervention on file herein, this answering Defendant is informed and believes, and on such
11 information and belief, alleges that by reason of Plaintiffs' conduct which constitutes a breach of
12 contract, tortious conduct, waiver, unclean hands, and laches, Plaintiffs are estopped to assert any
13 right of relief.

14 **SIXTH AFFIRMATIVE DEFENSE**

15 6. As a sixth, separate, and affirmative defense to the unverified Complaint-In-
16 Intervention on file herein, the answering Defendant is informed and believes, and on such
17 information and belief, alleges that Plaintiffs breached its contract, if any, with Defendant and by
18 reason of such breach of contract, the answering Defendant has been excused of any duty it may
19 have had to perform any obligation set forth in any agreement with Plaintiffs, if there be such an
20 agreement.

21 **SEVENTH AFFIRMATIVE DEFENSE**

22 7. As a seventh, separate, and affirmative defense to the unverified Complaint-In-
23 Intervention on file herein, the answering Defendant alleges that Plaintiffs' actions constituted a
24 full release by Plaintiffs of any and all claims which they may have had against the answering
25 Defendant.

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EIGHTH AFFIRMATIVE DEFENSE

8. As an eighth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Plaintiffs herein, and each and every cause of action contained in the unverified Complaint-In-Intervention, is barred because Plaintiffs have engaged in acts and courses of conduct which render them in pari delicto.

NINTH AFFIRMATIVE DEFENSE

9. As a ninth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Plaintiffs herein, and each and every cause of action contained in the unverified Complaint-In-Intervention, is barred by reason of acts, omissions, representations, and courses of conduct by Plaintiffs, by which the answering Defendant was led to rely on to its detriment, thereby barring each and every cause of action under the Doctrine of Equitable Estoppel.

TENTH AFFIRMATIVE DEFENSE

10. As a tenth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that its full performance of any agreement or act required of it, if there be such agreements or acts, fulfills all its duties and obligations to Plaintiffs, if any there be, contractual, fiduciary, or other, and no other duty or obligation to Plaintiffs remains on behalf of the answering Defendant.

ELEVENTH AFFIRMATIVE DEFENSE

11. As an eleventh, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that at all times material herein, Plaintiffs failed and neglected to mitigate their damages so as to reduce and/or diminish their claim.

TWELFTH AFFIRMATIVE DEFENSE

12. As a twelfth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Plaintiffs, by their acts, conduct and/or omissions, have ratified the acts, conduct and omissions, if any, of the answering Defendant; therefore, Plaintiffs are barred from seeking any relief from the answering Defendant.

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THIRTEENTH AFFIRMATIVE DEFENSE

13. As a thirteenth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Plaintiffs did not reasonably rely upon any alleged misrepresentations or nondisclosures of material facts made by the answering Defendant; therefore, Plaintiffs are barred from seeking any affirmative relief against the answering Defendant.

FOURTEENTH AFFIRMATIVE DEFENSE

14. As a fourteenth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Defendant is not liable in the capacity in which it has been sued in that at all times it was exercising the best business judgment and cannot be held liable for its acts, actions or omissions pursuant to the Business Judgment Rule.

FIFTEENTH AFFIRMATIVE DEFENSE

15. As a fifteenth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that without conceding that any damages are owed to Plaintiffs, which supposition is made solely for the purposes of this affirmative defense, Defendant is informed and believes and thereon alleges that any damage or loss proven to have been sustained by Plaintiffs is as a direct and approximate result of the independent acts and unlawful conduct of Plaintiffs and/or third parties or their agents or employees, not foreseen by any act or admission on the part of Defendant. By reason thereof, any right of recovery of Plaintiffs from Defendant should be reduced by that amount which the fault of the persons or entities other than Defendant contributed to any of the damages allegedly sustained by Plaintiffs.

SIXTEENTH AFFIRMATIVE DEFENSE

16. As a sixteenth, separate, and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that if any damage and/or breach complained of by Plaintiffs has occurred, such damage and/or breach was the sole result of the actions and/or inactions of Plaintiffs, alone or in the conjunctive, all in breach of their obligations

1 to Defendant, and is not the result of any action, or inaction, on the part of Defendant.

2 **SEVENTEENTH AFFIRMATIVE DEFENSE**

3 17. As a seventeenth, separate, and affirmative defense to the unverified Complaint-
4 In-Intervention on file herein, the answering Defendant alleges that at the times and places
5 mentioned in the Complaint-In-Intervention, Plaintiffs acted carelessly, wantonly, recklessly and
6 negligently so as to have themselves be the proximate cause of any breach, damage or injury
7 alleged in the Complaint-In-Intervention.

8 **EIGHTEENTH AFFIRMATIVE DEFENSE**

9 18. As an eighteenth, separate, and affirmative defense to the unverified Complaint-In-
10 Intervention on file herein, the answering Defendant alleges that Defendant is informed and
11 believes and thereon alleges that each and all of the alleged rights, claims and obligations which
12 Plaintiffs seek by way of the Complaint-In-Intervention have been released.

13 **NINETEENTH AFFIRMATIVE DEFENSE**

14 19. As a nineteenth, separate, and affirmative defense to the unverified Complaint-In-
15 Intervention on file herein, the answering Defendant alleges that Plaintiff is barred from relief
16 sought by the FAC in that the equities do not preponderate in favor of Plaintiff, but rather in favor
17 of Defendant.

18 **TWENTIETH AFFIRMATIVE DEFENSE**

19 20. As a twentieth, separate, and affirmative defense to the unverified Complaint-In-
20 Intervention on file herein, the answering Defendant alleges that each and all of the alleged rights,
21 claims and obligations which Plaintiffs seek by way of its Complaint-In-Intervention against
22 Defendant is not enforceable pursuant to Civil Code section 1439 for Plaintiffs' failure to perform
23 all obligations on its part to be performed, including as to contracts or agreements, if any, with
24 Defendant.

25 **TWENTY-FIRST AFFIRMATIVE DEFENSE**

26 21. As a twenty-first, separate, and affirmative defense to the unverified Complaint-In-
27 Intervention on file herein, the answering Defendant alleges that there was a failure of
28 consideration.

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TWENTY-SECOND AFFIRMATIVE DEFENSE

22. As a twenty-second, separate and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that a claim for conversion is improper because Plaintiff cannot identify the sum owed.

TWENTY-THIRD AFFIRMATIVE DEFENSE

23. As a twenty-third, separate and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Plaintiffs lack standing to bring their claims as to all or a portion of the claims alleged in the Complaint-In-Intervention.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

24. As a twenty-fourth, separate and affirmative defense to the unverified Complaint-In-Intervention on file herein, the answering Defendant alleges that Defendant presently has insufficient knowledge or information to form a belief as to whether there are additional, as of yet unstated, affirmative defenses available. Defendant, therefore, reserves the right to assert additional affirmative defenses in the event discovery indicates such would be appropriate

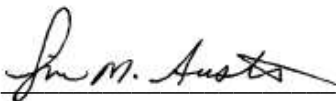
PRAYER

WHEREFORE, having fully answered the Complaint-In-Intervention, Defendant prays as follows:

1. That Plaintiffs take nothing by way of the Complaint-In-Intervention;
2. For reasonable expenses, including attorneys fees;
3. For costs of suit incurred herein;
4. For such other and further relief as the Court may deem just and proper.

DATED: September 21, 2018

AUSTIN LEGAL GROUP, APC

By: 
Gina Austin/Tamara Leetham
Attorneys for Defendant San Diego United
Holdings Group, LLC

AUSTIN LEGAL GROUP, APC
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4 San Diego, CA 92110
Phone: (619) 924-9600
5 Facsimile: (619) 881-0045

6 Attorneys for Defendant
7 Ninus Malan

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

10 SALAM RAZUKI, an individual,

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

11 Plaintiff,

PROOF OF SERVICE

12 v.

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

23 Defendants.

24 AND RELATED COMPLAINT-IN-
25 INTERVENTION

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AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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Salam Razuki v. Ninus Malan
Case No. 37-2018-00034229-CU0BC-CTL
PROOF OF SERVICE
(Code Civ. Proc., §§ 1013a, 2015)
SERVICE LIST

I, Djuana Woods, declare that I am over the age of 18 years and am not a party to the case; I am employed in San Diego County, California, where the service occurs; and my business address is Austin Legal Group, APC, 3990 Old Town Ave, Ste A-112, San Diego, California, 92110.

On September 21, 2018, I served the following on the interested parties in this action as stated below:

ANSWER TO COMPLAINT-IN-INTERVENTION BY DEFENDANT SAN DIEGO UNITED HOLDINGS GROUP, LLC

BY MAIL: as follows: (SEE ATTACHED SERVICE LIST)

By Placing a copy thereof in a sealed envelope addressed as follows:

I am readily familiar with the business' practice for collection and processing of correspondence for mailing with the United States Postal Service; and that the correspondence shall be deposited with the United States Postal Service via First Class Mail on that same day in the ordinary course of business.

BY PERSONAL SERVICE: as follows:

By personally delivering a copy thereof addressed as follows:

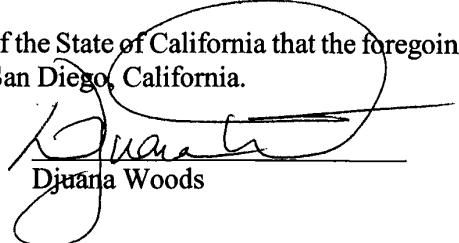
VIA E-SERVICE – ONE LEGAL ATTORNEY SERVICE TO THE FOLLOWING:

I caused such document(s) to be served on the following person via email through One Legal. See attached service list

BY ELECTRONIC MAIL: pursuant to agreement of the parties

BY FACSIMILE TRANSMISSION: The counsel or authorized party authorized to accept service was also forwarded a copy of the above-referenced document(s) by facsimile transmission at the telefax number corresponding with his/her/its/name. The facsimile machine I used complied with CRC Rule 2003(3) and no error was reported by the machine. Pursuant to CRC Rule 2005(i), I caused the machine to print a transmission record of the transmission, a copy of which is attached to this declaration.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on September 21, 2018, at San Diego, California.


Djuana Woods

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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Salam Razuki v. Ninus Malan.
Case No. 37-2018-00034229-CU-BC-CTL
PROOF OF SERVICE
(Code Civ. Proc., §§ 1013a, 2015)
SERVICE LIST

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Charles Gorla *Attorney for Defendants*
GORIA, WEBER & JARVIS *Chris Hakim, Mira Este*
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San Diego, CA 92108 *Properties*
Email: chasgoria@gmail.com

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address) STEVEN W. BLAKE, ESQ. GALUPPO & BLAKE, APLC 2792 GATEWAY ROAD, SUITE 102 CARLSBAD, CA 92009 TELEPHONE NO.: (760) 431-4575 FAX NO. (Optional): (760) 431-4579 E-MAIL ADDRESS (Optional): ATTORNEY FOR (Name): Defendant: MALAN		SBN: 235502 FOR COURT USE ONLY
SAN DIEGO SUPERIOR COURT - HALL OF JUSTICE STREET ADDRESS: 330 WEST BROADWAY MAILING ADDRESS: CITY AND ZIP CODE: SAN DIEGO, CA 92101 BRANCH NAME: CENTRAL DIVISION		ELECTRONICALLY FILED Superior Court of California, County of San Diego 09/26/2018 at 05:28:00 PM Clerk of the Superior Court By E-Filing, Deputy Clerk
PLAINTIFF/PETITIONER: SALAM RAZUKI, et al. DEFENDANT/RESPONDENT: NINUS MALAN, et al.		CASE NUMBER: 37-2018-00034229-CU-BC-CTL
PROOF OF SERVICE OF SUMMONS		Ref. No. or File No.: 2183-002

(Separate proof of service is required for each party served.)

BY FAX

1. At the time of service I was at least 18 years of age and not a party to this action.
 2. I served copies of:
 - a. summons
 - b. complaint
 - c. Alternative Dispute Resolution (ADR) package
 - d. Civil Case Cover Sheet (served in complex cases only)
 - e. cross-complaint
 - f. other (specify documents): **NOTICE OF ELIBILITY TO EFILE**
 3. a. Party served (specify name of party as shown on documents served):
SUNRISE PROPERTY INVESTMENTS, LLC.
 - b. Person (other than the party in item 3a) served on behalf of an entity or as an authorized agent (and not a person under item 5b on whom substituted service was made) (specify name and relationship to the party named in item 3a):
RICK ALJABI - AGENT FOR PROCESS OF SERVICE
 4. Address where the party was served: **2221 CAMINO DEL RIO SOUTH, SUITE 207
SAN DIEGO, CA 92108**
 5. I served the party (check proper box)
 - a. **by personal service.** I personally delivered the documents listed in item 2 to the party or person authorized to receive service of process for the party (1) on (date): (2) at (time):
 - b. **by substituted service.** On (date): **09/26/2018** at (time): **01:10 pm** I left the documents listed in item 2 with or in the presence of (name and title or relationship to person indicated in item 3b):
DIANA DALY - OFFICE ASSISTANT (AUTHORIZED TO ACCEPT)

Age: 30'S	Weight: 130	Hair: BROWN	Sex: female
Height: 5'5"	Eyes: BLUE	Race: HISP	Marks:
- (1) **(business)** a person at least 18 years of age apparently in charge at the office or usual place of business of the person to be served. I informed him or her of the general nature of the papers.
 - (2) **(home)** a competent member of the household (at least 18 years of age) at the dwelling house or usual place of abode of the party. I informed him or her of the general nature of the papers.
 - (3) **(physical address unknown)** a person at least 18 years of age apparently in charge at the usual mailing address of the person to be served, other than a United States Postal Service post office box. I informed him or her of the general nature of the papers.
 - (4) I thereafter mailed (by first-class, postage prepaid) copies of the documents to the person to be served at the place where the copies were left (Code Civ. Proc., §415.20). I mailed the documents on (date): from (city): or a declaration of mailing is attached.
 - (5) I attach a **declaration of diligence** stating actions taken first to attempt personal service.

4217

PETITIONER: SALAM RAZUKI, et al.	CASE NUMBER:
RESPONDENT: NINUS MALAN, et al.	37-2018-00034229-CU-BC-CTL
BY FAX	

- c. **by mail and acknowledgment of receipt of service.** I mailed the documents listed in item 2 to the party, to the address shown in item 4, by first-class mail, postage prepaid,
- (1) on (date): _____ (2) from (city): _____
- (3) with two copies of the *Notice and Acknowledgment of Receipt* and a postage-paid return envelope addressed to me. (*Attach completed Notice and Acknowledgement of Receipt.*) (Code Civ. Proc., § 415.30.)
- (4) to an address outside California with return receipt requested. (Code Civ. Proc., § 415.40.)
- d. **by other means** (*specify means of service and authorizing code section*):

Additional page describing service is attached.

6. The "Notice to the Person Served" (on the summons) was completed as follows:

- a. as an individual defendant.
- b. as the person sued under the fictitious name of (*specify*):
- c. as occupant.
- d. On behalf of (*specify*): **SUNRISE PROPERTY INVESTMENTS, LLC**
under the following Code of Civil Procedure section:

- | | |
|---|---|
| <input type="checkbox"/> 416.10 (corporation) | <input type="checkbox"/> 415.95 (business organization, form unknown) |
| <input type="checkbox"/> 416.20 (defunct corporation) | <input type="checkbox"/> 416.60 (minor) |
| <input type="checkbox"/> 416.30 (joint stock company/association) | <input type="checkbox"/> 416.70 (ward or conservatee) |
| <input type="checkbox"/> 416.40 (association or partnership) | <input type="checkbox"/> 416.90 (authorized person) |
| <input type="checkbox"/> 416.50 (public entity) | <input type="checkbox"/> 415.46 (occupant) |
| | <input checked="" type="checkbox"/> other: LIMITED LIABILITY COMPANY |

7. **Person who served papers**

- a. Name: **KEVIN MASTERSON - Advanced Attorney Services, Inc.**
- b. Address: **3500 Fifth Ave., Suite 202 San Diego, CA 92103**
- c. Telephone number: **(619) 299-2012**
- d. **The fee** for service was: **\$ 113.70**
- e. I am:

- (1) not a registered California process server.
- (2) exempt from registration under Business and Professions Code section 22350(b).
- (3) registered California process server:
- (i) **owner** **employee** **independent contractor.**
- (ii) Registration No.: **1989**
- (iii) County: **SAN DIEGO**

8. **I declare** under penalty of perjury under the laws of the State of California that the foregoing is true and correct.
- or
9. **I am a California sheriff or marshal and** I certify that the foregoing is true and correct.

Date: **09/26/2018**

 **Advanced Attorney Services, Inc.**
3500 Fifth Ave., Suite 202
San Diego, CA 92103
(619) 299-2012
San Diego County: 1584

KEVIN MASTERSON

(NAME OF PERSON WHO SERVED PAPERS/SHERIFF OR MARSHAL)



ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address) STEVEN W. BLAKE, ESQ. GALUPPO & BLAKE, APLC 2792 GATEWAY ROAD, SUITE 102 CARLSBAD, CA 92009 TELEPHONE NO.: (760) 431-4575 FAX NO. (Optional): (760) 431-4579 E-MAIL ADDRESS (Optional): ATTORNEY FOR (Name): Defendant: MALAN	FOR COURT USE ONLY
SAN DIEGO SUPERIOR COURT - HALL OF JUSTICE STREET ADDRESS: 330 WEST BROADWAY MAILING ADDRESS: CITY AND ZIP CODE: SAN DIEGO, CA 92101 BRANCH NAME: CENTRAL DIVISION	
PLAINTIFF/PETITIONER: SALAM RAZUKI, et al. DEFENDANT/RESPONDENT: NINUS MALAN, et al.	CASE NUMBER: 37-2018-00034229-CU-BC-CTL
DECLARATION OF MAILING	Ref. No. or File No.: 2183-002

BY FAX

I am a citizen of the United States and employed in the County of San Diego, State of California. I am over the age of 18 and not a party to the within action. My business address is 3500 Fifth Ave., Suite 202, San Diego, CA 92103.

On September 26, 2018, after substituted service under section CCP 415.20(a) or 415.20(b) or FRCIV.P 4(d)(1) was made, I mailed copies of the:


Summons;Alternative Dispute (ADR) package;Cross-Complaint;NOTICE OF ELIBILITY TO EFILE

to the defendant in said action by placing a true copy thereof enclosed in a sealed envelope, with First Class postage thereon fully prepaid, in the United States Mail at SAN DIEGO, California, addressed as follows:

SUNRISE PROPERTY INVESTMENTS, LLC.
ATTENTION: RICK ALJABI - AGENT FOR PROCESS OF SERVICE
2221 CAMINO DEL RIO SOUTH, SUITE 207
SAN DIEGO, CA 92108

I am readily familiar with the firm's practice for collection and processing of documents for mailing. Under that practice, it would be deposited within the United States Postal Service, on that same day, with postage thereon fully prepaid at SAN DIEGO, California in the ordinary course of business.

Fee for Service: 113.70

 **Advanced Attorney Services, Inc.**
3500 Fifth Ave., Suite 202
San Diego, CA 92103
(619) 299-2012
WWW.ATTORNEYSERVICE.COM

I declare under penalty of perjury under the laws of the The State of California that the foregoing information contained in the return of service and statement of service fees is true and correct and that this declaration was executed on ~~September 26, 2018.~~

Signature: _____
CHELSEA CHARLES

DECLARATION OF MAILING

Order#: P642399S1/mailproof

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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 GRANTING
PRELIMINARY INJUNCTION**

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

Plaintiff Salam Razuki’s motion for a preliminary injunction 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

1 argument by counsel at the hearing, and good cause appearing,

2 IT IS HEREBY ORDERED:

3 1. Contingent upon Plaintiff posting a bond as described in this order, Michael W.
4 Essary is appointed receiver with control and possession of the following business entities, and
5 only these business entities:

- 6 a. San Diego United Holdings Group, LLC;
- 7 b. Mira Este Properties, LLC;
- 8 c. Flip Management, LLC.

9 Collectively, these business entities will be referred to as the “Marijuana Operations.”

10 2. The Court finds that Plaintiff has established a likelihood of success on the merits
11 of one or more of the claims alleged in the complaint and that irreparable injury is likely to result if
12 a preliminary injunction is not issued.

13 3. For the appointment of the receiver to take effect, Plaintiff must post a bond in the
14 amount of \$350,000.00 no later than September 21, 2018. If Plaintiff does not or has not posted a
15 bond in this amount and filed the bond with the court by that date, the receivership is vacated and
16 the Marijuana Operations are released from receivership.

17 4. Receiver shall maintain and oversee the current management agreement in place
18 with Far West Management, LLC for the marijuana dispensary operations at the property located
19 at 8861 Balboa Avenue, Suite B, San Diego, California 92123 and 8863 Balboa Avenue, Suite E,
20 San Diego, California 92123 (“Balboa Ave Dispensary”). Receiver shall pay the management fee
21 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
24 with Synergy Management Partners, LLC for the production facility operations at the property
25 located at 9212 Mira Este Court, San Diego, California 92126 (“Mira Este Property”). Receiver
26 shall pay the management fee and/or minimum guarantee payments, according to the management
27 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 a. As stated on the record at the September 7, 2018 hearing, all parties to the
10 litigation, including the plaintiff, plaintiff-in-intervention, and all defendants
11 named in the complaint and complaint-in-intervention, are subject to the
12 forensic audit. These parties must follow the instructions of Brinig and disclose
13 their finances to him as requested.

14 b. The parties to this litigation as of September 7, 2018 will split the costs of the
15 forensic accounting as follows:

16 i. 25 percent of the costs of the accounting will be paid by Plaintiff Salam
17 Razuki.

18 ii. 25 percent of the costs of the accounting will be paid jointly by
19 Plaintiffs-in-intervention SoCal Building Ventures, LLC and San Diego
20 Building Ventures, LLC.

21 iii. 25 percent of the costs of the accounting will be paid jointly by
22 Defendant Chris Hakim and Mira Este Properties, LLC. The receiver is
23 directed to allow Mira Este Properties, LLC to make this payment.

24 iv. 25 percent of the costs of the accounting will be paid jointly by
25 Defendant Ninus Malan and San Diego United Holdings Group, LLC.
26 The receiver is directed to allow San Diego United Holdings Group,
27 LLC to make this payment.

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c. Brinig may submit invoices for payment to these parties, and they will have 30 days to pay their share of the expenses to Brinig. The court will hear objections to the amount of the invoice at the hearing on November 16, 2018, but the parties must pay their proportional shares within 30 days of receiving an invoice from Brinig.

8. Attorney Gina Austin, and those working at her direction, retains the independent authority to represent the businesses in receivership in licensure negotiations with government authorities or other parties, such as common development associations, whose approval is required or beneficial for obtaining licenses to operate. Austin can conduct these negotiations, prepare applications, and speak with government authorities without the receiver’s permission and without involving the receiver.

9. From the proceeds that shall come into Receiver’s possession from the Balboa Ave Dispensary, Receiver shall apply and disburse said monies in the following general order:

- 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 Balboa Ave Dispensary to maintain the status quo, including paying counsel independently retained by those entities to represent the entities’ interests;
- c. To pay all installments of principal and interest due or to become due pursuant to notes secured against the Balboa Ave Dispensary property.

10. From the proceeds that shall come into Receiver’s possession from the Mira Este Property, Receiver shall apply and disburse said monies in the following general order:

- 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;

- 1 b. To pay all expenses reasonably necessary or incidental to the continued
2 operation, care, preservation and maintenance of the Mira Este Property to
3 maintain the status quo, including paying counsel independently retained by
4 those entities to represent the entities' interests;
- 5 c. To pay all installments of principal and interest due or to become due pursuant
6 to notes secured against the Mira Este Property.

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

9 12. As long as he serves as the Receiver's attorney, Richardson Griswold will submit to
10 all parties monthly billing statements showing the time spent and tasks performed for the Receiver,
11 and the amount billed for those tasks. Unless Plaintiff and Plaintiffs-in-intervention challenge the
12 amounts billed, Plaintiff must reimburse the receivership estate 25 percent of the amount billed
13 and Plaintiffs-in-intervention must jointly reimburse the receivership estate 25 percent of the
14 amount billed. These reimbursements must be paid within 15 days of receiving the billing
15 statements from Griswold. If Plaintiff and Plaintiffs-in-intervention object to the amount billed,
16 they may challenge the amounts at the November 16, 2018 hearing, but they must first pay the
17 bills within 15 days of receiving the billing statements.

18 13. To the greatest extent reasonably possible, Receiver shall ensure the Marijuana
19 Operations remain operating at status quo. All parties to this matter shall cooperate with Receiver
20 and keep the Receiver informed regarding all updates, statuses, notices, or otherwise regarding the
21 Marijuana Operations.

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

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

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

4 17. Receiver is empowered to execute and prepare all documents and to perform all
5 necessary acts, whether in the name of the Marijuana Operations, named parties in this matter
6 and/or directors, officers, or members of the Marijuana Operations or in the Receiver’s own name,
7 that are necessary and incidental to demanding, collecting and receiving said money, obligations,
8 funds, licenses, Rents and Profits and payments due the Marijuana Operations and/or named
9 parties in this matter and subject to enforcement under this Order.

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

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

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

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

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

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

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

25 c) Destroying, concealing, transferring, or failing to preserve any document
26 which evidences, reflects or pertains to any aspect of the Marijuana Operations or
27 Marijuana Operations Property;

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

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

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

25. Receiver shall attempt in good faith to coordinate Plaintiffs-In-Intervention SoCal Building Ventures, LLC and San Diego Building Ventures, LLC's retrieval of any equipment or personal property located at the Balboa Ave Property. Plaintiffs-In-Intervention SoCal Building Ventures, LLC and San Diego Building Ventures, LLC will first be required to provide appropriate documentation proving ownership of its equipment and property to Receiver for review and confirmation. Receiver shall use his discretion in determining whether the removal of any such equipment or property would substantially affect the Marijuana Operations.

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

27. Additional Orders: _____

IT IS SO ORDERED.

Dated: _____, 2018

Judge of the Superior Court

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7 Balboa Ave Cooperative, Flip Management,
California Cannabis Group

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13 Attorneys for Defendant Ninus Malan
14

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16 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
17 **COUNTY OF SAN DIEGO- CENTRAL DIVISION**
18

19 SALAM RAZUKI, an individual,
20 Plaintiff,
21 vs.

22 NINUS MALAN, an individual; CHRIS
23 HAKIM, an individual; MONARCH
MANAGEMENT CONSULTING, INC., a
24 California corporation; SAN DIEGO
UNITED HOLDINGS GROUP, LLC, a
25 California limited liability company; FLIP
MANAGEMENT, LLC, a California
26 limited liability company; ROSELLE
PROPERTIES, LLC, a California limited
27 liability company; BALBOA AVE
COOPERATIVE, a California nonprofit
28 mutual benefit corporation; CALIFORNIA
CANNABIS GROUP, a California
nonprofit mutual benefit corporation;

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

**MALAN DEFENDANTS EX PARTE
NOTICE AND APPLICATION TO
CLARIFY/MODIFY INJUNCTION
ORDERS**

[Imaged File]

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

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DEVILISH DELIGHTS, INC. a California
nonprofit mutual benefit corporation; and
DOES 1-100, inclusive;

Defendants.

TO THE COURT, THE PARTIES, AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on September 27, 2018 at 8:30 a.m. or as soon thereafter as the matter may be heard before the honorable Eddie C. Sturgeon in Department 67 of the San Diego County Superior Court, Central Division, located at 330 West Broadway, San Diego California 92101, defendants Ninus Malan, San Diego United Holdings Group, LLC, Balboa Ave Cooperative, California Cannabis Group, Devilish Delights, and Flip Management will, and hereby do, apply for an order dissolving the August 28, 2018 Order or, in the alternative, clarification or modification of the proposed order from the September 7, 2018 hearing that does one, or more, of the following:

1-Dissolves the preliminary injunction; and/or 2-Clarifies or modifies the manner in which the current order has been implemented and the manner in which the proposed order has been implemented to include: (i) method by which cannabis licenses and entitlements, and associated issues like the MGO Audit, will be handled and processed; (ii) scope of forensic accounting; iii- payment of forensic accounting and professional fees associated with forensic accounting; iii- whether or not the participation of certain professionals that have charged, or will charge, the receivership and therefore the Malan Defendants is warranted and to either preclude such participation or to limit the scope of such participation.

The Malan Defendants move pursuant to California Rule of Court Rule 3.1150 on the grounds that the temporary restraining order may be dissolved, or has dissolved by operation of law, for plaintiff Salam Razuki's failure to present the undertaking as required. The Malan Defendants further move pursuant to Code of Civil Procedure section 533 on the grounds that there has been a material change in the facts upon which the injunction or temporary restraining order was granted, that the law upon which the injunction or temporary restraining order was

1 granted has changed, or that the ends of justice would be served by the modification or
2 dissolution of the injunction or temporary restraining order. The Malan Defendants further base
3 this ex parte application on the memorandum filed in support, the declarations of Gina Austin and
4 Ninus Malan, the proposed order, the records and files in this action, and any other evidence with
5 the Court may receive at or before the hearing.

6 Pursuant to California Rule of Court 3.1202(a), the following names, address, and
7 telephone numbers for counsel are known by moving party:

8 Steven Elia (plaintiff Salam Razuki)
9 Law Offices of Steven Elia
10 2221 Camino Del Rio So., Suite 207
11 San Diego, CA 92108
12 (619) 444-2244
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14 Robert Fuller (plaintiffs in intervention)
15 Nelson Hardiman, LLP
16 11835 West Olympic Blvd, Suite 900
17 Los Angeles, CA 90064
18 (310) 203-2800
19 rfuller@nelsonhardiman.com

20 Charles Gorla (Chris Hakim, Monarch Management, Mira Este Properties, Roselle)
21 Gorla Weber & Jarvis
22 1011 Camino Del Rio South, Suite 210
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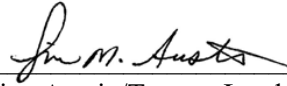
26 Richardon Griswold (receiver)
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1 The parties were given notice of the date, time, relief requested and nature of this
2 application on September 26, 2018 by 9:00 a.m. as set forth in the declaration of Gina Austin. The
3 moving parties believe that Plaintiff and Plaintiffs in Intervention will appear and oppose.
4

5 Dated: September 26, 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
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20 Attorneys for Defendants
21 Ninus Malan, San Diego United Holdings Group,
22 Balboa Ave Cooperative, Flip Management, California Cannabis Group

23 SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

24 CENTRAL DIVISION

25 SALAM RAZUKI, an individual,

26 Plaintiff,

27 vs.

28 NINUS MALAN, an individual; MONARCH
29 MANAGEMENT CONSULTING, INC., a
30 California corporation; SAN DIEGO UNITED
31 HOLDING GROUP, LLC, a California limited
32 liability company; MIRA ESTE
33 PROPERTIES, LLC, a California limited
34 liability company; ROSELLE PROPERTIES,
35 LLC, a California limited liability company;
36 and DOES 1-100, inclusive,

37 Defendants.

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

**MALAN DEFENDANTS
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF EX
PARTE APPLICATION TO
DISSOLVE/CLARIFY/MODIFY
INJUNCTION ORDERS**

[Imaged File]

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

Malan Defendants P's & A's ISO Ex Parte App. To Dissolve/Clarify/or Modify Injunction Orders

1 **I. Introduction and Summary**

2 Defendants Ninus Malan, San Diego United Holdings Group, Balboa Ave Cooperative,
3 Flip Management, California Cannabis Group, and Devilish Delights (collectively “Malan
4 Defendants”) renew their request to dissolve the receivership, or in the alternative, clarify and
5 modify the Proposed Order on the Court’s September 7, 2018 ruling (the “Proposed Order”).
6 The preliminary injunction and receivership should be dissolved or, at the very least, clarified
7 and modified to narrow the scope of the receivership to the entities that Plaintiff claims an
8 interest in.

9 On or around August 20, 2018, this court granted an order appointing a receiver, which
10 was entered on or about August 28 (the “August 28th Order”). Plaintiff’s request for a receiver
11 was based on a settlement agreement between Salam Razuki and Ninus Malan, and the various
12 entities each party was to contribute to RM Property Holdings, LLC (the “Settlement
13 Agreement”). Absent from the Settlement Agreement, attached as Exhibit to plaintiff Salam
14 Razuki’s Complaint, were California Cannabis Group (“CCG”), Balboa Ave Cooperative
15 (“Balboa Ave”), and Devilish Delights. However, these three entities have been placed under
16 the receiver’s control and the receiver remains in control.

17 On or around September 7, 2018, the court heard arguments from all parties as to
18 Plaintiff’s request of a preliminary injunction and Defendant’s opposition to the preliminary
19 injunction. The court, after reviewing the papers and records, ordered that the receivership retain
20 control over six entities, including CCG, Devilish Delights and Balboa Ave, and granting the
21 preliminary injunction. Part of the Court’s order included Plaintiff’s obligation to post a
22 \$350,000 bond by September 21, 2018.

23 The Court asked the receiver’s attorney, Richardson Griswold, to draft the order on the
24 September 7, 2018 hearing. Mr. Griswold thereafter drafted the order and circulated it to all
25 counsel for comment and submitted it to the Court. There is some dispute about the Court’s
26 order and in order to clarify those items, this office, at Mr. Griswold’s suggestion, set this ex
27 parte hearing.

1 As of the date of this ex parte application, the proposed order that confirms the court's
2 rulings from September 7, 2018, has not been signed. Furthermore, Plaintiff has failed to post its
3 \$350,000 injunction bond as of September 21, 2018, the court-mandated deadline.

4 The facts identifying the reasons by which the Court should dissolve the injunction order
5 or clarify/modify the orders are set for the in the concurrently filed declarations of Gina Austin,
6 Gary Strahle, and Ninus Malan.

7 **II. The Temporary Restraining Order Should Be Vacated Due To Plaintiff's Failure
8 to Post the Injunction Bond**

9 The Court should dissolve the temporary restraining order as a matter of law. Under
10 California Rule of Court 3.1150, a temporary restraining order may be vacated without notice
11 upon the failure to present the proposed order and necessary undertaking as required. On
12 September 7, 2018 the court made clear that the August 28 Order was in effect until the
13 proposed order and injunction bond were filed. The Court provided Plaintiff with a deadline of
14 September 21, 2018 to post the injunction bond.

15 As of the filing of this ex parte application, Plaintiff has failed to post its injunction bond
16 with the court. Because Plaintiff has failed to post the injunction bond with the court by the
17 court's deadline, the court should dissolve the August 28 Order temporary restraining order.

18 **III. In The Alternative, The Malan Defendants Respectfully Request The Court
19 Modify/Clarify The Proposed Order On The September 7, 2018 Hearing**

20 In the event the court declines to dissolve the temporary restraining order and allows
21 Plaintiff to belatedly post the injunction bond, the Malan Defendants respectfully request the
22 Court modify/clarify the proposed order on the September 7, 2018 hearing before signing it. The
23 Malan Defendants make this request for several reasons: (a) the licensed entities are not subject
24 to the Settlement Agreement and RM Property Holdings Operating Agreement and even if
25 Plaintiff prevails, these entities have been improperly placed into receivership; (b) the manner in
26 which the current order has been implemented, and the September 7, 2018 order is proposed,
27 has stripped current counsel for the licensed Malan Entities of all ability to directly contact and
process the cannabis licenses; (c) The receiver continues to disclose confidential information to

1 Mr. Lachant and other parties; (d) There is a disagreement as to the scope of the forensic
2 accounting and who is responsible for payment. (Declaration of Gina Austin (“Austin Decl.”)
3 ¶39.)

4 Code of Civil Procedure section 533 provides that when there has been a material change
5 in the facts upon which an injunction of temporary restraining order has been granted, that the
6 law upon which an injunction or temporary restraining order was granted has changed, or that
7 the ends of justice would be served, the injunction or temporary restraining order may be
8 modified or dissolved. Here, the facts show that the facts have changed and that the ends of
9 justice would be served by modifying (clarifying) or outright dissolving the injunction and
10 temporary restraining order.

11 **a. The Proposed Order Should Be Modified By Removing Entities Outside**
12 **The Scope of the Settlement Agreement and RM Property Holdings’**
Operating Agreement

13 As it stands, the proposed order confirms Michael Essary as the receiver with the control
14 and possession of: San Diego United Holdings Group, LLC, Mira Este Properties, LLC,
15 Devilish Delights, Inc., Flip Management, LLC, California Cannabis Group, and Balboa Ave
16 Cooperative.

17 The Settlement Agreement, the RM Property Holdings’ Operating Agreement, and the
18 entities named therein are the basis for the receiver’s control and Mr. Razuki’s claim of
19 ownership. However, Mr. Razuki’s claim of ownership and entitlement only extends to the
20 entities in the Settlement Agreement and the RM Property Holdings’ Operating Agreement.
21 Absent from those two agreements are California Cannabis Group, Balboa Ave Cooperative,
22 and Devilish Delights (the “Licensed Entities”). (Austin Decl. ¶39.) There is no practical
23 purpose to put the Licensed Entities in the receivership as no money flows in or out of these
24 entities. (Austin Decl. ¶39a.) It would be irrational and senseless for Mr. Malan or this office to
25 interfere with the prompt processing of the Licensed Entities and there has been no allegation by
26 any party that such activity is occurring. (Id.) The only effect of putting the licensed entities
27

1 under Mr. Essary's receivership has been to increase costs for all parties and delay the proper
2 processing of the Licensed Entities' permits. (Id.)

3 The court must clarify and/or modify its September Order to reflect CCG, Balboa Ave,
4 and Devilish Delights removal from the receivership.

5 **b. In The Event That CCG, Balboa Ave, And Devilish Delights Remain**
6 **Subject To The September 7, 2018 Order, The Malan Defendants**
7 **Respectfully Request The Court Modify The Proposed Order On The**
8 **September 7, 2018 Hearing To Require Competent Parties To Author**
9 **And Control State Applications**

10 Under the court's August 28th Order, Mr. Essary is in possession of the Licensed
11 Entities and controls each entities ability to work with the California Bureau of Cannabis
12 Control (the "BCC") to obtain various state permits and licenses. Prior to the receivership, the
13 Licensed Entities paid Austin Legal Group a flat fee for all work related to state licensing.
14 (Austin Decl. ¶39b.) Austin Legal Group has asked Mr. Essary to sign a power of attorney to
15 allow Austin Legal Group to communicate directly with the state agencies, to which Mr. Essary
16 has refused. (Id.)

17 Instead of allowing Austin Legal Group to continue to process the Licensed Entities state
18 applications, Mr. Essary began and continues to consult with Aaron Lachant - a partner at the
19 law firm representing complainants-in-intervention SoCal Building Ventures, LLC and San
20 Diego Building Ventures, LLC. (Id.) This is an unreasonable additional expense being placed on
21 Defendant Malan and the Licensed Entities. First, Mr. Lachant is not familiar with San Diego
22 licensing and has no expertise with regards to the transaction for San Diego, which are
23 substantially different than Los Angeles. (Id.) Nonetheless, Mr. Essary continues to copy Mr.
24 Lachant on all communications, with the only result being increased fees. (Id.)

25 In the event that the court retains the receivership over CCG, Balboa Ave, and Devilish
26 Delights, it is imperative to clarify the proposed order to require Mr. Essary to sign a power of
27 attorney or turn over some form of authority with regard to the state licensing process.
Inexperience in the state licensing process could potentially cause danger to the current

1 application process and prevent the Licensed Entities from obtaining their respective licenses.
2 Mr. Essary will still retain possession under the receivership but will allow for Austin Legal
3 Group to continue communicating with the BCC and having control of the state licensing
4 process, as it has already been paid to do.

5 **c. The State Application Process Involves A High Degree Of Confidential**
6 **Information That Needs Confidential Protection**

7 On September 11, 2018, Gina Austin requested that information she marked as
8 “confidential” and provided to Mr. Essary not be shared with Mr. Lachant or other parties to this
9 litigation. (Austin Decl., Exhibit J.) Mr. Griswold, attorney for Mr. Essary, suggested that Ms.
10 Austin seek a protective order as he is unable to determine what is confidential. (Austin Decl.
11 ¶39c.) Much of the work that Austin Legal Group does pertaining to the Licensed Entities state
12 application is internal work product and confidential proprietary information. (Id.) Specifically,
13 much of the operating procedures for Mira Este and Balboa Ave are marked as confidential
14 when submitted to the state agencies to avoid disclosure by any public records request. Mr.
15 Essary and Mr. Griswold have refused to acknowledge such confidentiality without a
16 modification to the court’s order.

17 The court must clarify and/or modify its September 7th Order to reflect the confidential
18 nature of the documents produced by Austin Legal Group so that the internal work product and
19 confidential proprietary information is not disseminated into the public view.

20 **d. The Court Must Clarify The Proposed Order With Respect To The**
21 **Financing And Scope Of The Forensic Accounting**

22 Defendant requests this court clarify its proposed order with respect to the forensic
23 accounting. In order for a proper forensic accounting to occur, all entities subject to the
24 receivership and all entities referenced in the Settlement Agreement, alleged by Mr. Razuki to
25 be operative, must be included in the accounting. (Austin Decl. ¶39d.) Counsel for Mr. Razuki
26 disagrees that Mr. Razuki’s interest in Sunrise Consulting Group, LLC (“Sunrise”) – an entity
27 crucial to the Settlement Agreement – should be part of the forensic accounting. If Mr. Razuki is
to prevail the only way to determine what, if any, his interests are is to have a forensic

1 accounting of all parties' interests, in all assets identified in the Settlement Agreement. (Id.) Mr.
2 Razuki cannot demand an accounting of Mr. Malan and refuse to submit to the same. In
3 addition, the rough transcript shows that the Court asked the accounting to include an
4 assessment of whether Razuki contributed \$5 million and an assessment of whether SoCal
5 contributed \$2.7 million.

6 Defendant requests that the court's September 7th Order be clarified to specify that Mr.
7 Razuki's interests in any and all entities that could be subject to the Settlement Agreement,
8 specifically Sunrise and Super 5 Consulting Group, LLC, must also be included in the forensic
9 accounting. (Id.) Defendants further request that Razuki and SoCal are also required to submit to
10 the forensic accounting and provide appropriate documentation substantiating their allegations
11 related to amounts invested. Defendants further request that this court split the costs of the
12 accounting and the receivership in half.

13 **e. The Court Must Clarify The Proposed Order With Respect To The**
14 **Various Entities That The Receiver Is Authorized To Pay**

15 As it stands, waste is being committed by the receiver. The court must clarify its order
16 before further waste is committed and Defendant is forced into insolvency. Whereas the court
17 appointed the receiver because accusations of waste were levied by Mr. Razuki; waste is
18 currently being committed by the receivership.

19 As detailed in the declarations of Ninus Malan and Gina Austin, Mr. Essary is making
20 payments to various parties, in addition to the numerous parties that the court has previously
21 authorized. As it stands, Mr. Essary is making payments to himself, Mr. Griswold, Certified
22 Public Account Justus Henkes IV – hired by Defendant, Brian Brining – the forensic accountant,
23 bookkeeper John Yaeger – who Defendant has objected to due to prior overcharging, Aaron
24 Lachant, and to the various expenses that defendant entities have.

25 Defendant requests this court to clarify its proposed order to limit the parties that Mr.
26 Essary makes payments to due to the excessive amounts of funds that have been paid out since
27 the receiver was put in place. Specifically, John Yaeger and Aaron Lachant should not be

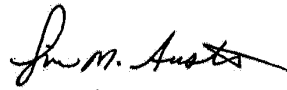
1 employed by Mr. Essary on matters dealing with this case. Mr. Yaeger has already been fired by
2 Defendant and replaced by Mr. Henkes. Mr. Lachant should not be anywhere near Defendant
3 and the related entities because his services are unnecessary and due to the fact that his law firm
4 represents the complainants-in-intervention and that this firm can handle all licensing related
5 issues and process.

6 **IV. Conclusion**

7 For the foregoing reasons, the Malan Defendants respectfully request the Court dissolve
8 the temporary restraining order. In the alternative, the Malan Defendants respectfully request
9 the Court modify/clarify the proposed order on the September 7, 2018 hearing as set forth
10 above.

11 Dated: September 26, 2018

AUSTIN LEGAL GROUP, APC

13 

14 _____
15 Gina Austin/Tamara Leetham
16 Attorneys for Defendants Ninus Malan, San
17 Diego United Holdings Group, LLC, Flip
18 Management, LLC, Balboa Ave
19 Cooperative, California Cannabis Group,
20 Devilish Delights, Inc.

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13 Attorneys for Defendant Ninus Malan

14 SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO
15 CENTRAL DIVISION

16 SALAM RAZUKI, an individual,
17 Plaintiff,
18 vs.
19 NINUS MALAN, an individual; MONARCH
20 MANAGEMENT CONSULTING, INC., a
21 California corporation; SAN DIEGO UNITED
22 HOLDING GROUP, 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;
and DOES 1-100, inclusive,
27 Defendants.

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

**DECLARATION OF NINUS MALAN IN
SUPPORT OF MALAN DEFENDANTS
EX PARTE NOTICE AND APPLICATION
TO CLARIFY/MODIFY INJUNCTION
ORDERS**

[Imaged File]

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

1 I, Ninus Malan, declare the following:

2 1. I am over the age of 18 years and I am a defendant in this action

3 2. I have personal knowledge of the facts stated in this declaration, and if called
4 upon to testify to these facts, I could and would do so competently. I am the custodian of records
5 for each of the companies for which I am an owner or manager, as described in prior
6 declarations filed with the Court in this action.

7 3. I have made my position clear throughout the numerous hearings in this matter
8 that the Settlement Agreement attached as Exhibit A to plaintiff Salam Razuki's First Amended
9 Complaint does not govern the defendants' relationships with Razuki, nor does the Operating
10 Agreement for RM Property Holdings, which I have attached as Exhibit A to this declaration.

11 4. However, assuming for the sake of this ex parte that the documents govern the
12 relationship between me and Razuki, it was not contemplated that California Cannabis Group,
13 Balboa Ave Cooperative, and Devilish Delights be part of the agreement, which is evident from
14 their exclusion from the Settlement Agreement and the RM Operating Agreement. All of the
15 defendant entities in this litigation were formed prior to the Settlement Agreement and
16 Operating Agreement.

17 a. California Cannabis was formed December 30, 2015 (almost two years prior
18 to the agreements);

19 b. Balboa Ave Cooperative was formed November 15, 2016 (one year before
20 the agreements);

21 c. Devilish Delights was formed April 3, 2015 (two and a half years before the
22 agreements).

23 5. I raise this point because Salam Razuki knew all of these entities existed and they
24 were deliberately excluded from the agreements, yet they are parties to this lawsuit and currently
25 subjected to the receivership.

26 6. To remind the Court, around July 10 or 11, SoCal's management agreements
27 were terminated, and Far West Management was installed as the new management company for

1 the Balboa Ave Cooperative. Far West managed until July 17, 2018, when the first receivership
2 order was granted. During SoCal's initial tenure, then during Far West's tenure, there was a
3 DVR and a server at the Dispensary.

4 7. Between July 17, 2018 and July 31, 2018, SoCal was reinstalled as the Balboa
5 Dispensary manager. The DVR and Server were at the Balboa Dispensary when Far West left
6 on July 17, 2018.

7 8. On July 31, 2018, the receivership order was vacated and Far West was
8 reinstalled on or around August 1 or 2, 2018. When Far West re-entered the Balboa Dispensary,
9 the DVR and Server were missing.

10 9. I have been informed that the missing Server contains historical financial data
11 necessary to comply with the City of San Diego's MGO audit. I have no way of getting this
12 information to the City unless SoCal returns the server. In addition, this information should
13 have been handled in financial reporting that SoCal was obligated to provide and that John
14 Yaeger was paid to do while SoCal was managing the Balboa Dispensary.

15 10. It is extremely discouraging that this information is missing and that John Yaeger
16 is directly communicating with the City's MGO auditor when we have strenuously and
17 repeatedly objected to his continued participation in the accounting. I am also concerned and
18 discouraged that I am potentially being forced to pay for John Yaeger's participation in these
19 new actions he is taking when he was already paid including a \$30,000 payment on July 31,
20 2018. Further, Justus Henkes is doing the accounting and his fees are also being paid by the
21 defendants.

22 11. The costs defendants are being forced to incur by the receivership, coupled with
23 the outstanding debt that has not been paid, will in all likelihood force Balboa to close.

24 12. The Balboa Dispensary and its related entities have outstanding debt to include:

- 25 a. \$173,000 (approximate) tax debt SoCal incurred and failed to pay for 2017
26 sales;

- 1 b. Continued obligations under the HOA settlement agreement including an
- 2 approximate \$60,000 cost to replace the main sewer line which must be paid
- 3 in the next 60 under the terms of the HOA settlement agreement;
- 4 c. Outstanding invoices to professionals including Techne, Bartell and
- 5 Associates, and my attorneys;

6 13. These obligations alone are around \$300,000 in past due bills.

7 14. In addition, the defendants continue to incur their going forward legal bills and all
8 the additional costs of the receivership to include:

- 9 a. Receiver Mike Essary's fees
- 10 b. Receiver attorney Richardson Griswold's fees
- 11 c. Aaron Lachant's fees (which we have objected to for two reasons 1-he is not
- 12 necessary to process the licensing and 2-he is directly affiliated with SoCal as
- 13 he is a member of the law firm handling their case);
- 14 d. John Yaeger's fees (which we have also objected to);
- 15 e. Brian Brinig and Marilyn Weber's fees for the forensic accounting
- 16 f. Justus Henkes fees for accounting.

17 15. For example, the afternoon of September 18, 2018, I attended a meeting with
18 Brian Brinig, Marilyn Weber, Mike Essary, Richardson Griswold, Tamara Leetham, and Justus
19 Henkes. Every single attendee at this meeting is billing the receivership for fees. The meeting
20 lasted approximately two hours. Assume that the average hourly rate is \$300. Six
21 professionals, two hours is twelve hours, times \$300 is **\$3,600** for that one meeting alone! This
22 is all in addition to the regular monthly bills including mortgage, insurance, HOA, payments to
23 Far West, etc.

24 16. Defendants simply cannot support or bear the cost or burden of the receivership.
25 It will drive them into insolvency.

26 17. There are also licensing issue being caused by the receivership which attorney
27 Gina Austin has addressed in her declaration and which she will explain to the Court.

EXHIBIT A

4246

**OPERATING AGREEMENT
OF
RM PROPERTY HOLDINGS, LLC**

This Operating Agreement is made and entered into by and between those Persons whose names and signatures are set forth below (the "Members"), and being the Members of the above named Limited Liability Company organized under the Laws of the State of California (sometimes hereinafter referred to as the "Company" or the "Limited Liability Company"), who hereby represent and agree that they have or will cause to be filed, on behalf of the Company, Articles of Organization with the Secretary of State for the State of California, and that they desire to enter into this Operating Agreement in accordance with the California Revised Uniform Limited-Liability Company Act.

NOW, THEREFORE, in consideration of the premises, the provisions and the respective agreements hereinafter set forth and for other good and valuable consideration, the Members hereto do hereby agree to the following terms and conditions of this Operating Agreement for the administration and regulation of the affairs of this LIMITED LIABILITY COMPANY.

**ARTICLE 1
DEFINITIONS**

When used in this Agreement, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this Article 1 shall have the meanings set forth elsewhere in this Agreement):

1.1 "Act" means the California Revised Uniform Limited-Liability Company Act, contained in Corp. Code, §§ 17701.01 et seq., as amended from time to time.

1.2 "Agreement" shall be deemed to mean the Operating Agreement of this Limited Liability Company as may be amended.

1.3 "Business Day" shall be deemed to mean any day excluding a Saturday, a Sunday and any other day on which banks are required or authorized to close in the State of formation.

1.4 "Economic Interest" shall mean an interest in the profits and losses of the Company and excluding the right to vote and participate in the management and business affairs of the Company provided in this Agreement or under the Act.

1.5 "Limited Liability Company" or "Company" shall be deemed to mean the Limited Liability Company named in the heading of this Agreement, a Limited Liability Company organized pursuant to the laws of the State of California.

1.6 "Majority Interest" means the interest of the Members holding greater than fifty percent (50%) of the total interests held by the Members.

1.7 “Management” shall be deemed to have the meaning set forth in Article 4 of this Agreement.

1.8 “Member” shall mean (1) a person who has a Membership Interest in the Limited Liability Company AND (2) has not resigned, withdrawn, or been expelled as a member or, if other than an individual, been dissolved.

1.9 “Membership Interest” shall mean, with respect to a Member, the percentage of ownership interest in the Company of such Member (may also be referred to as “Interest” or “Percentage Interest”). Each Member’s percentage of Membership Interest in the Company shall be based on his relative capital contributions to the Company and shall be evidenced by a Certificate of Membership Interest.

1.10 “Period of Duration” shall mean the period of time between the date the Company’s Articles of Organization were filed and the date on which the Company will dissolve in accordance with the provisions of this Agreement.

1.11 “Person” shall mean an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company, or other entity, whether domestic or foreign.

1.12 “Purpose” shall mean to acquire, invest, and manage real property and/or any other lawful business or investment activity as may be approved by the Members.

1.13 “Substituted Member” shall be deemed to have the meaning set forth in Section 6.3 of this Agreement.

ARTICLE 2

OFFICES AND RECORDS

2.1 Registered Office and Registered Agent. The Limited Liability Company shall have and maintain a registered office in the State of California and a resident agent for service of process, who may be a natural person of said state, or a domestic corporation, or a corporation authorized to transact business within said state and is permitted by said state to act as a registered agent/office within said state. The resident agent shall be appointed by the Management.

(a) The location of the registered office shall be determined by the Management.

(b) The current name of the resident agent and location of the registered office shall be kept on file in the appropriate office within the state of formation pursuant to applicable provisions of law.

2.2 Limited Liability Company Offices. The Limited Liability Company may have such offices anywhere within and without the State of California, where the Management from time to time may appoint, or the business of the Limited Liability company may require. The “principal place of business” or “principal business” or “executive” office or offices of the

Limited Liability Company may be fixed and so designated from time to time by the Management.

2.3 Records. The Limited Liability Company shall continuously maintain at its registered office, or at such other place as may be authorized pursuant to applicable provisions of law of the State of California the following records:

(a) A current list, in alphabetical order, of the full name and last known business address of each Member, Economic Interest holder and Manager;

(b) A copy of the filed Articles of Organization and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any document has been executed;

(c) Copies of the Limited Liability Company's federal income tax returns and reports, if any, for the three (3) most recent years;

(d) Copies of any then effective written operating agreement and of any financial statements of the Limited Liability Company for the three (3) most recent years;

(e) Unless contained in the Articles of Organization, a writing setting out:

(1) The amount of cash and a description and statement of the agreed value of the other property or services contributed by each Member and which each Member has agreed to contribute;

(2) The items as to which, or events on the happening of which, any additional contributions agreed to be made by each Member are to be made.

(3) Any right of a Member to receive, or of a Manager to make, distributions to a Member which include a return of all or any part of the Member's contribution; and

(4) Any events upon the happening of which the Limited Liability Company is to be dissolved and its affairs wound up.

(f) The Limited Liability Company shall also keep from time to time such other or additional records, statements, lists, and information as may be required by law.

(g) If any of the above said records under Section 2.3 are not kept within the State of California, they shall be at all times in such condition as to permit them to be delivered to any authorized person within three (3) days.

2.4 Inspection of Records. Records kept pursuant to this Article are subject to inspection and copying at the reasonable request, and at the expense, of any Member in person or by attorney or other agent during the usual hours of business to inspect for any proper purpose. A

proper purpose shall mean a purpose reasonably related to such person's interest as a Member. In every instance where an attorney or other agent shall be the person who seeks the right of inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the Member.

ARTICLE 3 **MEMBERS' MEETINGS AND COMMITTEES**

3.1 Place of Meetings. All meetings of the Members shall be held at the principal business office of the Limited Liability Company in the State of California except such meetings as shall be held elsewhere by the express determination of the Management; in which case, such meetings may be held, upon notice thereof as hereinafter provided, at such other place or places, within or without the State of California, as said Management shall have determined, and shall be stated in such notice. Unless specifically prohibited by law, any meeting may be held at any place and time, and for any purpose, if consented to in writing by all of the Members entitled to vote thereat.

3.2 Annual Meetings. An annual meeting of Members shall be held each year on the Company's date of organization as indicated in section 1.10 above, if not a legal holiday, and if a legal holiday, then the annual meeting of Members shall be held at the same time and place on the next day thereafter which is a full Business Day.

3.3 Special Meetings. Special meetings of the Members may be held for any purpose or purposes. They may be called by the Manager or by Members holding not less than fifty-one percent of the voting power of the Limited Liability Company or such other maximum number as may be required by law. Written notice shall be given.

3.4 Action in Lieu of Meeting. Any action required to be taken at any annual or special meeting of the Members or any other action which may be taken at any annual or special meeting of the Members may be taken without a meeting if consents in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

3.5 Notice. Written notice of each meeting of the Members, whether annual or special, stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes thereof, shall be given or given to each Member entitled to vote thereat, not less than five (5) nor more than thirty (30) days prior to the meeting unless, as to a particular matter, other or further notice is required by law, in which case such other or further notice shall be given.

(a) Notice upon the Member may be delivered or given either personally or by express or first class mail, or by telegram, facsimile, or other electronic transmission such as via email, with all charges prepaid, addressed to each Member at the address of such Member appearing on the books of the Limited Liability Company or more recently given by the Member to the Limited Liability Company for the purpose of notice.

(b) If no address for a Member appears on the Limited Liability Company's books, notice shall be deemed to have been properly given to such Member if sent by any of the methods authorized herein to the Limited Liability Company's principal executive office to the attention of such Member, or if published, at least once in a newspaper of general circulation in the county of the principal executive office of the Limited Liability Company.

(c) If notice addressed to a Member at the address of such Member appearing on the books of the Limited Liability Company is returned to the Limited Liability Company by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Member at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the Member upon written demand of the Member at the principal executive office of the Limited Liability Company for a period of one (1) year from the date of the giving of such notice. It shall be the duty and responsibility of each member to provide the Manager and/or the Limited Liability Company with an official mailing address.

(d) Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of electronic transmission. An affidavit of the mailing or other means of giving any notice of any Member meeting shall be executed by the Management and shall be filed and maintained in the minute book of the Limited Liability Company.

3.6 Waiver of Notice. Whenever any notice is required to be given under the provisions of this Agreement, or the Articles of Organization of the Limited Liability Company or any law, a waiver thereof in writing signed by the Member or Members entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent to the giving of such notice. To the extent provided by law, attendance at any meeting shall constitute a waiver of notice of such meeting except when the Member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened, and such Member so states such purpose at the opening of the meeting.

3.7 Presiding Officials. Every meeting of the Limited Liability Company for whatever reason, shall be convened by the Manager or Member who called the meeting by notice as above provided; provided, however, it shall be presided over by the Management; and provided, further, the Members at any meeting, by a majority vote of Members represented thereat, and notwithstanding anything to the contrary elsewhere in this Agreement, may select any persons of their choosing to act as the Chairman and Secretary of such meeting or any session thereof.

3.8 Business Which May Be Transacted at Annual Meetings. At each annual meeting of the Members, the Members may elect, with a vote representing a Majority Interest of the Members, a Manager or Managers to administer and regulate the affairs of the Limited Liability Company. The Manager(s) shall hold such office until the next annual meeting of Members, or, until the Manager, resigns or is removed by the Members pursuant to the terms of this Agreement, whichever event first occurs. The Members may transact such other business as may have been specified in the notice of the meeting as one of the purposes thereof.

3.9 Business Which May Be Transacted at Special Meetings. Business transacted at all special meetings shall be confined to the purposes stated in the notice of such meetings.

3.10 Quorum. At all meetings of the Members, a Majority Interest, in person or by proxy, shall constitute a quorum for the transaction of business, unless a greater number as to any particular matter is required by law, the Articles of Organization or this Agreement, and the act of a majority of the Members present at any meeting at which there is a quorum, except as may be otherwise specifically provided by law, by the Articles of Organization, or by this Agreement, shall be the act of the Members. Less than a quorum may adjourn a meeting successively until a quorum is present, and no notice of adjournment shall be required.

3.11 Proxies. At any meeting of the Members, every Member having the right to vote shall be entitled to vote in person, or by proxy executed in writing by such Member or by his duly authorized attorney-in-fact. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

3.12 Voting. The Members of the Limited Liability Company shall vote in proportion to their interests as currently recorded in the books of the Company.

3.13 Advisory Committees. The Management may establish advisory committees to advise or make suggested recommendations on various aspects of the Limited Liability Company's business or operations. Each Committee shall keep regular minutes of its proceedings and the same shall be recorded in the minute book of the Limited Liability Company.

3.14 Meeting by Telephonic Conference or Similar Communications Equipment. Unless otherwise restricted by the Articles of Organization, this Agreement, or by law, the Members of the Limited Liability Company, or any committee thereof established by the Management, may participate in a meeting of such Members or committee by means of telephonic conference or similar communications equipment whereby all persons participating in the meeting can hear and speak to each other and participation in a meeting in such manner shall constitute presence in person at such meeting.

ARTICLE 4 **MANAGEMENT**

4.1 Management. Unless prohibited by law and subject to the terms and conditions of this Agreement, the administration and regulation of the affairs, business and assets of the limited Liability Company shall be managed by all the Members (also referred to as the "Manager(s)" or the "Management"). Any Manager may be a Member and shall be elected annually by the Members in the manner prescribed by Section 3.8 of this Agreement.

4.2 Rights, Powers and Obligations of the Management. The Management shall have all the rights and powers as are conferred by law or are necessary, desirable or convenient to the discharge of the Management's duties under this Agreement, provided such rights and powers

exercised are agreed upon by a Majority Interest. Without limiting the generality of the rights and powers of the Management, the Management, upon approval of a Majority Interest, shall have the following rights and powers which the Management may exercise in its sole discretion at the cost, expense, and risk of the Limited Liability Company:

(a) To deal in any Limited Liability Company asset whether an interest in real estate or personal property or chose in action, to sell (for cash or for debt to be held by the Limited Liability Company), exchange or convey title to, and to grant options for sale of all or a portion of the Limited Liability Company's assets;

(b) To borrow money and as security therefore to encumber all or any part of the Limited Liability Company's assets;

(c) To prosecute, defend and settle lawsuits and claims and to handle matters with governmental agencies;

(d) To open, maintain and close bank accounts and banking services for the Limited Liability Company and designate and change signatories on such accounts or services;

(e) To incur and pay all legal, accounting, investment banking, independent financial consulting, litigation and other fees and expenses as the Manager may deem necessary or appropriate for carrying on and performing the powers and authorities herein conferred;

(f) To negotiate and make any disposition of the Limited Liability Company's asset on such terms and conditions as the Manager deems appropriate;

(g) To execute and deliver any contracts, agreements, instruments or documents necessary, advisable or appropriate to evidence any of the transactions specified above or contemplated hereby and on behalf of the Limited Liability Company and to exercise Limited Liability Company rights and perform Limited Liability Company obligations under any such agreements, contracts, instruments or documents;

(h) To exercise for and on behalf of the Limited Liability Company all the general powers granted by law to the Limited Liability Company, and

(i) To take such other action as the Manager deems necessary and appropriate to carry out the Purpose of the Limited Liability Company or this Agreement.

4.3 Removal. Any Manager may be removed or discharged by the Members whenever in their judgment the best interests of the Limited Liability Company would be served thereby. The removal of the Manager shall be by a Majority Interest vote of a quorum consisting of Members who are not the Manager of the Limited Liability Company and without prejudice to the contract rights, if any, of the Manager so removed.

ARTICLE 5
INDEMNIFICATION OF MEMBERS, MANAGERS, AGENTS AND EMPLOYEES

5.1 Members and Managers. The Limited Liability Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Limited Liability Company, by reason of the fact that he/she is or was a Member or Manager of the Limited Liability Company, or is or was serving at the request of the Limited Liability Company as a director, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him/her in connection with the defense or settlement of such action, suit or proceeding, including attorneys' fees, to the full extent permitted by law provided such action, suit or proceeding is not based on such Member or Manager's gross negligence or willful misconduct. Each Manager shall indemnify all other Members who are a party or threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Limited Liability Company, so long as that Manager exercised rights and powers within the authority required by this Agreement.

5.2 Employees And Agents. The Limited Liability Company may, at the discretion of the Members, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Limited Liability Company, by reason of the fact that he/she is or was an employee or agent of the Limited Liability Company, or is or was serving at the request of the Limited Liability Company, as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him/her in connection with the defense or settlement of such action, suit or proceeding, including attorneys' fees, to the full extent permitted by law.

5.3 Expenses. The Limited Liability Company shall pay the Member or Manager, or such person or entity as the Member or Manager may designate, on a continuing and current basis, and in any event not later than thirty (30) Business Days following receipt by the Limited Liability Company of the Member's or Manager's request for reimbursement, all expenses, including attorneys fees, costs, settlements, fines and judgments incurred by or levied upon the Member or Manager in connection with any action, suit or proceeding referred to in Section 5.1.

(a) To the extent that an employee or agent of the Limited Liability Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 5.2, or in defense of any claim, issue or matter therein, he/she may be indemnified against expenses actually and reasonably incurred by such person in connection therewith, including attorney's fees.

(b) Expenses incurred by a Member or Manager in defending a civil or criminal action, suit, or proceeding may be paid by the Limited Liability Company in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Member or Manager to repay such amount if it is ultimately determined that the Member or Manager is not entitled to be indemnified by the Limited Liability Company as authorized in this Agreement. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Members deem appropriate.

5.4 Authorization. Any indemnification of Members, Manager(s), employees or agents pursuant to this Article 5, unless ordered by a court, shall be made by the Limited Liability Company only as authorized in the specific case upon a determination that such indemnification is proper in the circumstances because such Member, Manager, employee or agent has met the applicable standard of conduct set forth by law. Such determination shall be made by the Members by a majority vote of a quorum consisting of Members who were not parties to the action, suit, or proceeding, or if such a quorum is not obtainable, or even if obtainable a quorum of disinterested Members so directs, by independent legal counsel in a written opinion.

5.5 Notification and Defense of Claim. Promptly after receipt by a Member, manager, employee or agent of notice of the commencement of any action, suit or proceeding, the Member, Manager, employee or agent will, if a claim in respect thereof is to be made against the Limited Liability Company, notify the Limited Liability Company of the commencement thereof. The failure to promptly notify the Limited Liability Company will not relieve the Limited Liability Company from any liability that it may have to the Member, Manager, employee or agent thereunder, except to the extent the Limited Liability Company is prejudiced in its defense of such claim as a result of such failure. Unless otherwise requested by the Members, written notification shall not be necessary if the Member, Manager, employee or agent informs a majority of the Members of the commencement of any such action, or, independent of such notification by the Member, Manager, employee or agent, a majority of the Members has reason to believe such action has been initiated or threatened. with respect to any such action, suit or proceeding as to which the Member, Manager, employee or agent notified, or is deemed to have notified, the Limited Liability Company of the commencement thereof, the following shall apply:

(a) The Limited Liability Company is entitled to participate therein at its own expense;

(b) Except as otherwise provided below, to the extent that it may wish, the Limited Liability Company, jointly with any other indemnifying party similarly notified, will be entitled to assume the defense thereof with counsel reasonably satisfactory to the Member, Manager, employee or agent. After notice from the Limited Liability Company to the Member, Manager, employee or agent of its election so to assume the defense thereof, the Limited Liability Company will not be liable to the Member, Manager, employee or agent in connection with the defense thereof other than reasonable costs of investigation or unless:

(1) the employment of separate counsel by the Member, Manager, employee or agent has been authorized by the Limited Liability Company,

(2) the Member, Manager, employee or agent reasonably concludes that there may be a conflict of interest between the Limited Liability Company and the Member, Manager, employee or agent in the conduct of the defense of such action and that such conflict may lead to exposure for the Member, Manager, employee or agent not otherwise indemnifiable and the Member, Manager, employee or agent notifies the Limited Liability Company of such conclusion and decision to employ separate counsel, or

(3) the Limited Liability Company fails to employ counsel to assume the defense of such action. The Limited Liability Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Limited Liability Company or as to which the Member, Manager, employee or agent reasonably makes the conclusion provided for in (b)(2) above;

(c) The Limited Liability Company shall not be liable to indemnify the Member, Manager, employee or agent for any amount paid in settlement of any action or claim effected without its written consent. The Limited Liability Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Member, Manager, employee or agent without the written consent of the Member, Manager, employee or agent. Neither the Limited Liability Company nor the Member, Manager, employee or agent will unreasonably withhold their consent to any proposed settlement.

5.6 Not Exclusive. The indemnification and advancement of expenses provided by this Article 5 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Articles of Organization, as amended from time to time, or any agreement, vote of disinterested Members or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Member or Manager and shall inure to the benefit of the heirs, executors and administrators of such person.

5.7 Further Indemnity. The Limited Liability Company shall have the power to give any further indemnity, in addition to the indemnity authorized or contemplated under this Article 5, to any person who is or was a Member, Manager, employee or agent or to any person who is or was serving at the request of the Limited Liability Company as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise; provided, however, no such indemnity shall indemnify any person from or on account of such person's conduct which was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, or if it is determined by a final judgment or other final adjudication by a court of competent jurisdiction considering the question of indemnification that such payment of indemnification is or would be in violation of applicable law. The Limited Liability Company may enter into indemnification agreements with each Member or Manager of the Limited Liability Company whom the Members authorize by vote of a majority of a quorum of disinterested Members.

5.8 Insurance. The Limited Liability Company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a Member, Manager, employee or agent of the Limited Liability Company, or is or was serving at the request of the Limited Liability Company as a manager, director, employee or agent of another Limited Liability company, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him/her and incurred by him/her in any such capacity, or arising out of his/her status as such, whether or not the Limited Liability Company would have the power to indemnify him/her against such liability under the provisions of this Article 5. When, and if the Limited Liability Company obtains such insurance coverage or makes such other financial arrangements, the Limited Liability Company shall not be required, to maintain such insurance coverage or other financial arrangements in effect; provided, however, the Limited Liability Company notifies the covered person in writing within five (5) business days of the making of the decision to not renew or replace such insurance policy or maintain such other financial arrangements in effect. The maintenance of such insurance or other financial arrangements shall not diminish, relieve or replace the Limited Liability Company's liability for indemnification under the provisions hereof. A claim for reimbursement thereunder, shall not be denied on the basis that such amount may or will be covered by such insurance policy or other financial arrangements, if such payments from the insurance company or other financial arrangements will not be made to the covered person within ten (10) business days of the claim for reimbursement.

The other financial arrangements made by the Limited Liability Company pursuant to this Article may include:

- (a) creation of a trust fund;
- (b) establishment of a program for self-insurance;
- (c) securing of its obligation or indemnification by granting a security interest or other lien on any assets of the Limited Liability Company;
- (d) any other financial arrangements permitted by law; or,
- (e) any combination of the above.

5.9 Additional Definitions. For the purpose of this Article 5, references to "the Limited Liability Company" shall be deemed to include all constituent entities absorbed in a consolidation or merger as well as the resulting or surviving entity, so that any person who is or was a Member or Manager of such a constituent entity or is or was serving at the request of such constituent entity as a manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article 5, with respect to the resulting or surviving corporation or entity as he/she would if he/she had served the resulting or surviving corporation or entity in the same capacity.

For purposes of this Article 5, the following definitions shall apply:

- (a) The term "other enterprise" shall include employee benefit plans.
- (b) The term "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan.
- (c) The term "serving at the request of the Limited Liability Company" shall include any service as a Member or Manager of the Limited Liability Company which imposes duties on, or involves services by, such Member or Manager with respect to an employee benefit plan, its participants, or beneficiaries.
- (d) A person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Limited Liability Company".

5.10 Limitation of Members' Liability. Other than a Member's respective Capital Contribution or obligation to make said Capital Contribution or additional contributions as provided in this Agreement, the Members shall have no liability or obligation for any liabilities, debts or obligations of the Company.

ARTICLE 6
MEMBERSHIP INTEREST

6.1 Contribution to Capital. Member contributions to the capital of the Limited Liability Company may be paid for, wholly or partly, by cash, by personal property, or by real property, or services rendered. By unanimous consent of the Members, other forms of contributions to capital of a Limited Liability company authorized by law may be authorized or approved. Upon receipt of the total amount of the contribution to capital, the contribution shall be declared and taken to be fully paid. Members may be subject to additional contributions to capital as determined by the Majority Interest of Members from time to time. Furthermore, within thirty (30) days from the date of this Agreement, the Members shall cause to be transferred to the Company the assets identified in Exhibit "B" attached hereto and incorporated herein.

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(a) Upon the unanimous consent of the members, the Company may issue more than one class of membership interest. The members may determine and alter the rights, preferences, privileges and restrictions granted to and imposed upon any wholly un-issued class of membership interest.

6.2 Valuation of Personal or Real Property and Services Rendered. Unless required or recommended by any law or any governmental regulation or court decision or administrative ruling applicable to this Limited Liability Company, the value to be assigned to a contribution to capital of the Limited Liability Company of personal or real property shall be determined in the

following manner. The Member contributing such personal, or real property must submit at the time of the contribution a minimum of two appraisals by appraisers satisfactory to the Management. The average appraised price as determined from the appraisals submitted shall be the amount assigned to this contribution of capital. In the event the Member demands a return of his/her contribution to capital and such return is authorized pursuant to this Agreement and law, the Limited Liability Company shall be only obligated to return the original monetary value assigned to the property at the time of its contribution to capital.

(a) Unless required or recommended by any law or any governmental regulation or court decision or administrative ruling applicable to this Limited Liability Company, the value to be assigned to a contribution to capital of the Limited Liability Company for services rendered shall be the amount the Management determines is the fair market value for such services.

6.3 Restrictions on Transfer and Assignment of Interests. No Member shall be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest except upon completion of the Right of First Refusal procedure set forth in subsection 6.3(g) below. Further, a Member may not assign any Economic Interest without the non-economic interests related to the same Membership Interests, except with the consent of the other Members as indicated by a Majority Vote of the other Members or by operation of law. Any transfer in violation of this Article 6 shall only be effective to the extent set forth in subsection 6.3(f). After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

(a) Exceptions. A Member may effectuate the following types of transfers ("Exception Transfers") without complying with the provisions of this Article relating to (i) obtaining the consent of the non-transferring Members and (ii) the right of first refusal of the Company and the other Members:

(1) Any transfer of a Membership Interest by bequest or otherwise occurring as a result of the death of an individual Member;

(2) Any voluntary transfer of a Membership Interest (i) from an individual Member to the trustee of a revocable trust for the benefit of that Member and/or his spouse and/or his relatives within two degrees of consanguinity, or (ii) from the trustee of such a trust back to one or more individual Member-trustor(s);

(3) Any voluntary transfer of an undivided interest in a Membership Interest (i) to a spouse from a Member, or (ii) from a Member's spouse to a Member;

(4) Any transfer of an Economic Interest to a spouse or former spouse as part of property division arising from a marital dissolution involving a Member;

Notwithstanding the foregoing sentence, the transferee in any such transfer shall take the transferred interest subject to all the other provisions of this Agreement and shall comply with the requirements of subsection (c).

(b) Further Restrictions on Transfer of Interests. In addition to other restrictions found in this Agreement, no Member shall transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest: (i) without first complying with subsection 6.3(g) below; and/or (ii) if the Membership Interests to be transferred, assigned, sold or exchanged, when added to the total of all other Membership Interests sold or exchanged in the preceding twelve (12) consecutive months prior thereto, would cause the termination of the Company under the Code, as reasonably determined by the Manager.

(c) Substitution of Members. A transferee of a all or any portion of a Membership Interest shall have the right to become a Substitute Member only if (i) the requirements of this Article relating to majority consent of Members, securities and tax requirements hereof are met, (ii) such transferee executes an instrument satisfactory to the Manager accepting and adopting the terms and provisions of this Agreement, and (iii) such transferee pays any reasonable expenses in connection with his or her admission as a new Member. The admission of a substitute Member shall not result in the release of the transferring Member from any liability that such Member may have to the Company or to the other Members.

(d) Permitted Transfers. As used herein, the term "Permitted Transfer" refers to (i) a transfer which has satisfied the provisions of this Article relating to Members' consent and the Company's and the other Members' right of first refusal, or (ii) an Exception Transfer, as defined above.

(1) Effective Date of Permitted Transfers. The Manager shall provide the Members with written notice of any Permitted Transfer as promptly as possible after the requirements of Section 6.1, 6.2 and 6.3 have been met. Any transferee of all or part of a Membership Interest shall take subject to the restrictions on transfer imposed by this Agreement.

(e) Rights of Legal Representatives. If a Member who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Member's person or property, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling the Member's estate or administering the Member's property, including any power the Member has under the Articles or this Agreement to transfer all or a portion of a Membership Interest, subject to the restrictions herein. If a Member is a corporation, partnership, trust, or other entity and is dissolved or terminated, the powers of that Member may be exercised by such Member's legal representative or successor.

(f) No Effect to Transfers in Violation of Agreement. Upon any transfer of a Membership Interest in violation of this Article 6, the transferee shall have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Such transferee shall only be entitled to become an Economic Interest

Owner and thereafter shall only receive the share of the Company's Net Profits, Net Losses and/or distributions of the Company's assets to which the transferor of such Economic Interest would otherwise be entitled. Further, if the Manager reasonably determines that such transfer would result in the termination of the Company under the Code, the transfer shall automatically be null and void, *ab initio*, and the purported transferee shall not become either a Member or an Economic Interest Owner.

(1) Transfers of Economic Interests. Upon and contemporaneously with any voluntary or involuntary transfer, assignment, conveyance or sale (whether arising out of an attempted charge upon that Member's Economic Interest by judicial process, a foreclosure by a creditor of the Member or otherwise) of a Member's Economic Interest, which does not at the same time transfer the balance of the rights associated with the Membership Interest in question (including, without limitation, the rights of the Member to vote or participate in the control of the business, property and affairs of the Company), the Company shall have the option, but not the obligation, to purchase from the Member, and the Member shall sell to Company for a purchase price of One Hundred Dollars (\$100.00), all remaining rights and interests retained by the Member that immediately before the transfer, assignment, conveyance or sale were associated with the transferred Economic Interest. Such purchase and sale shall not, however, result in the release of the Member from any liability to the Company. Each Member acknowledges and agrees that the right of the Company to purchase such remaining rights and interests from a Member who transfers an Economic Interest in violation of this section is reasonable under the circumstances existing as of the date hereof.

(g) Right of First Refusal. Except as otherwise provided herein, each time a Member proposes to transfer, assign, convey, sell, encumber or otherwise alienate all or any part of his or her Membership Interest, and each time that involuntary transfer occurs with respect to a Membership Interest, the Company and the non-transferring Members shall have right to acquire the Membership Interest (or portion thereof) proposed to be transferred, and the Member in question shall first offer such Membership Interest to the Company and the non-transferring Members in accordance with the following provisions:

(1) Notice of Intended Transfer. Such Member shall deliver a written notice ("Notice of Intended Transfer") to the Company and the other Members stating (i) such Member's bona fide intention to transfer such Membership Interest, (ii) the name and address of the proposed transferee, (iii) the Membership Interest to be transferred, and (iv) the purchase price and other terms of purchase for which the Member proposes to transfer such Membership Interest.

(2) Notices of Intent to Purchase. Within thirty (30) days after receipt of the Notice of Intended Transfer described above, each non-transferring Member who desires to purchase the Membership Interest to be transferred shall so notify the Manager in writing. The failure of any Member to submit a notice within the applicable period shall constitute an election on the part of that Member not to purchase, or participate in the purchase of, the Membership Interest in question. Each Member making an election to purchase a portion of such Membership Interest shall participate in the purchase in the same proportion that the Percentage Interest of such Member bears to the aggregate of the Percentage Interests of all of

the Members electing to so purchase the Membership Interest being transferred. If no Members so elect in writing to purchase, or participate in the purchase of, the entire Membership Interest being transferred, the Company may purchase such Membership Interest. On or before that date which is 45 days after the Company received the Notice of Intended Transfer, the Company shall deliver a written notice to the transferring Member, specifying that the Company, and/or certain non-transferring Members desire and intend to purchase the entire Membership Interest in question ("Notice of Intent to Purchase").

(3) Exercise of Right of First Refusal. On or before the later of (i) the expiration of the time period(s) specified in the terms set forth in the Notice of Intent to Transfer, or (ii) that date which is sixty (60) days after delivery of the Notice of Intent to Purchase described in Paragraph 6.3(g)(2) above, the Company and the Members electing to purchase such Membership Interest shall pay and/or perform the price and terms of sale designated in the Notice of Intended Transfer. If such Notice of Intended Transfer provided for the payment of non-cash consideration, the Company and such purchasing Members may elect to pay the consideration in cash equal to the good faith estimate of the present fair market value of the non-cash consideration offered as determined by the Manager.

(4) Non-Exercise of Right of First Refusal. If the Company and/or the non-transferring Members do not elect to purchase all of the Membership Interest designated in the Notice of Intended Transfer, then the transferring Member may transfer the Membership Interest described in said notice to the proposed transferee specified therein, provided that such transfer (i) is completed within thirty (30) days after the expiration of the above-described Right of First Refusal, (ii) is made on terms no less favorable to the transferring Member than as designated in said Notice of Intended Transfer, and (iii) the requirements relating to consent of Members, and compliance with securities and tax requirements are met. If such Membership Interest is not transferred in accordance with the foregoing sentence, the transferring Member must again give notice in accordance with this Section prior to any other or subsequent transfer of such Membership Interest.

6.4 Return of Contributions to Capital. Return to a Member of his/her contribution to capital shall be as determined and permitted by law and this Agreement.

6.5 Loans. Any loan or loans made by a Member to the Company, or monetary advances made on behalf of the Company, shall not be viewed as a Capital Contribution by the Member and shall not increase the Member's Membership Interest.

6.6 Addition of New Members. A new Member may be admitted into the Company only upon consent of a Majority in Interest of the Members. The amount of Capital Contribution which must be made by a new Member shall be determined by the vote of all existing Members. A new Member shall not be deemed admitted into the Company until the Capital Contribution required of such person has been made and such person has become a party to this agreement.

ARTICLE 7
DISTRIBUTION OF PROFITS AND LOSSES

7.1 Qualifications and Conditions. The profits and/or losses of the Limited Liability Company shall be allocated to the Members, from time to time, as permitted under law and as determined by the Members of the Limited Liability Company at an Annual or Special Meeting of the Members.

7.2 Record Date. The Record Date for determining Members entitled to receive payment of any distribution of profits shall be the day in which the Members in a meeting adopt the resolution for payment of a distribution of profits. If the adoption of the aforementioned resolution is by action in lieu of a meeting pursuant to Section 4 of Article III, the Record Date shall be the date of the written consent. Only Members of record on the date so fixed are entitled to receive the distribution notwithstanding any transfer or assignment of Member's interests or the return of contribution to capital to the Member after the Record Date fixed as aforesaid, except as otherwise provided by law.

7.3 Participation in Distribution of Profit. Each Member's participation in the distribution shall be in proportion to that Member's contribution to the Limited Liability Company's total capital on the Record Date, as adjusted to reflect all of the Member's contributions to or withdrawals from capital on or before the Record Date, unless the Members have unanimously agreed in writing, to the use of another method of calculating allocation. Each Member's initial contribution shall be reflected in Exhibit A to this Operating Agreement which is attached hereto and incorporated by this reference. Furthermore, the Members agree that no profits shall be distributed to any Member until and unless the Members have been repaid their cash capital contributions in full as stated in Exhibits "A" and "B" attached hereto and incorporated herein.

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7.4 Limitation on the Amount of Any Distribution of Profit. In no event shall any distribution of profit result in the assets of the Limited Liability Company being less than all the liabilities of the Limited Liability Company, on the Record Date, excluding liabilities to Members on account of their contributions to capital or be in excess of that permitted by law.

7.5 Date of Payment of Distribution of Profit. Unless another time is specified by the applicable law, the payment of the distribution of profit shall be within thirty (30) days after the Record Date.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES BY MEMBERS

In executing this Agreement, each Member hereby makes the representations and warranties set forth below to the Company, the Manager and the other Members.

8.1 Units Not Securities. The Units and the Membership Interests are not intended or believed to be "securities," as that term is defined in federal and state securities laws. In this regard, each Member intends to exercise his rights of control of the Company as allowed under this Agreement in such a manner that such Member will not be relying solely on the skill and expertise of the Manager for the success of the Company but also on the expertise and experience of such Member and the other Members.

8.2 Waiver of Securities Laws Claims. TO THE FULLEST EXTENT ALLOWED BY LAW, EACH SUCH MEMBER EXPRESSLY WAIVES AND RELINQUISHES ANY CLAIM SUCH MEMBER MIGHT HAVE AGAINST THE COMPANY, THE MANAGER OR ANY OTHER MEMBER ARISING FROM ANY SECURITIES LAWS, INCLUDING BUT NOT LIMITED TO THE SECURITIES ACT OF 1933, THE SECURITIES EXCHANGE ACT OF 1934, AND/OR THE CORPORATE SECURITIES LAW OF 1968 (CALIFORNIA CORPORATIONS CODE SECTIONS 25000 ET SEQ.) AND COVENANTS NOT TO BRING ANY ACTION OR SUIT ON ANY SUCH CLAIM.

8.3 Preexisting Relationship or Ability to Protect Self. Each such Member:

(a) has a preexisting personal or business relationship with the Company or one or more of its officers, Manager or control persons; or

(b) is capable of evaluating the risks and merits of an investment in the Membership Interest and of protecting his or her own interests in connection with an investment in the Company by reason of (i) such Member's business or financial experience or (ii) the business or financial experience of such Member's financial advisor, who is unaffiliated with and who is not compensated, directly or indirectly, by the Company or the Manager or any affiliate or agent of the Company.

8.4 No Advertising. Such Member has not seen, received, been presented with, or been solicited by any form of public advertising or general public solicitation with respect to the Member's purchase of a Membership Interest, including any publicly-disseminated leaflet, newspaper or magazine article or advertisement, radio or television advertisement, or any public promotional meeting.

8.5 Investment Intent. Such Member is acquiring the Membership Interest for investment purposes for his or her own account only and not for resale or with a view toward any further distribution of all or any part of the Membership Interest. No other person will have any direct or indirect beneficial interest in or right to the Membership Interest.

8.6 Purpose of Entity-Member. If the Member is a corporation, partnership, Limited Liability Company, trust, or other entity, such Member was not organized for the specific purpose of acquiring the Membership Interest.

8.7 Residence. Such Member is a resident of the United States of America.

8.8 Economic Risk. Such Member is financially able to bear the economic risk of purchasing a Membership Interest in the Company, including the total loss of the purchase price.

8.9 No Registration of Offering. Such Member acknowledges that no offering of the Company's Units has been registered under the Securities Act of 1933, as amended (the "Securities Act"), or qualified under the California Corporate Securities Law of 1968, as amended, or registered with or qualified by any regulatory agency of the federal or state government.

8.10 Resale of Units Restricted. Such Member understands that:

(a) the Membership Units will be acquired from the Company in a transaction not involving a public offering, and that the Membership Units may be resold without registration and qualification only in certain limited circumstances, and that otherwise the Membership Interest must be held indefinitely;

(b) to the extent that, notwithstanding Section 8.1 above, the Units might be deemed to be "securities," they might further be deemed to be "restricted securities" under the Securities Act of 1933 and SEC Rule 144, as presently in effect, which impose conditions which must be met in order for that Rule to be available for resale of "restricted securities";

(c) the Company has not made current information about the Company available to the public and has no present plans to do so.

8.11 No Obligation to Register. Such Member understands that the Company and the Manager are under no obligation to register or qualify the Membership Interest under the Securities Act of 1933 or under any state securities law, or to assist the Member in complying with any exemption from registration and qualification.

8.12 No Disposition in Violation of Law. Without limiting the representations set forth above, and without limiting the effect of Article 7 of this Agreement, such Member will not make any disposition of all or any part of the Membership Interest which will result in the violation by such Member or by the Company of the Securities Act, the California Corporation Securities Law of 1968, or any other applicable federal or state securities laws.

8.13 Legends. Such Member understands that the Company has no present intention of issuing certificates of membership in the Company, but if such intention were to change, any certificates evidencing a Membership Interest might bear one or all of the following legends, or words similar thereto:

(a) "THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER

RESTRICTIONS, TERMS, AND CONDITIONS WHICH ARE SET FORTH HEREIN"; or

(b) Any legend required by applicable federal or state securities laws.

8.14 Investment Risk. Such Member acknowledges that the Units in the Company represent a highly speculative investment which involves a SUBSTANTIAL DEGREE OF RISK OF LOSS OF THE MEMBER'S ENTIRE INVESTMENT IN THE COMPANY, and that such Member fully understands the risk factors related to the purchase of the Membership Interest, including but not limited to the fact that the Company is newly organized and has no financial or operating history.

8.15 Accredited Investor. Such Member (jointly with such Member's spouse) (i) has a personal net worth exceeding \$1 million, or (ii) an annual income exceeding \$200,000 (or \$300,000 including spouse's income) during each of the past 2 years, and has a reasonable expectation of same for ensuing years or (iii) a net worth of \$1,000,000 exclusive of personal residence, automobile and home furnishings.

8.16 Difficulty in Liquidating Membership Interest. Such Member acknowledges that there are substantial restrictions on the transferability of the Membership Interest pursuant to this Agreement, that there is no public market for the Units and none is expected to develop, and that, accordingly, it may not be possible for him or her to liquidate his or her investment in the Company.

8.17 Information Reviewed. Such Member: (i) has received and reviewed all information he or she considers necessary or appropriate for deciding whether to purchase the Membership Interest; (ii) has had an opportunity to ask questions and receive answers from the Company and the Manager regarding the terms and conditions of purchase of the Membership Interest and regarding the business, financial affairs, and other aspects of the Company; (iii) has had the opportunity to obtain all information (to the extent the Company possesses or can acquire such information without unreasonable effort or expense) which such Member deems necessary to evaluate the such Member's investment in the Company and to verify the accuracy of information otherwise provided to Such Member, and (iv)) has had the opportunity to have such Member's attorney and/or other professional advisors review and analyze such information.

8.18 No Representations By Company. No Manager, agent or employee of the Company or any other Person has at any time expressly or implicitly represented, guaranteed, or warranted to such Member that: (i) such Member may freely transfer the Membership Interest; (ii) a percentage of profit and/or amount or type of consideration will be realized as a result of a purchase of Units in the Company; (iii) past performance or experience on the part of the Manager or his Affiliates or any other person in any way indicates the predictable results of the ownership of the Membership Interest or of the overall Company business; (iv) any cash distributions from Company operations or otherwise will be made to the Members by any specific date or will be made at all; or (v) that any specific tax benefits will accrue as a result of an investment in the Company.

8.19 Consultation with Professional Advisors. Such Member has had the opportunity

to consult with his or her own attorney and/or other professional advisors regarding all legal, tax and financial ramifications of becoming a Member in the Company and has actually done so to the extent such Member considers appropriate.

8.20 Tax Consequences. Such Member understands that the tax consequences to such Member of investing in the Company will depend on such Member's particular circumstances, and neither the Company, the Manager, the Members, nor the partners, shareholders, Members, Manager, agents, officers, directors, employees, affiliates, attorneys or consultants of any of them will be responsible or liable for the tax consequences to such Member of an investment in the Company. He or she will look solely to, and rely upon, his or her own advisers with respect to the tax consequences participating in the Company.

8.21 No Assurance of Tax Benefits. Such Member understands that there can be no assurance that (i) the Code or the Regulations will not be amended or interpreted in the future in such a manner so as to deprive the Company and the Members of some or all of the tax benefits they might now receive, or (ii) that some of the deductions claimed by the Company and/or the allocations of items of income, gain, loss, deduction, or credit among the Members might not be challenged by the Internal Revenue Service.

ARTICLE 9

ISSUANCE OF MEMBERSHIP INTEREST CERTIFICATES

9.1 Issuance of Certificate of Interest. The interest of each Member in the Company shall be represented by a Certificate of Interest (also referred to as the Certificate of Membership Interest or Certificate). Upon the execution of this Agreement and the payment of a Capital Contribution by the Member, the Management shall cause the Company to issue one or more Certificates in the name of the Member, certifying that he/she is the record holder of the Membership Interest set forth therein.

9.2 Transfer of Certificate of Interest. A Membership Interest which is transferred in accordance with the terms of Section 6.3 of this Agreement shall be transferable on the books of the Company by the record holder thereof in person or by such record holder's duly authorized attorney, but, except as provided in Section 9.3 with respect to lost, stolen or destroyed certificates, no transfer of a Membership Interest shall be entered until the previously issued Certificate representing such Interest shall have been surrendered to the Company and cancelled and a replacement Certificate issued to the assignee of such Interest in accordance with such procedures as the Management may establish. The management shall issue to the transferring Member a new Certificate representing the Membership Interest not being transferred by the Member, in the event such Member only transferred some, but not all, of the Interest represented by the original Certificate. Except as otherwise required by law, the Company shall be entitled to treat the record holder of a Membership Interest Certificate on its books as the owner thereof for all purposes regardless of any notice or knowledge to the contrary.

9.3 Lost, Stolen or Destroyed Certificates. The Company shall issue a new Membership Interest Certificate in place of any Membership Interest Certificate previously issued if the record holder of the Certificate:

(a) makes proof by affidavit, in form and substance satisfactory to the Management, that a previously issued Certificate has been lost, destroyed or stolen;

(b) requests the issuance of a new Certificate before the Company has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(c) satisfies any other reasonable requirements imposed by the Management.

If a Member fails to notify the Company, within a reasonable time after it has notice of the loss, destruction or theft of a Membership Interest Certificate, and a transfer of the Interest represented by the Certificate is registered before receiving such notification, the Company shall have no liability with respect to any claim against the Company for such transfer or for a new Certificate.

ARTICLE 10 **AMENDMENTS**

10.1 Amendment of Articles of Organization. Notwithstanding any provision to the contrary in the Articles of Organization or this Agreement, in no event shall the Articles of Organization be amended without the vote of Members representing a Majority in Interest of the Members.

10.2 Amendment of Operating Agreement. This Agreement may be adopted, altered, amended or repealed and a new operating Agreement may be adopted by a Majority in Interest of the Members.

ARTICLE 11 **MISCELLANEOUS**

11.1 Counsel to the Company. Counsel of the Company may also be counsel to any Manager, Member, or Affiliate. The Manager and/or Members agree to execute on behalf of the Company and themselves individually the attached Joint Representation and Waiver of Conflict document counsel may request pursuant to the California Rules of Professional Conduct or similar rules in any other jurisdiction ("Rules"). Further, in signing this Agreement, each Member acknowledges that Company counsel has not represented any Member personally in the preparation and negotiation of this Agreement or in connection with the any aspect of the Company business. Further, counsel may withdraw from representing either the Company or any Member in the event of a future dispute between one or more other Members or a good faith assertion by a Member that Company counsel has an actual conflict of interest.

11.2 Fiscal Year. The Members shall have the paramount power to fix, and from time to time, to change, the Fiscal Year of the Limited Liability Company. In the absence of action by the Members, the fiscal year of the Limited Liability Company shall be on a calendar year basis

and end each year on December 31 until such time, if any, as the Fiscal Year shall be changed by the Members, and approved by Internal Revenue Service and the State of formation.

11.3 Annual Financial Statements; Statements of Account. Within ninety (90) business days after the end of each Fiscal Year, the Management shall send to each Member who was a Member in the Limited Liability Company at any time during the Fiscal Year then ended an un-audited statement of assets, liabilities and Contributions To Capital as of the end of such Fiscal Year and related un-audited statements of income or loss and changes in assets, liabilities and Contributions to Capital. Within forty, five (45) days after each fiscal quarter of the Limited Liability Company, the Management shall mail to each Member an un-audited report providing narrative and summary financial information with respect to the Limited Liability Company. The Management may extend such time period in its sole discretion if additional time is necessary to furnish complete and accurate information pursuant to this Section.

11.4 Events Requiring Dissolution. The following events shall require dissolution and winding up the affairs of the Limited Liability Company:

(a) When the Period of Duration of the Limited Liability Company expires as specified in the Articles of Organization or in this Operating Agreement;

(b) By the written approval by a Majority In Interest of the Members to dissolve the Company;

(c) Upon the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or occurrence of any other event which terminates a Member's continued Membership in the Company.

Within ninety (90) days of the happening of that event requiring dissolution, the business of the Limited Liability Company may be continued by the unanimous vote of all remaining Members, and the filing of a Certificate of Continuation with the Office of the Secretary of State.

11.5 Choice of Law. IN ALL RESPECTS THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FORMATION INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, PERFORMANCE AND THE RIGHTS AND INTERESTS OF THE PARTIES UNDER THIS AGREEMENT WITHOUT REGARD TO THE PRINCIPLES GOVERNING CONFLICTS OF LAWS, UNLESS OTHERWISE PROVIDED BY WRITTEN AGREEMENT.

11.6 Severability. If any of the provisions of this Agreement shall contravene or be held invalid or unenforceable or conflict with or contravene any provision of the Article of Organization of the Limited Liability Company, the affected provision or provisions of this Agreement shall be construed or restricted in its or their application only to the extent necessary to permit the rights, interests, duties and obligations of the parties hereto to be enforced according to the purpose and intent of this Agreement and in conformance with the applicable law or laws.

11.7 Successors and Assigns. Except as otherwise provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representative, heirs, administrators, executors and assigns.

11.8 Non-Waiver. No provision of this Agreement shall be deemed to have been waived unless such waiver is contained in a written notice given to the party claiming such waiver has occurred, provided that no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

11.9 Captions. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

11.10 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. It shall not be necessary for all Members to execute the same counterpart hereof. Electronic signatures transmitted wither via facsimile or electronic mail in portable document format (pdf) are binding on the party providing the facsimile or electronic mail signatures.

11.11 Membership. A corporation may be a member of this Limited Liability Company.

11.12 Definition of Words. Wherever in this agreement the term he/she is used, it shall be construed to mean also it as pertains to a corporation, trust or other "entity" Member.

11.13 Purpose of Organizer. Upon the filing and approval of the Articles of Organization by the Secretary of State, the Organizer will have fulfilled his/her obligation to the Company as Organizer. If the individual serving as Organizer is also a Member or Manager, he/she may hold or incur additional interest in or obligation to the Company.

EXECUTION BY MEMBERS

IN WITNESS WHEREOF, the undersigned, being the members of the above-named limited liability company, have hereunto executed this Agreement as of November 09, 2017.


SALAM RAZUKI


NINUS MALAN

RM PROPERTY HOLDINGS, LLC
EXHIBIT "A"
LIST OF MEMBERS, CAPITAL AND PERCENTAGES

MEMBERS	PERCENTAGE OF (1) PROFITS/CASH FLOW; (2) LOSS; AND (3) CAPITAL GAINS	INITIAL CAPITAL CONTRIBUTION
SALAM RAZUKI 10605 SENDA ACUARIO SAN DIEGO, CA 92130	SEVENTY FIVE PERCENT (75%)	\$750.00 CASH
NINUS MALAN 5065 LOGAN AVE., #101 SAN DIEGO CA 92113	TWENTY FIVE PERCENT (25%)	\$250.00 CASH

ACKNOWLEDGED AND AGREED


SALAM RAZUKI


NINUS MALAN

RM PROPERTY HOLDINGS, LLC
EXHIBIT "B"
ADDITIONAL CAPITAL CONTRIBUTIONS

ADDITIONAL CAPITAL CONTRIBUTION BY NINUS MALAN

1. 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:
 - (a) The real property commonly known as 8859 BALBOA AVE., STE.. A, SAN DIEGO, CA 92123.
 - (b) The real property commonly known as 8859 BALBOA AVE., STE.. B, SAN DIEGO, CA 92123.
 - (c) The real property commonly known as 8859 BALBOA AVE., STE.. C, SAN DIEGO, CA 92123.
 - (d) The real property commonly known as 8859 BALBOA AVE., STE.. D, SAN DIEGO, CA 92123.
 - (e) The real property commonly known as 8859 BALBOA AVE., STE.. E, SAN DIEGO, CA 92123.
 - (f) The real property commonly known as 8861 BALBOA, STE. B, SAN DIEGO, CA 92123.
 - (g) The real property commonly known as 8863 BALBOA, STE. E, SAN DIEGO, CA 92123.
2. One hundred percent (100%) membership interest in FLIP MANAGEMENT LLC, a California Limited Liability Company.
3. 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.
4. 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.

ADDITIONAL CAPITAL CONTRIBUTION BY SALAM RAZUKI

1. A 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.
2. A 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.

The Members acknowledge and agree that they shall use their best efforts to effectuate the foregoing transfers to the Company within thirty (30) days and shall execute any and all further documents as may be necessary to carry out the same.

CASH CONTRIBUTIONS

The Members acknowledge and agree they have each invested certain sums in connection with the acquisition of the assets listed above and shall be entitled to recoup their entire investment before any payment of profits by the Company as stated in section 7.3 of the Company's Operating Agreement. The Members further agree to work in good faith to calculate each of their respective cash investment amounts within thirty (30) days and shall execute an amendment to this Exhibit "B" to memorialize the same.

ACKNOWLEDGED AND AGREED


SALAM RAZUKI


NINUS MALAN

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

1 Gina M. Austin (SBN 246833)
E-mail: *gaustin@austinlegalgroup.com*
2 Tamara M. Leetham (SBN 234419)
E-mail: *tamara@austinlegalgroup.com*
3 AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
4 San Diego, CA 92110
Phone: (619) 924-9600
5 Facsimile: (619) 881-0045

6 Attorneys for Defendants
Ninus Malan, San Diego United Holdings Group,
7 Balboa Ave Cooperative, Flip Management,
California Cannabis Group
8

9 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
10 **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
MANAGEMENT CONSULTING, INC., a
17 California corporation; SAN DIEGO
UNITED HOLDINGS GROUP, LLC, a
18 California limited liability company; FLIP
MANAGEMENT, LLC, a California
19 limited liability company; ROSELLE
PROPERTIES, LLC, a California limited
20 liability company; BALBOA AVE
COOPERATIVE, a California nonprofit
21 mutual benefit corporation; CALIFORNIA
CANNABIS GROUP, a California
22 nonprofit mutual benefit corporation;
DEVILISH DELIGHTS, INC. a California
23 nonprofit mutual benefit corporation; and
DOES 1-100, inclusive;

24 Defendants.
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27
28

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

**DECLARATION OF GINA M. AUSTIN IN
SUPPORT OF EX PARTE APPLICATION
TO CLARIFY/MODIFY SEPTEMBER 7,
2018 EX PARTE AND PROPOSED ORDER
THEREON**

[Imaged File]

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

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I, Gina M. Austin, declare:

1. I am attorney admitted to practice before this Court and all California courts and, along with Tamara M. Leetham, represent defendants Ninus Malan (“Malan”), San Diego United Holdings Group (“San Diego United”), Balboa Ave Cooperative (“Balboa”), California Cannabis Group (“CCG”), Devilish Delights, and Flip Management (“Flip”) (collectively “Malan Defendants”) in this matter. I make this declaration in support of the Malan Defendants ex parte application to clarify or modify the Court’s ruling on the September 7, 2018 hearing and to clarify or modify the proposed order thereon. Unless otherwise stated, all facts testified to are within my personal knowledge and, if called as a witness, I would and could competently testify to them.

2. As I’ve stated in prior declarations, I am an expert in cannabis licensing and entitlements at the state and local levels and regularly speak on the topic across the nation.

3. I have represented Ninus Malan, San Diego United Holdings Group, Balboa Ave Cooperative, and California Cannabis Group in multiple matters in San Diego County Superior Court and my firm also performs additional legal services for the Malan Defendants to include corporate transactions and structuring, land use entitlements and regulations related to cannabis, and state compliance related to cannabis.

4. I have appeared at all 5 hearings related to plaintiff Salam Razuki’s (“Plaintiff”) request for temporary restraining order and preliminary injunction:

- a. July 17, 2018 hearing before Judge Medel in department 66;
- b. July 31, 2018 hearing before Judge Strauss in department 75;
- c. August 14, 2018 hearing before Judge Sturgeon;
- d. August 20, 2018 hearing before Judge Sturgeon;
- e. September 7, 2018 hearing before Judge Sturgeon.

5. On September 7, 2018, I appeared at the continued hearing on plaintiff Salam Razuki’s preliminary injunction. Attached as Exhibit A to my declaration is a true and correct copy of a partial rough transcript, e-mailed from Mr. Griswold to all counsel in response to questions regarding the proposed order.

6. On September 13, 2018, after some back and forth between counsel, Mr. Griswold

1 e-mailed all counsel a Proposed Order. A true and correct copy of his e-mail and the Proposed
2 Order is attached as Exhibit B. Despite best efforts by Mr. Griswold, there continues to be a
3 disagreement as to (a) whether the licensed entities should be placed into the receivership as they
4 are not part of the settlement agreement; (b) the manner in which the current order has been
5 implemented as it has stripped all ability my office has to directly contact and process the
6 cannabis licenses; (c) the improper disclosure of confidential information to Mr. Lachant and
7 other parties; and (d) the scope of the forensic accounting and who is responsible for payment.

8 7. During the hearing on September 7, 2018, we asked the Court to keep the licensed
9 entities (California Cannabis Group and Balboa Ave Cooperative) out of the receivership, which
10 the Court declined. I suggested the receiver become an owner and court received objection from
11 the receiver and the receiver's counsel. Ironically, the state of California has since required the
12 receiver to fill out and submit owner paperwork for the state licenses. In fact, Mr. Essary is
13 currently listed as an owner for each of the licensed entities. The Court did allow me to continue
14 to process the state applications.

15 Issues With City MGO Audit

16 8. To remind the Court, Balboa Ave Cooperative is undergoing an audit by the City
17 of San Diego's MGO with respect to its local sales tax. The receiver has been responsible for
18 managing this audit from July 17, 2018 – July 31, 2018 and from August 14, 2018 through the
19 date of this declaration.

20 9. To remind the Court, the City came back with comments that the sales tax could
21 not be reconciled with the amounts owed and there was a difference of approximately \$100,000.
22 SoCal and non-party CPA John Yaeger were in exclusive control of the sales tax records during
23 the time period of the audit, or calendar year 2018.

24 10. On September 11, 2018, John Yaeger e-mailed City MGO Grigor Gevorgyan on
25 behalf of Mike Essary about the City Audit. John Yaeger informed the City that Ninus Malan
26 was in possession of missing information. We were not copied on this e-mail. A true and correct
27 copy of this e-mail chain is attached as Exhibit C and incorporated by reference.

28 11. On September 14, 2018, Mr. Gevorgyan responded to Mr. Yaeger's e-mail. Mr.

1 Gevorgyan asked Mr. Yaeger when Mr. Malan would gain access to the previous POS system and
2 requested documents listed in an excel spreadsheet and request help in obtaining these files. We
3 were not copied on this e-mail. See Exhibit C.

4 12. On September 14, 2018, Mike Essary forwarded the e-mail chain and asked for
5 assistance in completing the local audit.

6 13. On September 17, 2018 at 10:26 a.m., John Yaeger e-mailed Mike Essary about an
7 accounting system that would have records for the City MGO Audit. A true and correct copy of
8 Mr. Yaeger's e-mail is attached as Exhibit G and incorporated by reference.

9 14. At 10:27 a.m., Mr. Essary e-mailed me, Mr. Malan, and accountant Justus Henkes
10 about the information Mr. Yaeger said Mr. Malan would need to acquire. See Exhibit G.

11 15. At 10:49 a.m., Mr. Malan e-mailed Mr. Essary that he did not recall signing
12 anything for the software, that he found nothing in his e-mails, and that SoCal should have the
13 reports as Mr. Yaeger was doing the books but indicated he would continue to look. See Exhibit
14 G.

15 16. At 10:53 a.m., Mr. Essary looped Mr. Yaeger into the e-mail chain to determine
16 how to acquire the accounting information. See Exhibit G.

17 17. At 10:55 a.m., Mr. Yaeger e-mailed a link for the software. See Exhibit G.

18 18. At 3:13 p.m., Mr. Essary asked if anyone had an update and asked if someone
19 would update City MGO Auditor Gevorgyan. See Exhibit G.

20 19. At 3:24, I responded with an indication that the response to the City MGO would
21 require new corrected tax form and asked who was preparing them. See Exhibit G.

22 20. At 3:28, Mr. Essary replied that he intended John Yaeger to modify the
23 information. See Exhibit G.

24 21. At 3:32, I responded as I was confused by the entire e-mail chain. Mr. Yaeger
25 should have the information and should have completed the return, that Mr. Yaeger had already
26 been paid to complete the work. I do not understand why Mr. Yaeger submitted an incorrect form
27 to the City and my clients, the Malan Entities, do not have the information Mr. Yaeger says the
28 City needs.

1 22. As detailed in the concurrently filed declaration of Ninus Malan, Mr. Malan is not
2 in possession of this information. It was properly in SoCal’s possession.

3 23. On September 25, 2018 I emailed Mr. Grigor and copied Mr. Essary to determine
4 if the issue has been resolved. Mr. Grigor indicated that no additional information has been
5 provided. A true and correct copy of this email chain is attached hereto as Exhibit L. Mr. Essary
6 responded and added Mr. Lachant and Mr. Yaeger to the email requesting assistance from Mr.
7 Girgor. This was an improper request of Mr. Grigor as MGO is the audit team. It was also
8 improper to add Mr. Lachant to the email chain as he has no information or expertise with San
9 Diego licensing. I have explained to Mr. Essary on many instances that this information is in the
10 possession of SoCal and he has the authority to obtain it. None-the-less, Mr. Essary has been
11 unable or unwilling to obtain the necessary information from SoCal and provide the same to
12 MGO.

13 24. The negative consequences of failure to provide the requisite information could
14 include the City issuing additional fines or proceedings to revoke the conditional use permit.

15 Issues With Processing State License Applications

16 25. After the September 7, 2018 hearing, I attempted to continue to process the state
17 license applications for California Cannabis Group and Balboa Ave Cooperative.

18 26. On September 12, 2018, a California Department of Public Health employee
19 explained to Mr. Essary that he had been identified as an owner of the “business” and would be
20 required to complete the individual profile. CDPH also indicated that Mr. Essary would be the
21 “sole individual authorized to make changes in the application.” A true and correct copy of this
22 e-mail is attached as Exhibit H and incorporated by reference.

23 27. On September 17, 2018, Mr. Essary notified the CDPH that he had completed the
24 information. See Exhibit H.

25 28. On September 12, 2018, Michaela Sweatt, compliance director at my law firm,
26 contacted the Bureau of Cannabis Control regarding Mr. Essary’s receivership and to ask for the
27 timeframe within which Mr. Essary was required to submit the appropriate documentation. The
28 Bureau of Cannabis Control responded a short time later and directed Ms. Sweatt to contact Mr.

1 Essary. I immediately thereafter asked Mr. Essary to send me all correspondence from the
2 Bureau of Cannabis Control in order to complete the license applications. A true and correct copy
3 of this e-mail chain is attached as Exhibit D and incorporated by reference. No information other
4 than Mr. Essary’s owner application has been received from Mr. Essary.

5 29. In order to accurately and timely process the state applications, the client (in this
6 case California Cannabis and Balboa Ave Cooperative) executes a power of attorney that appoints
7 me as the primary contact for the license processing.

8 30. On September 13, 2018 at 9:28 a.m., after learning the state agencies would not
9 communicate directly with me, I e-mailed Mr. Essary the power of attorney documents and asked
10 him to sign and return in an attempt to continue to process the applications. A true and correct
11 copy of my e-mail is attached as Exhibit E and incorporated by reference.

12 31. At 4:23 that same day, I e-mailed Mike Essary about completing the powers of
13 attorney. See Exhibit E.

14 32. At 4:34, Mike Essary e-mailed me back that “Red and “Aaron” would respond-
15 hopefully that day. See Exhibit E.

16 33. At 4:55, Mr. Griswold responded that he does not understand my request but that
17 my firm would take the lead on work and responses. See Exhibit E.

18 34. At 4:58, I responded to Mr. Griswold that Mr. Essary’s failure to sign the power of
19 attorneys precludes us from talking to the agency via phone, e-mail or otherwise, that the Court
20 ordered us to process the applications and not give Mike information so he can process them. See
21 Exhibit E.

22 35. On September 14, 2018, Mr. Essary corresponded with the Bureau of Cannabis
23 Control of his intent to continue operating Balboa Ave Cooperative during the receivership. A
24 true and correct copy of Mr. Essary’s e-mail and letter is attached as Exhibit F and incorporated
25 by reference.

26 36. On September 17, 2018, Mr. Griswold responded that “Mike” would remain the
27 contact, that we would handle the work, and if this becomes a logistical issue, he would
28 reconsider. See Exhibit E.

1 37. On September 19, 2018, Mr. Essary e-mailed the Bureau of Cannabis Control his
2 owner submittal and copied Aaron Lachant. A true and correct copy of this e-mail and letter is
3 attached as Exhibit I and incorporated by reference.

4 38. I have not received any further updates from Mr. Essary regarding the
5 applications. I have no knowledge whether or not the Bureau or CDPH have sent requests for
6 information.

7 Reasons Order Should Be Clarified/Modified

8 39. We renew this request for several reasons: (a)the licensed entities are not subject to
9 the Settlement Agreement and RM Property Holdings Operating Agreement and even if Plaintiff
10 prevails, these entities have been improperly placed into receivership; (b)the manner in which the
11 current order has been implemented has stripped all ability my office has to directly contact and
12 process the cannabis licenses; (c) Mr. Essary continues to disclose confidential information to Mr.
13 Lachant and other parties; (d) There is a disagreement as to the forensic accounting scope and
14 who is responsible for payment.

15 a. The Licensed Entities Have Been Improperly Placed Into The
16 Receivership. Mr. Razuki has no claim of ownership in the settlement agreement or elsewhere
17 that the moving party he has an interest in the licensed entities. The licensed entities are
18 expressly not subject to the settlement agreement and RM Property Holdings. There is no
19 practical purpose to put the licensed entities in the receivership as no money flows in or out of
20 these entities. It would be irrational and senseless for Mr. Malan or this office to interfere with
21 the prompt processing of the licensed entities and there has been no allegation by any party that
22 such activity is occurring. The only effect of putting the licensed entities into the receivership has
23 been to increase costs for all parties and delay the proper processing of the permits.

24 b. Current Draft Order Precludes Direct Communication and Unreasonably
25 Increases Expenses. Mr. Essary continues to consult with and copy Mr. Lachant on all issues
26 related to the licensing at both the state and local level. This is an unreasonable additional
27 expense being placed upon my clients. First, Mr. Lachant is not familiar with San Diego
28 licensing and has no expertise with regard to the transactions for San Diego which are

1 substantially different than Los Angeles. None-the-less, Mr. Essary continues to copy Mr.
2 Lachant on all communication with the only result being increased fees to my client. Second, our
3 office has already charged a flat fee and have been paid for all work related to the state licensing.
4 Because Mr. Essary has refused to sign the power of attorney to allow my office to communicate
5 directly with the state agencies all communication must first go to Mr. Essary who in turn
6 consults with Mr. Lachant and Mr. Griswold. To add increased fees of Mr. Essary, Mr. Griswold,
7 and Mr. Lachant is extremely prejudicial to my clients.

8 c. The State Application Process Involves A High Degree Of Confidential
9 Information That Needs Confidential Protection. On September 11, 2018 I requested that
10 information I mark as “confidential” and provide to Mr. Essary not be shared with Mr. Lachant or
11 other parties to this litigation. A true and correct copy of my e-mail is attached as Exhibit J and
12 incorporated by reference. Mr. Griswold suggested that I seek a protective order as he is unable
13 to determine what is confidential. Much of our internal work product and confidential proprietary
14 information. Specifically, much of the operating procedures for Mira Este and Balboa are marked
15 as confidential when submitted to the state agencies to avoid disclosure by any public records
16 request. Mr. Essary and Mr. Griswold have refused to acknowledge such confidentiality without
17 a modification to the court’s order.

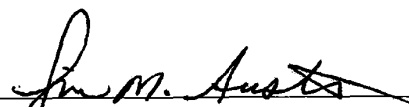
18 d. The Forensic Accounting Must Include All Of Mr. Razuki’s Interests
19 Identified In The Settlement Agreement. In order for a proper accounting to occur all entities
20 subject to the receivership and all entities referenced in the settlement agreement (alleged by Mr.
21 Razuki to be operative) must be included in the accounting. Counsel for Mr. Razuki disagrees
22 that Mr. Razuki’s interest in “Sunrise” should be part of the forensic accounting. If Mr. Razuki is
23 to prevail the only way to determine what, if any, his interests are is to have a forensic accounting
24 of all parties interests in all assets identified in the settlement agreement. The court’s order
25 should be clarified to specify that Mr. Razuki’s interests in any and all entities that could be
26 subject to the settlement agreement must also be included in the forensic accounting.

27 40. On September 27, 2018 at 8:35 am our office gave ex parte notice via email to
28 plaintiff Salam Razuki and cross-complainant in intervention San Diego Building Ventures, LLC.

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I provided the basis for the ex parte application, the relief requested, and the time, place and date of hearing. As of the signing of this declaration, I have not heard whether they intend to oppose the application. A true and correct copy of the notice provided is attached hereto as Exhibit K.

I declare under penalty of perjury under California state law that the foregoing is true and correct. Executed in San Diego, California, on September 26, 2018.


Gina M. Austin

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

EXHIBIT C

Austin, Gina

From: calsur@aol.com
Sent: Friday, September 14, 2018 4:59 PM
To: rgriswold@griswoldlawsandiego.com; Austin, Gina; Leetham, Tamara; ninusmalan@yahoo.com
Subject: Fwd: SD - Balboa Local Audit
Attachments: Balboa - Document Request List.xlsx

Can you all please help us with this information so we can resolve and close this discrepancy? It appears to be necessary to access the POS system before Treez was implemented.

Thank you

Mike

From: ggevorgyan@mgocpa.com
To: john@jhypartners.com
Cc: calsur@aol.com, jcosta@mgocpa.com
Sent: 9/14/2018 2:43:35 PM Pacific Standard Time
Subject: RE: SD - Balboa Local Audit

Hi John,

When do you believe Ninus will gain access to the previous POS system?

Aside from the discrepancy noted in the sales detail, we would also need the documents listed in the attached excel workbook.

Could you help us obtain these files?

Thank you,

GRIGOR GEVORGYAN, CPA
SENIOR CONSULTANT

+1 (213) 408-8671
ggevorgyan@mgocpa.com
mgocpa.com

From: John Yaeger [<mailto:john@jhypartners.com>]
Sent: Tuesday, September 11, 2018 6:27 PM
To: Grigor Gevorgyan <ggevorgyan@mgocpa.com>
Cc: Mike <calsur@aol.com>
Subject: Balboa Local Audit

Hi Grigor,

Hope you're doing well. I am reaching out on behalf of Mike Essary – the receiver for Balboa Ave Cooperative. It sounds like there has been an open item regarding the information uploaded for January. I believe that missing information has to do with the other POS system that the operations used during the first half of January. Ninus Malan needs to gain access to that account in order for you to get the detailed information that you need. Please let me know if you have any questions.

Thanks

John

John H. Yaeger, CPA | Partner

JHY Partners

Certified Public Accountants

O: 858-299-1289 | C: 760-207-9353 | F: 858-299-1291

john@jhypartners.com

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The discussion above is as of this date, based solely on the limited information provided and is subject to change based on changes in accounting pronouncements, tax regulations and law. We assume no responsibility for providing updated advice at a later date.

Exhibit A - Initial Document Request List

Ref	Requested Document / Information	Comments	Status	Notes
1	Copy of Marijuana Outlet Permit - In lieu of obtaining a copy from the outlet, we can request this from the City.	RE: SDMC § 42.1504(a) - "It is unlawful for any person to operate any marijuana outlet without a Marijuana Outlet Conditional Use Permit or marijuana production facility without a Marijuana Production Facility Permit issued pursuant to this Division."	Not Obtained	
2	Copy of Conditional Use Permit - In lieu of obtaining a copy from the outlet, we can request this from the City.	RE: SDMC § 42.1504(a) - "It is unlawful for any person to operate any marijuana outlet without a Marijuana Outlet Conditional Use Permit or marijuana production facility without a Marijuana Production Facility Permit issued pursuant to this Division."	Not Obtained	
3	Copy of the collective's Business Tax Certificate (BTC) - In lieu of obtaining a copy from the outlet, we can request this from the City.	RE: SDMC § 34.0108 (c) - "Any person engaging in Cannabis Business taxed under this Article shall exhibit a valid business tax certificate upon request of the Tax Administrator or any peace officer."	Not Obtained	
4	Copy of the security guard company's State of California license - Request renamed to copy of the security guard company's CA license. In lieu of obtaining a copy from the outlet in advance, we can request a copy/proof of compliance during our onsite visit.	To confirm that a current and valid BTC is maintained by the outlet. RE: SDMC § 14.0500 (j) - "Security shall be provided at the marijuana outlet which shall include operable cameras, alarms, and a security guard. The security guard shall be licensed by the State of California and be present on the premises during business hours. The security guard shall only be engaged in activities related to providing security for the facility, except on an incidental basis."	Not Obtained	
5	Partnership Agreement / Articles of Incorporation	RE: SDMC § 34.0127 Records are necessary to determine entitlement to exemptions. See SDMC § 34.0103 (f) definition of gross receipts.	Not Obtained	
6	Listing of all individuals acting as a responsible person for the outlet	To confirm that the owners of the outlet are the individuals listed on the Marijuana Outlet Conditional Use Permit. RE: SDMC § 42.1508(a) - "Verification and Documentation - A marijuana outlet and marijuana production facility shall maintain and provide upon request by the City a current list of all responsible persons."	Not Obtained	
7	Copies of written policies or operating instructions (if any) stating that no person under the age of twenty-one is allowed at or in any marijuana outlet unless the person is a qualified patient or state identification card holder, and if under the age of eighteen, is accompanied by a parent, legal guardian, or a primary caregiver who is over the age of eighteen. - In lieu of obtaining copies of policies and operating instructions, MGO can discuss this onsite and/or perform alternative procedures, while onsite, related to how the outlet ensures compliance with the age limitations cited in the ordinance.	RE: SDMC § 42.1508(b)(1) - "Age Limitations - No person under the age of twenty-one is allowed at or in any marijuana outlet or marijuana production facility unless the person is a qualified patient or state identification card holder, and if under the age of eighteen, is accompanied by a parent, legal guardian, or a primary caregiver who is over the age of eighteen."	Not Obtained	
8	Copies of written policies or operating instructions (if any) related to the outlet's employment procedures and eligibility requirements. - In lieu of obtaining copies of policies and operating instructions, MGO can discuss this onsite and/or perform alternative procedures, while onsite, related to how the outlet ensures compliance with the employment eligibility requirements cited in the ordinance.	To assess the outlet's internal controls related to how the organization deploys control activities through policies that establish what is expected and procedures that put policies into action. RE: SDMC § 42.1508(b)(2) - "Age Limitations - No person under the age of twenty-one may be employed by or act as a responsible person on behalf of a marijuana outlet or a marijuana production facility."	Not Obtained	
9	Copies of written policies or operating instructions (if any) related to the outlet's security procedures, including the use of operable cameras, alarms, and a security guard. - In lieu of obtaining copies of policies and operating instructions, MGO can discuss this onsite and/or perform alternative procedures, while onsite, related to how the outlet ensures compliance with the requirements cited in the ordinance.	To assess the outlet's internal controls related to how the organization deploys control activities through policies that establish what is expected and procedures that put policies into action. RE: SDMC § 14.0500 (j) - "Security shall be provided at the marijuana outlet which shall include operable cameras, alarms, and a security guard. The security guard shall be licensed by the State of California and be present on the premises during business hours. The security guard shall only be engaged in activities related to providing security for the facility, except on an incidental basis."	Not Obtained	
10	Name of point-of-sale system	To discuss during our entrance meeting to gather background information in understanding the accounting systems used to gather, record, summarize, and produce reports.	Not Obtained	
11	Name of accounting software	To discuss during our entrance meeting to gather background information in understanding the accounting systems used to gather, record, summarize, and produce reports.	Not Obtained	
12	Name of Bookkeeper/CPA/Tax Preparer	To discuss during our entrance meeting to be able to contact the individuals responsible for preparing the financial information and tax returns.	Not Obtained	
13	Organizational chart (including names and titles for all outlet owners/operators, managers, employees, and volunteers). - In lieu of obtaining an org chart, MGO can discuss this onsite and/or perform alternative procedures, while onsite, related to how the outlet determines roles and responsibilities, separation of duties and other internal controls.	Records are necessary to determine entitlement to exemptions. See SDMC § 34.0103 (f) definition of gross receipts. To gain an understanding of the outlet's internal controls related to how management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives by considering all structures of the entity, establishing reporting lines, and defining, assigning, and limiting authorities and responsibilities.	Not Obtained	
14	Description of inventory software used (or does the point of sale system track inventory and sales?)	To be discussed during our entrance meeting to gather background information in understanding the accounting systems used to gather, record, summarize, and produce reports.	Not Obtained	
15	Do you allow clients to pay with credit cards?	To be discussed during our entrance meeting to determine the payment methods to be tested and to gather background information in understanding the merchant system used.	Not Obtained	
16	Are any taxes and/or discounts included in your sales price?	Records are necessary to determine entitlement to exemptions. See SDMC § 34.0103 (f) definition of gross receipts. To be discussed during our entrance meeting to assist in determining the true Gross Receipt amount for sales reported.	Not Obtained	
17	Do you have receipts/invoices of inventory purchases made? Do you issue 1099s to vendors from which you've made inventory purchases?	To be discussed during our entrance meeting to determine what information is available to support our procedures in verifying inventory purchases.	Not Obtained	
18	Written procedures on accounting and inventory/tracking systems	To be discussed during our entrance meeting to understand how the Outlet records transactions and to determine the adequacy of controls. Also, to determine if the Outlet implemented and maintains written procedures.	Not Obtained	
19	Written procedures on cash handling procedures	To be discussed during our entrance meeting to understand the cash handling procedures and to determine the adequacy of controls. Also, to determine if the Outlet implemented and maintains written procedures.	Not Obtained	
20	Employee handbook or other written instructions provided to staff	To be discussed during our entrance meeting to gather understanding of the Outlet's policies and procedures and to determine the adequacy of controls. Also, to determine if the Outlet implemented and maintains a written handbook for all employees to follow all procedures and policies and laws and provisions of the City and State.	Not Obtained	
21	Extract of complete general ledger from the accounting system for the period under review (in .csv or .xls format) (please include account mapping e.g., 10000 = Sales Revenue)	To determine whether the accounting records agree to the taxes paid. Auditors use the general ledger to see the detailed explanation of income and expenses to ensure everything has been properly classified. Auditors also use the general ledger detail to select items for further review. Auditors review the total general ledger activity for income and expenses.	Not Obtained	Inquired regarding discrepancy.
22	Extract of sales details (incl. Customer Names or Unique Customer IDs) from the POS system for the period under review (in .csv or .xls format)	To determine whether the accounting records agree to the taxes paid. Also, to determine whether adult use customers were properly classified as adult use rather than medical patients.	Semi-Obtained	
23	Extract of Customer Names (or Unique Customer IDs) defined separately as Medical and Adult Use (in .csv or .xls format)	To select a sample of customers to perform substantive procedures in determining whether adult use customers were properly classified as adult use rather than medical patients. Due to security concerns, this procedure is conducted on-site during our entrance meeting.	Not Obtained	

Exhibit A - Initial Document Request List

24	Extract of POS system inventory listing for the period under review (in .csv or .xls format)	To compare against other information obtained (i.e. General Ledger and Bank Statements).	Obtained
25	Listing of Names and Business Addresses of all Vendors with which the outlet has made inventory purchases for the period under review	To reconcile inventory purchases per vendors to POS, inventory system, and/or General Ledger to determine taxable sales.	Not Obtained
26	Number of customers (defined separately for Medical and Adult Use) per month for the period under review	To determine the average sale per customer in performing analytical procedures.	Not Obtained
27	If applicable, copy of Federal income tax estimated payments made for the period under review	To reconcile sales reported to the IRS, in comparison to the sales reported to the City.	Not Obtained
28	If applicable, copy of State income tax estimated payments made for the period under review	To reconcile sales reported to the State, in comparison to the sales reported to the City.	Not Obtained
29	Copies of all remittances made to the Board of Equalization (BOE) for the period under review	To reconcile sales reported to the BOE, in comparison to the sales reported to the City.	Not Obtained
30	Copies of Business License Tax Remittances made to the City	To determine if City records agree to Outlet records for reported sales and remittances.	Obtained
31	If applicable, copies of bank statements and reconciliations performed for the period under review	To determine whether receipts and disbursements agree with the Outlet's accounting records.	Not Obtained

EXHIBIT D

4288

Austin, Gina

From: Austin, Gina
Sent: Wednesday, September 12, 2018 2:54 PM
To: Mike (calsur@aol.com)
Cc: Richardson Griswold (rgriswold@griswoldlawsandiego.com); Leetham, Tamara
Subject: FW: A10-17-0000134-APP - Receiver Appointed

Hi Mike,

See below. Please send me all correspondence from the Bureau so that we can continue our work.

Thank you.

Gina

From: Daniel, Veronica@DCA [<mailto:Veronica.Daniel@dca.ca.gov>]
Sent: Wednesday, September 12, 2018 2:32 PM
To: michaela@austinlegalgroup.com
Subject: RE: A10-17-0000134-APP - Receiver Appointed

Hello Ms. Sweatt,

The Bureau has been in communication with Mr. Essary regarding this matter and the information needed at this time. I would recommend that you connect directly with him regarding your inquiry.

Thank you,



Veronica Daniel
Staff Services Manager II, Licensing
www.bcc.ca.gov
<https://cannabis.ca.gov>



From: Michaela Sweatt [<mailto:michaela@austinlegalgroup.com>]
Sent: Wednesday, September 12, 2018 10:14 AM
To: Lee, Derek@DCA <Derek.Lee@dca.ca.gov>
Cc: Austin, Gina <gaustin@austinlegalgroup.com>; tamara@austinlegalgroup.com; Whelan, Paul@DCA <Paul.Whelan@dca.ca.gov>; Michael Essary <calsur@aol.com>
Subject: A10-17-0000134-APP - Receiver Appointed

Derek:

Mr. Essary had been appointed by the court as receiver to exercise control over California Cannabis Group's operations. See attached court order.

As the current Primary Contact for this temporary cannabis distribution license, I would like to know the timeframe in which Mr. Essary must complete an Owner Submittal and/or when he must complete a new application for conducting cannabis activities at the premises.

Thank you.

Michaela

Michaela Sweatt

Compliance Director

AUSTIN LEGAL GROUP, APC | 3990 Old Town Ave., Ste A112, San Diego, CA 92110 |

Ofc: 619-924-9600 | Cell 619-254-3852 | Fax 619-881-0045

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Austin, Gina

From: Austin, Gina
Sent: Wednesday, September 12, 2018 2:55 PM
To: Mike (calsur@aol.com)
Cc: Richardson Griswold (rgriswold@griswoldlawsandiego.com); Leetham, Tamara
Subject: FW: A11-17-0000115-APP - Receiver Appointed

Mike,
Again, please see below.
Please send me all correspondence from the Bureau so that we can continue our work.

Thank you.

Gina

From: Daniel, Veronica@DCA [<mailto:Veronica.Daniel@dca.ca.gov>]
Sent: Wednesday, September 12, 2018 2:31 PM
To: michaela@austinlegalgroup.com
Subject: RE: A11-17-0000115-APP - Receiver Appointed

Hello Ms. Sweatt,

The Bureau has been in communication with Mr. Essary regarding this matter and the information needed at this time. I would recommend that you connect directly with him regarding your inquiry.

Thank you,



Veronica Daniel
Staff Services Manager II, Licensing
www.bcc.ca.gov
<https://cannabis.ca.gov>



From: Michaela Sweatt <michaela@austinlegalgroup.com>
Sent: Wednesday, September 12, 2018 10:17 AM
To: Davis, Heather@DCA <Heather.Davis@dca.ca.gov>
Cc: Austin, Gina <gaustin@austinlegalgroup.com>; tamara@austinlegalgroup.com; Whelan, Paul@DCA <Paul.Whelan@dca.ca.gov>; Michael Essary <calsur@aol.com>
Subject: A11-17-0000115-APP - Receiver Appointed

Heather:

Mr. Essary had been appointed by the court as receiver to exercise control over California Cannabis Group's operations. See attached court order.

As the current Primary Contact for this temporary cannabis distribution license, I would like to know the timeframe in which Mr. Essary must complete an Owner Submittal and/or when he must complete a new application for conducting cannabis activities at the premises.

Thank you.

Michaela

Michaela Sweatt

Compliance Director

AUSTIN LEGAL GROUP, APC | 3990 Old Town Ave., Ste A112, San Diego, CA 92110 |

Ofc: 619-924-9600 | Cell 619-254-3852 | Fax 619-881-0045

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EXHIBIT E

Austin, Gina

From: Richardson Griswold <rgriswold@griswoldlawsandiego.com>
Sent: Monday, September 17, 2018 1:29 PM
To: Austin, Gina
Cc: calsur@aol.com; Leetham, Tamara
Subject: Re: POAs Balboa and CCG

Gina,

For now, we would prefer that Mike be the main contact for the agency. Mike still agrees that it is best that you handle the actual work. If this becomes a logistical issue at a later date, we can reconsider.

Thanks,
Red

Richardson C. Griswold, Esq.
Griswold Law, APC
444 S. Cedros Ave., Suite 250
Solana Beach, CA 92075
Tel: 858.481.1300
Fax: 888.624.9177
rgriswold@griswoldlawsandiego.com
www.griswoldlawsandiego.com

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On Thu, Sep 13, 2018 at 4:58 PM, Austin, Gina <gaustin@austinlegalgroup.com> wrote:
We cant even talk to the agency via phone email or otherwise without the POA. The court ordered us to process the applications. Not give Mike information so that he can process them. If fact, Mike specifically said he didn't want to do anything of the sort. He wanted to manage the people doing it. What is your concern?

Gina

----- Original message -----

From: Richardson Griswold <rgriswold@griswoldlawsandiego.com>
Date: 9/13/18 4:55 PM (GMT-08:00)
To: "Austin, Gina" <gaustin@austinlegalgroup.com>
Cc: calsur@aol.com, "Leetham, Tamara" <tamara@austinlegalgroup.com>
Subject: Re: POAs Balboa and CCG

Gina,

I don't understand the purpose of the request. Mike is the primary contact with the state agency as he is the person ultimately in control of the licenses. However, as confirmed, your office will take the lead on the necessary work/responses in relation to the licenses. Mike will promptly relay all communications received from the agency to you for discussion/consultation before proceeding on anything related to licensing issues.

Richardson C. Griswold, Esq.
Griswold Law, APC
444 S. Cedros Ave., Suite 250
Solana Beach, CA 92075
Tel: 858.481.1300
Fax: 888.624.9177
rgriswold@griswoldlawsandiego.com
www.griswoldlawsandiego.com

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On Thu, Sep 13, 2018 at 4:44 PM, Austin, Gina <gaustin@austinlegalgroup.com> wrote:
It needs your signature. They wont take anything except a form with the exact detail I have provided.

Gina

----- Original message -----

From: calsur@aol.com

Date: 9/13/18 4:34 PM (GMT-08:00)

To: "Austin, Gina" <gaustin@austinlegalgroup.com>

Cc: rgriswold@griswoldlawsandiego.com, "Leetham, Tamara" <tamara@austinlegalgroup.com>

Subject: Re: POAs Balboa and CCG

Gina,

Red and Aaron will respond - hopefully today.

Mike

In a message dated 9/13/2018 4:23:37 PM Pacific Standard Time, gaustin@austinlegalgroup.com writes:

I am heading out in 20 minutes. Any chance you are going to be able to get this to me today?

Gina

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: "Austin, Gina" <gaustin@austinlegalgroup.com>

Date: 9/13/18 9:28 AM (GMT-08:00)

To: "Mike (calsur@aol.com)" <calsur@aol.com>

Cc: "Richardson Griswold (rgriswold@griswoldlawsandiego.com)"

<rgriswold@griswoldlawsandiego.com>, "Leetham, Tamara" <tamara@austinlegalgroup.com>

Subject: FW: POAs Balboa and CCG

Good morning Mike.

Please sign and return the attached documents today so that we can attempt to get the agencies to allow us to continue to process the applications.

Also, please let me know when you anticipate filing your Owner documentation so that I can update the agencies.

Thank you!

Gina

From: Michaela Sweatt [<mailto:michaela@austinlegalgroup.com>]
Sent: Thursday, September 13, 2018 9:01 AM
To: Austin, Gina
Subject: POAs Balboa and CCG

Gina,

I've attached the POAs for Essary to appoint me as primary contact for Balboa and CCG licenses.

Michaela Sweatt

Compliance Director

AUSTIN LEGAL GROUP, APC | [3990 Old Town Ave., Ste A112, San Diego, CA 92110](#) |

Ofc: [619-924-9600](#) | Cell [619-254-3852](#) | Fax [619-881-0045](#)

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EXHIBIT F

Austin, Gina

From: calsur@aol.com
Sent: Friday, September 14, 2018 12:56 PM
To: veronica.daniel@dca.ca.gov; rgriswold@griswoldlawsandiego.com;
alachant@mmlg.com; Austin, Gina
Subject: California Cannabis Group License Number: M11-18-0000167-TEMP
Attachments: Mira Este Daniel Letter 9-14-18.pdf

Ms. Daniel,

Attached is a response letter to your September 10, 2018 email to me.

Michael Essary
Receiver

Michael Essary, Receiver

8304 Clairemont Mesa Blvd. #207, San Diego, CA 92111
(858) 560-1178 / (858) 560-6709 fax
Toll Free (877) 581-1158

September 14, 2018

VIA EMAIL TRANSMISSION

Veronica Daniel, Staff Services Manager II
Bureau of Cannabis Control
2920 Kilgore Road Rancho
Cordova, CA 95670

**Re: California Cannabis Group
License Number: M11-18-0000167-TEMP**

Dear Ms. Daniel:

I am writing in response to your e-mail dated September 10, 2018 in which you requested that I provide details regarding my future intent for the above referenced business prior to the temporary license expiration date of October 30, 2018. My intent as receiver is for the business to continue operating, pursuant to Title 16, California Code of Regulations, section 5024(c)(3), under its current temporary license and any subsequent extensions. In addition, I would like the Bureau to continue processing the application for annual license that the entity has submitted. The court has ordered that I keep the business in operation while the court proceeding is pending. I would like to avoid a cessation of business operations if possible.

My appointment as receiver over the licensed entity is temporary. The court is actively monitoring the ongoing need for a receivership. On November 16, 2018, the court is holding a hearing on whether to continue or terminate the receivership. I would appreciate if the Bureau preserves the status quo regarding the business and its license until such time as the Court makes a final judgment in this matter. In the meantime, I will inform the Bureau of any developments and court rulings in the case.

Please let me know if you have any questions. I am more than happy to provide any additional information that the Bureau needs in connection with this very important matter.

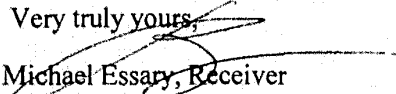
Very truly yours,

Michael Essary, Receiver

EXHIBIT G

4301

Austin, Gina

From: Austin, Gina
Sent: Monday, September 17, 2018 3:32 PM
To: 'calsur@aol.com'
Cc: ninusmalan@yahoo.com; Leetham, Tamara; juddthetaxman@gmail.com
Subject: RE: Fwd: SD - Balboa Local Audit

I am a little bit confused by this. John was supposed to have all the information and should have completed the return accurately. To now claim that he didn't have the information or that he just submitted something in error knowing the information was wrong is simply malpractice.

He has already be paid to complete this work and it is troublesome that you are now engaging him to complete work that has already been completed.

I don't have any information to notify Gregor with yet. I don't have the rest of the documents that only you or SoCal have, I don't know why John submitted an incorrect form, I don't have a timeframe for when we will receive the rest of the information. Bottom line, I don't have anything to update Gregor with.

Gina

From: calsur@aol.com [mailto:calsur@aol.com]
Sent: Monday, September 17, 2018 3:28 PM
To: Austin, Gina <gaustin@austinlegalgroup.com>; john@jhypartners.com; ninusmalan@yahoo.com; juddthetaxman@gmail.com; Leetham, Tamara <tamara@austinlegalgroup.com>
Cc: rgriswold@griswoldlawsandiego.com
Subject: Re: Fwd: SD - Balboa Local Audit

I intended for John to modify the filing when we have the information. You don't think we should update Grigor with status?

Mike

In a message dated 9/17/2018 3:24:58 PM Pacific Standard Time, gaustin@austinlegalgroup.com writes:

The response would need to include the new corrected tax forms. Who is preparing that?

Gina

From: calsur@aol.com [mailto:calsur@aol.com]
Sent: Monday, September 17, 2018 3:13 PM
To: john@jhypartners.com; ninusmalan@yahoo.com; juddthetaxman@gmail.com; Austin, Gina <gaustin@austinlegalgroup.com>; Leetham, Tamara <tamara@austinlegalgroup.com>
Cc: rgriswold@griswoldlawsandiego.com
Subject: Re: Fwd: SD - Balboa Local Audit

Engaged and waiting for response. Can someone send Grigor an update?

Thank you

Mike

In a message dated 9/17/2018 10:55:00 AM Pacific Standard Time, john@jhypartners.com writes:

Here is the link:

<https://www.biotrack.com/contact-us/>

They should be able to find the account based on the name of the dispensary.

Thanks

John

This message contains information that may be confidential and privileged. Unless you are the addressee (or authorized to receive for the addressee), you may not use, copy, print or disclose to anyone this message or any information contained in this message. If you have received this e-mail in error, please let me know and permanently delete this message.

The discussion above is as of this date, based solely on the limited information provided and is subject to change based on changes in accounting pronouncements, tax regulations and law. We assume no responsibility for providing updated advice at a later date.

From: calsur@aol.com <calsur@aol.com>

Sent: Monday, September 17, 2018 10:53 AM

To: ninusmalan@yahoo.com; juddthetaxman@gmail.com; gaustin@austinlegalgroup.com;

tamara@austinlegalgroup.com; John Yaeger <john@jhypartners.com>

Cc: rgriswold@griswoldlawsandiego.com

Subject: Re: Fwd: SD - Balboa Local Audit

Ok - we seem to be going back and forth here. I've got John in the chain so we can get this resolved. If somebody can tell me how to contact Biotrack and maybe an account number I will make demand on them for the reports via my receiver order.

Mike

In a message dated 9/17/2018 10:49:04 AM Pacific Standard Time, ninusmalan@yahoo.com writes:

Mike,

I do not recall signing anything for Biotrack. I looked through some of my emails and found nothing. As you may know SoCal took possession of Balboa in December of 2017. John, should have have these reports as he was the doing the books. I will continue to look in my emails.

Best regards,

Ninus Malan

From: "calsur@aol.com" <calsur@aol.com>

To: ninusmalan@yahoo.com; juddthetaxman@gmail.com; gaustin@austinlegalgroup.com

Sent: Monday, September 17, 2018 10:27 AM

Subject: Fwd: SD - Balboa Local Audit

Ninus,

Can you do as John suggests and see if you can get us that info?

Thank you

Mike

From: john@jhypartners.com
To: calsur@aol.com
Sent: 9/17/2018 10:26:24 AM Pacific Standard Time
Subject: RE: SD - Balboa Local Audit

Hi Mike,

After looking at the file it looks like they made the change on 1/24/2018. The account is under Ninus' name, so he had to sign something. He should have it in his emails. He needs to call BioTrackTHC and they should have all of this on file.

Thanks

John

EXHIBIT H

4306

Austin, Gina

From: calsur@aol.com
Sent: Monday, September 17, 2018 4:11 PM
To: Quyen.Pham@cdph.ca.gov; rgriswold@griswoldlawsandiego.com
Cc: malanlicensing@gmail.com; ccgchrishakim@gmail.com; michaela@austinlegalgroup.com; Austin, Gina; alachant@mmlg.com
Subject: Re: Appointed Receiver for California Cannabis Group

Mr. Pham,

Thank you for your patience. I have completed my Individual Profile on your website. Information you requested is:

MCLS Individual ID: 21012663

Full name: Michael William Essary

Please let me know if you need any additional information from me.

Michael Essary
Receiver
619-886-4116 cell

In a message dated 9/12/2018 9:00:47 AM Pacific Standard Time, Quyen.Pham@cdph.ca.gov writes:

Good morning, Mr. Essary

As you shall exercise full control over the California Cannabis Group's operations, you are identified as an *owner* of the business pursuant to Section 40102 of the California Code of Regulations. Please complete your Individual profile in Manufactured Cannabis Licensing System (MCLS). For access to the system, please click on New User on our [Apply for a License](#) page. Once completed, please provide me the following information in order to be associated to California Cannabis Group's profile:

- MCLS Individual ID
- Full name

As the sole individual authorized to make changes in the application, the mailing address and primary contact shall be updated with your information.

Please let me know if you should have any questions.

Sincerely,

Quyen D. Pham

Licensing Unit

Manufactured Cannabis Safety Branch

California Department of Public Health

www.cdph.ca.gov/mcsb

www.cannabis.ca.gov



E-Mail Confidentiality Notice: This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail. Please notify the sender immediately by e-mail if you have received this e-mail by mistake and delete this e-mail from your system. If you are not the intended recipient you are notified that disclosing, copying, distributing or taking any action in reliance on the contents of this information is strictly prohibited.

From: calsur@aol.com <calsur@aol.com>

Sent: Wednesday, August 29, 2018 12:47 PM

To: CDPH Manufactured Cannabis Safety Branch <MCSB@cdph.ca.gov>

Subject: Notification of Court Appointed Receiver for California Cannabis Group (License Number: CDPH-T00000229)

Dear Sir/Madam:

Please see attached documentation about my re-appointment as receiver for this entity.

Michael Essary

Receiver

EXHIBIT I

Austin, Gina

From: calsur@aol.com
Sent: Wednesday, September 19, 2018 12:29 PM
To: veronica.daniel@dca.ca.gov; alachant@mmlg.com;
rgriswold@griswoldlawsandiego.com; Austin, Gina
Subject: California Cannabis Group License Number: M11-18-0000167-TEMP
Attachments: kyoScan-9.19.2018-12.26.31.pdf

Dear Ms. Daniel.

Please see attached letter and Owner Submittal form for this license.

I am at your service should you need any more additional information - or please feel free to call me if you have any questions.

Thank you.

Michael Essary
619-886-4116 cell

Michael Essary, Receiver

8304 Clairemont Mesa Blvd. #207, San Diego, CA 92111
(858) 560-1178 / (858) 560-6709 fax
Toll Free (877) 581-1158

September 19, 2018

VIA EMAIL TRANSMISSION


Veronica Daniel, Staff Services Manager II
Bureau of Cannabis Control
2920 Kilgore Road Rancho
Cordova, CA 95670

**Re: California Cannabis Group
License Number: M11-18-0000167-TEMP**

Dear Ms. Daniel:

As you know, I am the court appointed receiver of California Cannabis Group. I am writing to submit to the Bureau the attached Owner Submittal (BCC-LIC-012) form in connection with my receivership of California Cannabis Group. Although you have not yet requested submission of this form, I am providing it to the Bureau in an abundance of caution. Please let me know if you would like me to take a LiveScan background check in connection with this business. I am more than happy to provide any additional information that the Bureau needs in connection with this very important matter.

Very truly yours,


Michael Essary

OWNER SUBMITTAL

SECTION A - OWNER INFORMATION

1. Full Name Michael W. Essary		Date of Birth 07/09/1959	City, State, and Country of Birth St. Louis		
Mailing Address 8304 Clairmont Mesa Blvd. #207		City San Diego	State CA	Zip Code 92111	Phone Number (858) 560-1178
SSN or ITIN 555-33-5290	Current Employer Calsur Property Management	Email Address calsur@aol.com		Ownership % 0	Job Title Receiver

SECTION B - DECLARATIONS

2. Have you ever been sanctioned by a licensing authority or local agency for unauthorized commercial cannabis activities and/or had a license suspended or revoked in the three years immediately preceding the date of this application? If "Yes", please complete item 9	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
3. Have you been denied a license by the Bureau or any other state cannabis licensing authority? If "Yes", please complete item 10	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
4. Do you have an ownership or financial interest (as defined in Title 16 CCR 5003 and 5004) in a licensed cannabis business? If "Yes", please complete item(s) 7-8	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
5. Have you ever been convicted of a crime? If "Yes", please complete item(s) 11-12	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
6. Have you served as an active duty member of the Armed Forces of the United States and were honorably discharged? Response to this question is voluntary. If "Yes", you may qualify for priority processing of your application.	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

OTHER CANNABIS LICENSE(S) (Attach additional sheets if needed)

7. Agency BCC	License Number A10-18-0000113	Date Issued 2018
8. Agency CDPH	License Number CDPH-T00000229	Date Issued 2018

CANNABIS LICENSE(S) SUSPENDED, REVOKED, OR DENIED (Attach additional sheets if needed)

9. License Authority	License Type	Suspension/Revocation Date
Detailed Statement Regarding Suspension/Revocation		
10. License Authority	License Type	Denial Date

CRIMINAL VIOLATION(S) For each conviction, provide the information requested below and attach a detailed description of the offense for which you were convicted.

11. Date of Conviction	Code Section	Type of Conviction (Felony or Misdemeanor)
Date(s) of Incarceration	Date(s) of Probation	Date(s) of Parole
12. Date of Conviction	Code Section	Type of Conviction (Felony or Misdemeanor)
Date(s) of Incarceration	Date(s) of Probation	Date(s) of Parole

SECTION C - REQUIRED DOCUMENTS

Copy of Government-Issued Identification Proof of Military Status (if applicable)

SECTION D - AFFIRMATION AND CONSENT

Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of a license, or revocation of a license issued.

Signature 	Printed Name Michael W. Essary	Date Signed 09/18/2018
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Office Use Only
 CLEaR Application Record Number:

See Disclosures on the Next Page

DISCLOSURES

Mandatory Submission

Submission of the requested information is mandatory unless otherwise noted on the application. The Bureau of Cannabis Control (Bureau) will use the provided information to determine qualification for licensure, per section 26051.5 of the Business and Professions Code and the Information Practices Act. Failure to provide any of the requested information will result in the application being deemed incomplete by the Bureau. The Bureau will also use this information to enforce licensing standards set by law and regulation, update and maintain current licensee information, and for mailing purposes.

Social Security Number/Individual Taxpayer Identification Number

Section 30 of the Business and Professions Code and Public Law 94-455 (42 U.S.C.A. 405 (c)(2)(C)) authorizes the collection of an owner's Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN). The disclosure of an owner's SSN or ITIN is mandatory. The information will be used exclusively for tax enforcement purposes and for purposes of compliance with section 17520 of the Family Code. If a SSN or ITIN is not provided, the Bureau will not process the application and you will be reported to the Franchise Tax Board, which may assess a \$100 penalty.

Detailed Description of the Owner's Convictions

Section 26051.5 of the Business and Professions Code authorizes the Bureau to collect detailed information of an owner's convictions. A conviction means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Owners should include convictions dismissed under Penal Code section 1203.4 or equivalent non-California law in their disclosures. Convictions dismissed under Health and Safety Code section 11361.8 or equivalent non-California law must also be disclosed. Juvenile adjudications and traffic infractions under \$300 that did not involve alcohol, dangerous drugs, or controlled substances do not need to be included.

State Tax Obligation

Pursuant to Business and Professions Code section 31(e), the California Department of Tax and Fee Administration (formerly the Board of Equalization (BOE)), and the Franchise Tax Board may share taxpayer information with the Bureau. A licensee or applicant must pay its state tax obligation; an applicant's license may be suspended if the state tax obligation is not paid.

Owner(s) Mailing Address(es)

The Bureau sends all official correspondence to an owner's mailing address. This mailing address may be the owner's primary place of employment, residence, post office box, or mail drop.

Mailing addresses are considered public information and are disclosable pursuant to the California Public Records Act (Government Code section 6250 et seq.). Owner names, mailing addresses, licensing statuses, as well as formal disciplinary actions may be accessed on the Bureau website through the License Lookup feature. Please consider this, especially when listing a mailing address.

Military Service

Disclosure of military service is voluntary. An applicant that has served as an active duty member of the Armed Forces of the United States, was honorably discharged, and who can provide evidence of such honorable discharge shall have his or her application expedited pursuant to Business and Professions Code section 115.4.

Financial Information

To ensure accountability and preserve the State's ability to adequately enforce against all responsible parties, the Bureau is authorized to collect detailed information regarding individuals with a "financial interest" in the commercial cannabis operation under section 26051.5 of the Business and Professions Code. "Persons with a financial interest" means an investment into a cannabis business, a loan provided to a cannabis business, or any other equity in a cannabis business that is not qualified as an owner. It does not include persons whose only interest in a licensee is an interest in a diversified mutual fund, blind trust, or similar instrument. The applicant must provide the following information for all non-owners with a financial interest: their name, date of birth, and type of government issued identification and identification number.

Premises Location

Business and Professions Code section 26054(b) provides that a licensed premises "shall not be within a 600-foot radius of a school providing instruction in kindergarten or any grades 1 through 12, day care center, or youth center that is in existence at the time the license is issued, unless a licensing authority or a local jurisdiction specifies a different radius." The Bureau will determine as to whether the proposed premises is located in an area as described in the application and required documents.

Access to Personal Information

You may review the records maintained by the Bureau that contain your personal information, as permitted by the Information Practices Act. To do so, please contact CJ Croys-Schooley by phone at (833)768-5880, by e-mail at bcc@dca.ca.gov or by physical mail at Department of Consumer Affairs – Bureau of Cannabis Control, 1625 North Market Blvd, Suite S-202, Sacramento, CA 95834.

Public Information

The Bureau makes every effort to protect the personal information provided by license applicants. Application information may be disclosed, however, as permitted in response to a California Public Records Act request (Government Code section 6250 et seq.), as permitted by the Information Practices Act (Civil Code section 1798 et seq.), to another government agency as required by state or federal law, in response to a court or administrative order, a subpoena, or a search warrant.

Pursuant to the California Public Records Act (Title 1, Division 7, Chapter 3.5, Government Code sections 6250-6277), on request, the Bureau discloses licensee information including, but not limited to:

- Name
- Mailing address
- License number
- License status
- Original license issue date
- Last license renewal date
- License expiration date
- Disciplinary action
- Copy of license renewal applications
- Copy of license application (excluding personal information such as birth date and social security number)

Austin, Gina

From: calsur@aol.com
Sent: Wednesday, September 19, 2018 12:01 PM
To: veronica.daniel@dca.ca.gov; alachant@mmlg.com;
rgriswold@griswoldlawsandiego.com; Austin, Gina
Subject: Balboa Avenue Cooperative License Number: A10-18-0000113-TEMP
Attachments: kyoScan-9.19.2018-11.59.58.pdf

Dear Ms. Daniel.

Please see attached letter and Owner Submittal form for this license.

I am at your service should you need any more additional information - or please feel free to call me if you have any questions.

Thank you.

Michael Essary
619-886-4116 cell

Michael Essary, Receiver

8304 Clairemont Mesa Blvd. #207, San Diego, CA 92111
(858) 560-1178 / (858) 560-6709 fax
Toll Free (877) 581-1158

September 19, 2018

VIA EMAIL TRANSMISSION


Veronica Daniel, Staff Services Manager II
Bureau of Cannabis Control
2920 Kilgore Road
Rancho Cordova, CA 95670

Re: Balboa Avenue Cooperative License Number: A10-18-0000113-TEMP

Dear Ms. Daniel:

As you know, I am the court appointed receiver of Balboa Avenue Cooperative. I am writing to submit to the Bureau the attached Owner Submittal (BCC-LIC-012) form in connection with my receivership of Balboa Avenue Cooperative. Although you have not yet requested submission of this form, I am providing it to the Bureau in an abundance of caution. Please let me know if you would like me to take a LiveScan background check in connection with this business. I am more than happy to provide any additional information that the Bureau needs in connection with this very important matter.

Very truly yours,



Michael Essary

OWNER SUBMITTAL

SECTION A - OWNER INFORMATION

1. Full Name Michael W. Essary		Date of Birth 07/09/1959	City, State, and Country of Birth St. Louis		
Mailing Address 8304 Clairmont Mesa Blvd. #207		City San Diego	State CA	Zip Code 92111	Phone Number (858) 560-1178
SSN or ITIN 555-33-5290	Current Employer Calsur Property Management	Email Address calsur@aol.com		Ownership % 0	Job Title Receiver

SECTION B - DECLARATIONS

2. Have you ever been sanctioned by a licensing authority or local agency for unauthorized commercial cannabis activities and/or had a license suspended or revoked in the three years immediately preceding the date of this application? If "Yes", please complete item 9	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Under penalty of perjury, I hereby declare that the information contained within and submitted with the application is complete, true, and accurate. I understand that a misrepresentation of fact is cause for rejection of this application, denial of a license, or revocation of a license issued.

Signature 	Printed Name Michael W. Essary	Date Signed 09/18/2018
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Office Use Only
 CLEaR Application Record Number:

See Disclosures on the Next Page

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- Name
- Mailing address
- License number
- License status
- Original license issue date
- Last license renewal date
- License expiration date
- Disciplinary action
- Copy of license renewal applications
- Copy of license application (excluding personal information such as birth date and social security number)

CALIFORNIA DRIVER LICENSE

DL **N5478681**

EXP **07/09/2022** CLASS **CM1**
END **NONE**

LN **ESSARY**
FN **MICHAEL WILLIAM**
3528 MOCCASIN AVE
SAN DIEGO, CA 92117

DOB **07/09/1959** 07091959

RSTR **NONE**

SEX **M** HAIR **BLN** EYES **BLU**
HGT **5-10"** WGT **210 lb** ISS **09/17/2017**

DD **07/11/2008 78191959CCF022**





EXHIBIT J

Austin, Gina

From: Richardson Griswold <rgriswold@griswoldlawsandiego.com>
Sent: Tuesday, September 11, 2018 2:47 PM
To: Austin, Gina
Cc: calsur@aol.com; Leetham, Tamara; ninusmalan@yahoo.com
Subject: Re: Entitlement Update

Gina,

The purpose of my email was to address your assertions about what you think we can and cannot provide to other parties/counsel in this matter. Is it your position that the "confidential" information within the submissions should not be provided to Plaintiff? Plaintiff's counsel? Counsel for SoCal? SoCal? Far West? Synergy? Or is this just about Mr. Lachant?

I want to clear this up now so we are clear. You obviously have substantial experience with this licensing process and know the types of docs/info that will be involved. Given your knowledge and your concerns about confidentiality, I would suggest you consider requesting a protective order, because as of now, I am unable to decipher who you think has a right to see these docs and who doesn't.

Red

Richardson C. Griswold, Esq.
Griswold Law, APC
444 S. Cedros Ave., Suite 250
Solana Beach, CA 92075
Tel: 858.481.1300
Fax: 888.624.9177
rgriswold@griswoldlawsandiego.com
www.griswoldlawsandiego.com

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by e-mail and destroy all copies of the original message.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, unless we expressly state otherwise, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (I) avoiding penalties under the Internal Revenue Code or (II) promoting, marketing or recommending to another party any transaction or matter addressed herein. Griswold Law does not offer tax advice to its clients.

On Tue, Sep 11, 2018 at 2:34 PM, Austin, Gina <gaustin@austinlegalgroup.com> wrote:

| Red,

I am not sure what the point of your email is. I already stated that I would provide you with the materials we submit and information received. We have even done so today within 5 minutes of receiving the information.

I asked only that Mr. Lachant not be cc'd on emails that have communications unrelated to licensing as it is not relevant to him. The email Mike sent included requests for rent payments which is not relevant to Mr. Lachant.

With regard to your comment regarding confidentiality - the portions of the submissions related to owners and financially interested parties are confidential. Even by the agency standards they do not consider that public record. Similarly, manufacturing operations security details are confidential and are marked so on the submission. We will of course provide this information to Mike but the information should not be provided to Mr. Lachant. If Mike intends to provide such information to Mr. Lachant please advise in advance so that we can seek a protective order.

Gina

From: Richardson Griswold [<mailto:rgriswold@griswoldlawsandiego.com>]
Sent: Tuesday, September 11, 2018 2:28 PM
To: Austin, Gina
Cc: calsur@aol.com; Leetham, Tamara; ninusmalan@yahoo.com; michaela@austinlegalgroup.com
Subject: Re: Entitlement Update

Gina,

We understand your position on Mr. Lachant. However, as discussed outside the courtroom after last Friday's hearing, Mike will continue to consult with Mr. Lachant on a limited basis. As we all discussed, a "team" effort all with the common goal of supporting and ensuring the ongoing successful operations is in everybody's interest. Mike's primary focus is to conduct his court-ordered duties, which include ensuring proper licensing and compliance. Mike is permitted to utilize vendors and consultants to cost-effectively carry out his duties.

We appreciate all of your efforts in that regard. We don't want any materials from you that you consider protected by the attorney-client privilege. However, Mike is the receiver and is in control of the entities seeking proper licensing. He needs full access to the materials and related communications/notices, etc. In general, I do not see why those materials need to be put in a specific category, whereby Mike has to attach some level of "confidentiality." Frankly, all parties, counsel and the Court have a right to information and updates regarding the licensing/permits for the Marijuana Operations.

Thanks,

Richardson C. Griswold, Esq.
Griswold Law, APC
444 S. Cedros Ave., Suite 250
Solana Beach, CA 92075
Tel: 858.481.1300
Fax: 888.624.9177
rgriswold@griswoldlawsandiego.com
www.griswoldlawsandiego.com

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IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, unless we expressly state otherwise, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (I) avoiding penalties under the Internal Revenue Code or (II) promoting, marketing or recommending to another party any transaction or matter addressed herein. Griswold Law does not offer tax advice to its clients.

On Mon, Sep 10, 2018 at 2:16 PM, Austin, Gina <gaustin@austinlegalgroup.com> wrote:

I will provide all communication we receive from the agencies. I don't believe the court requires me to provide you with "proposed" submissions. I am happy to provide you with the submissions at the same time we submit.

There are no new tenants at the new balboa location. I am not sure what you are referring to. If you mean the seller who is leasing back I do not know anything about that. You would need to discuss with Ninus. That is a non-cannabis related tenant until such time as a contract with an operator is secured.

Please do not cc Mr. Lachant on communication that is not related to licensing or provide him with our materials. As you know, we disagree with the use of Mr. Lachant. As he is under no obligation of confidentiality and works for a competing consulting/law firm I take issue with your disclosure of any of our materials to Mr. Lachant. The court was very clear that I was to handle the processing of the applications.

Gina

From: calsur@aol.com [mailto:calsur@aol.com]

Sent: Monday, September 10, 2018 2:10 PM

To: Austin, Gina; rgriswold@griswoldlawsandiego.com

Cc: Leetham, Tamara; ninusmalan@yahoo.com; michaela@austinlegalgroup.com; alachant@mmlg.com

Subject: Re: Entitlement Update

Gina,

I do have the summary you sent.

I would like any and all communications from the regulatory bodies going forward from this point. Also any proposed submissions going forward. And of course any payments or fees that need to be paid.

What is the plan for the tenants at the new Balboa location? I will be meeting with Peter when I have the new order to collect rents. Are we going to be giving the tenants notice?

Mike

In a message dated 9/8/2018 5:48:45 PM Pacific Standard Time, gaustin@austinlegalgroup.com writes:

Mike,

I sent a summary last week of where we are in the entitlement processing of the applications to you and Red. Please let me know if you do not have it. There has been no change as of the writing of this email to the process.

I will be reaching out to Paul at the BCC on Monday to confirm that we can continue to operate with no interruption or further filings for the next 60 days.

On a going forward basis we will be sending you all of the correspondence that we receive from the state and city regarding the application processing. It would take a really long time to comb through historical documents to provide information. I have attached the temp licenses and the unsigned / unrecorded CUP for the new manufacturing location at Balboa. Nothing further is likely to occur here until a tenant is identified and that may be after this 60 days . However if it does I will let you know.

As far as the Mira Este CUP nothing will happen until October 3rd. The draft staff report will be out a few days before and I will send it to you when it is released.

Michaela (cc'd on this email) will forward you any correspondence we receive from the state agencies on next steps for annual licensing as it is received. There are no responses due or outstanding. Do you want us to go back and find the prior set of comments for each of these? Please respond all and let me know. Michaela can get to it but it will take a few days. Once we have responded it isn't kept electronically so we have to go find it.

Please let me know if you need any further information about the status (other than discussed above). Also, would you prefer the emails be sent separately regarding the information for Balboa vs Mira Este or are you ok with all licensing related information being sent in the same email?

Thank you

Gina

Gina M. Austin

AUSTIN LEGAL GROUP, APC | 3990 Old Town Ave., Ste A112, San Diego, CA 92110 |

Ofc: 619-924-9600 | Cell 619-368-4800 | Fax 619-881-0045

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EXHIBIT K

Andrews, Richard

From: Andrews, Richard
Sent: Wednesday, September 26, 2018 8:01 AM
To: 'steve@elialaw.com'; 'rfuller@nelsonhardiman.com'; dwatts@galuppolaw.com; 'rgriswold@griswoldlaw.com'; chasgoria@gmail.com
Cc: Leetham, Tamara; Austin, Gina
Subject: Ex Parte Notice for Sept. 27, 2018
Attachments: 18-0926 Ex Parte Notice Letter 9-27-18.pdf

Counsel:

Please see the attached notice regarding our Ex Parte hearing and let us know if you will be opposing and/or appearing.

Best,

Richard L. Andrews Jr., Esq.

Austin Legal Group, APC
3990 Old Town Ave, Suite A-112, San Diego, California 92110
Office Phone: 619.924.9600 // Office Fax: 619.881.0045
richard@austinlegalgroup.com

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Austin Legal Group, APC

LAWYERS
3990 OLD TOWN AVE, STE A-112
SAN DIEGO, CA 92110

LICENSED IN CALIFORNIA & ARIZONA
TELEPHONE
(619) 924-9600

FACSIMILE
(619) 881-0045

Writer's Email:
richard@austinlegalgroup.com

September 26, 2018

Via E-Mail Only

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Law Offices of Steven Elia
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steve@elialaw.com

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rfuller@nelsonhardiman.com

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rgriswold@griswoldlaw.com

Daniel Watts
Galuppo & Blake
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Carlsbad, CA 92009
dwatts@galuppolaw.com

**Re: Ex Parte Notice- September 27, 2018
Case No. 37-2018-00034229-CU-BC-CTL
Razuki v. Malan**

To All Counsel:

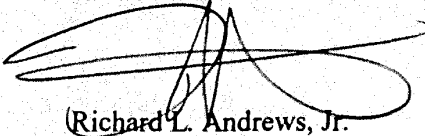
This letter constitutes notice that defendants Ninus Malan, San Diego United Holdings Group, Flip Management, Balboa Ave Cooperative, California Cannabis Group and Devilish Delights will be appearing ex parte to dissolve, clarify and/or modify the August 28, 2018 order or the proposed order from the September 7, 2018 hearing.

The ex parte will be heard September 27, 2018 at 8:30 a.m. in Department C-67 of the San Diego County Superior Court – Central Division located at 330 W. Broadway, San Diego, California 92101 before the Honorable Eddie C. Sturgeon.

Unless you notify us otherwise, we will presume you will appear at the ex parte hearing. Please do not hesitate to contact us should you have any questions.

Sincerely,

AUSTIN LEGAL GROUP, APC



(Richard L. Andrews, Jr.)

EXHIBIT L

4332

Austin, Gina

From: calsur@aol.com
Sent: Wednesday, September 26, 2018 12:53 AM
To: ggevorgyan@mgocpa.com; Austin, Gina; rgriswold@griswoldlawsandiego.com
Cc: jcosta@mgocpa.com; alachant@mmlg.com; john@jhypartners.com
Subject: Re: SD - Balboa Coop.

Grigor,

We have tried several methods to acquire the missing data from the previous POS server with no success. I have asked both Mr. Malan and Mr. Yaeger but we cannot locate the data needed to reconcile the discrepancy.

What other methods can we use to attempt to finalize the report and get it off your desk?

Team - any new ideas on how to locate the server/data?

Michael Essary
Receiver

In a message dated 9/25/2018 7:26:53 PM Pacific Standard Time, ggevorgyan@mgocpa.com writes:

Hi Gina,

To confirm, we have not received any additional documentation as of date.

Thank you,

GRIGOR GEVORGYAN, CPA
SENIOR CONSULTANT

+1 (213) 408-8671
ggevorgyan@mgocpa.com
mgocpa.com

From: Austin, Gina [<mailto:gaustin@austinlegalgroup.com>]
Sent: Tuesday, September 25, 2018 3:33 PM
To: Grigor Gevorgyan <ggevorgyan@mgocpa.com>; calsur@aol.com
Cc: Jasmine Costa <jcosta@mgocpa.com>
Subject: RE: SD - Balboa Coop.

Good afternoon Grigor,

We haven't received any further information from the receiver or the prior accountant. We have another hearing on Thursday. Can you confirm whether or not you have received any further documents since your email on the 7th below?

Gina

Gina M. Austin

AUSTIN LEGAL GROUP, APC | 3990 Old Town Ave., Ste A112, San Diego, CA 92110 |

Ofc: 619-924-9600 | Cell 619-368-4800 | Fax 619-881-0045

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----- Original message -----

From: Grigor Gevorgyan <ggevorgyan@mgocpa.com>

Date: 9/7/18 11:34 AM (GMT-08:00)

To: "Austin, Gina" <gaustin@austinlegalgroup.com>

Cc: Jasmine Costa <jcosta@mgocpa.com>

Subject: RE: SD - Balboa Coop.

Hi Gina,

We have only received the sales detail you previously emailed to us and no information was received regarding the discrepancy noted within. All other documents are still pending.

Thanks,

GRIGOR GEVORGYAN, CPA
SENIOR CONSULTANT

+1 (213) 408-8671
ggevorgyan@mgocpa.com
mgocpa.com

From: Austin, Gina [<mailto:gaustin@austinlegalgroup.com>]
Sent: Friday, September 7, 2018 11:27 AM
To: Grigor Gevorgyan <ggevorgyan@mgocpa.com>; Jasmine Costa <jcosta@mgocpa.com>
Subject: RE: SD - Balboa Coop.
Importance: High

Good afternoon,

We have a hearing today at 1:30 regarding the receivership. Can you please let me know if you have received any information regarding the sales discrepancy for Q1 from anyone as of today? Also, can you confirm whether or not any information remains outstanding?

Thank you

Gina

Gina M. Austin

AUSTIN LEGAL GROUP, APC | 3990 Old Town Ave., Ste A112, San Diego, CA 92110 |

Ofc: 619-924-9600 | Cell 619-368-4800 | Fax 619-881-0045

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1 Gina M. Austin (SBN 246833)
E-mail: gaustin@austinlegalgroup.com
2 Tamara M. Leetham (SBN 234419)
E-mail: tamara@austinlegalgroup.com
3 AUSTIN LEGAL GROUP, APC
4 3990 Old Town Ave, Ste A-112
San Diego, CA 92110
5 Phone: (619) 924-9600
Facsimile: (619) 881-0045
6

7 Attorneys for Defendants Ninus Malan, San Diego United Holdings Group,
Balboa Ave Cooperative, Flip Management, California Cannabis Group

8 Steven W. Blake, Esq., SBN 235502
Andrew W. Hall, Esq., SBN 257547
9 Daniel Watts, Esq. SBN 277861
GALUPPO & BLAKE
10 A Professional Law Corporation
2792 Gateway Road, Suite 102
11 Carlsbad, California 92009
Phone: (760) 431-4575
12 Fax: (760) 431-4579

13 Attorneys for Defendant Ninus Malan

14 SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

15 CENTRAL DIVISION

16 SALAM RAZUKI, an individual,
17 Plaintiff,

18 vs.

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

25 Defendants.
26
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Case No.: 37-2018-00034229-CU-BC-CTL

**DECLARATION OF GARY STRAHLE IN
SUPPORT OF MALAN DEFENDANTS
EX PARTE NOTICE AND APPLICATION
TO CLARIFY/MODIFY INJUNCTION
ORDERS**

[Imaged File]

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

1 I, Gary Strahle, declare the following:

2 1. I am over the age of 18 years and am not a party to this action.

3 2. I have personal knowledge of the facts stated in this declaration, and if called
4 upon to testify to these facts, I could and would do so competently.

5 3. I perform IT services for Far West Management which includes IT services for
6 the dispensary operating at 8863 Balboa Ave, Suite E ("Balboa Dispensary").

7 4. On or around July 10, 2018, Far West Management began managing the Balboa
8 Dispensary. When it began managing the Balboa Dispensary, I was asked to perform certain IT
9 services and learned that there was a DVR and a server already at the Balboa Dispensary.

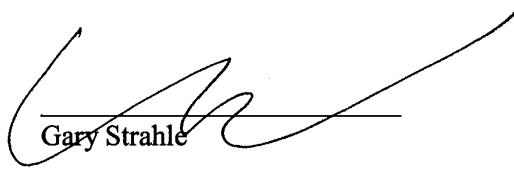
10 5. On or around July 17, 2018, Far West was removed as manager of the Balboa
11 Dispensary.

12 6. On or around August 2, 2018, Far West began managing the Balboa Dispensary
13 again. The DVR and server were missing from the Balboa Dispensary. Far West purchased a
14 new DVR and uses a cloud-based platform for the Balboa Dispensary's point of sale system.

15 7. I do not have access to data that was located on the missing server.

16 I declare under penalty of perjury under California state law that the foregoing is true and
17 correct. Executed in San Diego, California on September 26, 2018.

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Gary Strahle

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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 DISSOLVING
PRELIMINARY INJUNCTION**

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

Plaintiff Salam Razuki’s motion for a preliminary injunction came on for hearing on September 7, 2018 at 1:30 p.m. in Department C-67, the Honorable Judge Eddie C. Sturgeon, presiding. The hearing was transcribed by a court reporter. Upon reviewing the papers and records

1 filed in this matter and taking into account argument by counsel at the hearing, and good cause
2 appearing, the Court granted the request and issued a preliminary injunction, confirming the
3 appointment of Michael W. Essary as receiver with control of San Diego United Holdings Group,
4 LLC, Mira Este Properties, LLC, Devilish Delights, Inc., Balboa Ave Cooperative, and Flip
5 Management, LLC.

6 “On granting an injunction, the court or judge must require an undertaking on the part of the
7 applicant to the effect that the applicant will pay to the party enjoined any damages...the party may
8 sustain by reason of the injunction....” Code Civ. Proc. §529(a). The September 7th order was
9 contingent upon Plaintiff Salam Razuki posting a \$350,000.00 bond with the court by September
10 21, 2018, naming each defendant – each “enjoined party” – in the bond.

11 This court’s records show that Plaintiff did not post a bond by that date. Plaintiff apparently
12 filed a document titled “notice of Plaintiff’s injunction bond” on or about September 19, 2018, but
13 this notice declared only that the Plaintiff “has secured the Injunction Bond” and attached as
14 Exhibit A a document described in the notice as a “copy of the Injunction Bond.” The notice states
15 that “the original bond paper work will be filed with the Court.”

16 The “original bond paper work” was not filed with the court. The September 19th notice was
17 not signed under penalty of perjury, and the document attached as Exhibit A to the notice is not the
18 original bond. Even if it were, Exhibit A is defective: It purportedly obligates the undersigned
19 surety to “the above named Defendants”, a group which includes “San Diego United Holding
20 Group, LLC”. That entity is not a party to this action and was not subject to the receivership. There
21 is a defendant in this action named San Diego United Holdings Group, LLC, but not San Diego
22 United Holding Group, LLC. Without naming the proper defendant, the bond – if it had been posted
23 – would be defective, as it would fail to allow the injured defendant from making a claim for
24 damages. Code Civ. Proc. §529(a).

25 IT IS HEREBY ORDERED:

- 26 1. The preliminary injunction issued September 7, 2018 is dissolved.
- 27 2. San Diego United Holdings Group, LLC, Mira Este Properties, LLC, Devilish
28

1 Delights, Inc., Balboa Ave Cooperative, and Flip Management, LLC are released from receivership.

2 3. Receiver Michael Essary must immediately return, to the respective Defendants
3 from whom he seized control and possession, control and possession of all property, bank accounts,
4 account passwords, businesses, and any other property obtained as a result of the receivership, less
5 the amounts reasonably necessary to reimburse Mr. Essary and his attorney, Richardson Griswold,
6 for services already rendered.

7 4. This order takes immediate effect.

8 5. Additional orders:

9 _____
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17 IT IS SO ORDERED.

18 Dated: _____, 2018

Judge of the Superior Court

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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

Judge: Hon. Eddie C. Sturgeon
Dept: C-67
Date: September 27, 2018
Time: 8:30 a.m.

This matter came on for hearing on September 27, 2018 at 8:30 a.m. in Department C-67, the
Honorable Judge Eddie C. Sturgeon, presiding, on the *ex parte* application of Defendants Ninus
Malan, San Diego United Holdings Group, LLC, Balboa Ave Cooperative, Flip Management, LLC,

1 California Cannabis Group and Devilish Delights, Inc. (collectively "Malan Defendants"). Upon
2 reviewing the papers and records filed in this matter and taking into account argument by counsel at
3 the hearing, and good cause appearing,

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

5 1. Malan Defendants' request for an order requiring Receiver to execute a power-of-
6 attorney in favor of counsel for Malan Defendants is denied.

7 2. Plaintiffs, Plaintiffs-In-Intervention and Defendants shall meet and confer to prepare
8 a stipulated protective order for submission to the Court in this matter.

9 3. Receiver shall not utilize the services of accountant John Yaeger for any current or
10 future accounting or consulting services. Receiver is authorized to utilize the services of accountant
11 John Yaeger to assistance with the review of past accounting and operational activity.

12 4. Receiver is authorized to utilize the consulting services of Aaron Lachant of MMLG,
13 LLC.. However, Mr. Lachant's consulting services shall cease after his \$10,000 initial retainer is
14 exhausted by the Receiver.

15 5. Sunrise Property Investments, LLC shall be within the scope of the forensic audit
16 conducted by accountant Brian Brinig in this matter. However, this expansion of the forensic audit
17 scope shall be stayed until Sunrise Property Investments, LLC retains counsel in this matter and
18 counsel is given the opportunity to address this potential expansion of the forensic audit with this
19 Court.

20 6. Any potential cost apportionment of the forensic audit between the parties in this
21 matters shall be determined at the hearing set for November 16, 2018 at 1:30 p.m.

22
23 IT IS SO ORDERED.

24 Dated: _____, 2018

Judge of the Superior Court

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SERVICE LIST

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Counsel for Plaintiff Salam Razuki
Steven A. Elia, Esq.
Maura Griffin, Esq.
LAW OFFICES OF STEVEN A. ELIA, APC
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Email: steve@elialaw.com; MG@mauragriffinlaw.com

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Daniel Watts, Esq.
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Counsel for Defendant Chris Hakim
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GORIA, WEBER & JARVIS
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San Diego, CA 92108
Email: chasgoria@gmail.com

Counsel for SoCal Building Ventures, LLC
Robert Fuller, Esq.
Salvatore Zimmitti, Esq.
NELSON HARDIMAN LLP
1100 Glendon Avenue, Suite 1400
Los Angeles, CA 90024
Email: rfuller@nelsonhardiman.com; szimmitti@nelsonhardiman.com

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
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1 Gina M. Austin (SBN 246833)
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2 Tamara M. Leetham (SBN 234419)
E-mail: tamara@austinlegalgroup.com
3 AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
4 San Diego, CA 92110
Phone: (619) 924-9600
5 Facsimile: (619) 881-0045

6 Attorneys for Defendants
7 Ninus Malan, San Diego United Holdings Group,
Balboa Ave Cooperative, Flip Management,
8 California Cannabis Group

9 **SUPERIOR COURT 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
19 PROPERTIES, LLC, a California limited
liability company; BALBOA AVE
20 COOPERATIVE, a California nonprofit
mutual benefit corporation; CALIFORNIA
21 CANNABIS GROUP, a California
nonprofit mutual benefit corporation;
22 DEVILISH DELIGHTS, INC., a California
nonprofit mutual benefit corporation; and
23 DOES 1-100, inclusive,

24 Defendants.

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

PROOF OF SERVICE

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AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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Salam Razuki v. Ninus Malan
Case No. 37-2018-00034229-CU0BC-CTL
PROOF OF SERVICE
(Code Civ. Proc., §§ 1013a, 2015)
SERVICE LIST

I, Djuana Woods declare that I am over the age of 18 years and am not a party to the case; I am employed in San Diego County, California, where the service occurs; and my business address is Austin Legal Group, APC, 3990 Old Town Ave, Ste A-112, San Diego, California, 92110. On September 26, 2018, I served the following on the interested parties in this action as stated below:

MALAN DEFENDANTS EX PARTE NOTICE AND APPLICATION TO DISSOLVE/CLARIFY/MODIFY INJUNCTION ORDERS;

MALAN DEFENDANTS MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF EX PARTE APPLICATION TO DISSOLVE/CLARIFY/MODIFY INJUNCTION ORDERS;

DECLARATION OF GINA AUSTIN IN SUPPORT OF MALAN DEFENDANTS EX PARTE APPLICATION TO DISSOLVE/CLARIFY/MODIFY INJUNCTION ORDERS;

DECLARATION OF NINUS MALAN IN SUPPORT OF MALAN DEFENDANTS EX PARTE APPLICATION TO DISSOLVE/CLARIFY/MODIFY INJUNCTION ORDERS;

DECLARATION OF GARY STRAHLE IN SUPPORT OF MALAN DEFENDANTS EX PARTE APPLICATION TO DISSOLVE/CLARIFY/MODIFY INJUNCTION ORDERS

[PROPOSED] ORDER DISSOLVING INJUNCTION;

[PROPOSED] ORDER CLARIFYING/MODIFYING INJUNCTION;

BY MAIL: as follows: (SEE ATTACHED SERVICE LIST)

By Placing a copy thereof in a sealed envelope addressed as follows:

I am readily familiar with the business' practice for collection and processing of correspondence for mailing with the United States Postal Service; and that the correspondence shall be deposited with the United States Postal Service via First Class Mail on that same day in the ordinary course of business.

BY PERSONAL SERVICE: as follows:

By personally delivering a copy thereof addressed as follows:

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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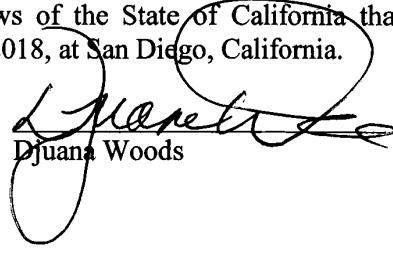
VIA E-SERVICE – ONE LEGAL ATTORNEY SERVICE TO THE FOLLOWING:

I caused such document(s) to be served on the following person via email through One Legal.
See attached service list

BY ELECTRONIC MAIL: pursuant to agreement of the parties

BY FACSIMILE TRANSMISSION: The counsel or authorized party authorized to accept service was also forwarded a copy of the above-referenced document(s) by facsimile transmission at the telefax number corresponding with his/her/its/name. The facsimile machine I used complied with CRC Rule 2003(3) and no error was reported by the machine. Pursuant to CRC Rule 2005(i), I caused the machine to print a transmission record of the transmission, a copy of which is attached to this declaration.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on September 26, 2018, at San Diego, California.


Djuana Woods

AUSTIN LEGAL GROUP, APC
3990 Old Town Ave, Ste A-112
San Diego, CA 92110

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Salam Razuki v. Ninus Malan.
Case No. 37-2018-00034229-CU-BC-CTL
PROOF OF SERVICE
(Code Civ. Proc., §§ 1013a, 2015)
SERVICE LIST

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7 Attorneys for Plaintiff
SALAM RAZUKI

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

11 SALAM RAZUKI, an individual,

12 Plaintiff,

13 v.

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

24 Defendants.

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

**PLAINTIFF SALAM RAZUKI'S
OPPOSITION TO THE MALAN
DEFENDANTS' EX PARTE
APPLICATION TO
DISSOLVE/CLARIFY/MODIFY
INJUNCTION ORDERS; DECLARATION
OF JAMES JOSEPH, ESQ.**

Date: September 27, 2018
Time: 8:30 a.m.
Dept: C-67
Judge: Hon. Eddie C. Sturgeon

1 Plaintiff SALAM RAZUKI (“Plaintiff” or “Razuki”), by and through his counsel, hereby
2 opposes the Malan Defendants’ *ex parte* application to dissolve, clarify and/or modify injunction orders
3 for the reasons set forth below.

4 **I.**
INTRODUCTION

5 The Malan Defendants are renewing their request that this Court dissolve the receivership and/or
6 the temporary restraining order premised on Plaintiff’s alleged failure to post the injunction bond.
7 However, this is really an improper motion for reconsideration which does not comply to the
8 requirements of CCP §1008. Moreover, the request is premised on the false allegation that Plaintiff
9 failed to timely file his bond.

10 In addition, the Malan Defendants wish for the Court to reconsider issues which were
11 specifically discussed at the last hearing which occurred on September 7, 2018, including limiting the
12 scope of the order, on the one hand, and attempting to expand the scope of the order on the other hand.
13 Plaintiff believes that the Court was very thoughtful in its ruling at the last hearing and articulated its
14 ruling with adequate specificity such that this *ex parte* is not necessary for the reasons addressed below.

15 **II.**
NEITHER THE RECEIVERSHIP NOR THE TEMPORARARY RESTRAINING ORDER
SHOULD BE VACATED AS PLAINTIFF TIMELY POSTED HIS BOND

16 At the hearing on September 7, 2018, the Court confirmed the appointment of Mike Essary as
17 the receiver in this action. A true and correct copy of the Court’s September 7, 2018 Minute Order (the
18 “Minute Order”) is attached to the Declaration of James Joseph (“Joseph Dec.”) as **Exhibit A**. Although
19 not reflected in the Minute Order, the Court also ordered Plaintiff to post a preliminary injunction bond
20 in the amount of \$350,000. A true and correct copy of the transcript from the September 7, 2018
21 hearing (the “Transcript”) is attached to the Joseph Dec. as **Exhibit B**.

22 On or around September 18, 2018, Plaintiff obtained a bond in the amount of \$350,000 (the
23 “Bond”) from American Contractors Indemnity Company (the “Surety”) in compliance with the Court’s
24 September 7, 2018 order. Joseph Dec. at ¶ 5-6. On September 19, 2018, Plaintiff’s counsel filed and
25 served all parties with Notice of Plaintiff’s Injunction Bond (the “Notice of Bond”), which had the Bond
26 attached to is as Exhibit A, via One Legal. *Id.*; a true and correct copy of the Notice of Bond and the
27 accompanying Proof of Services are attached to the Joseph Dec. collectively as **Exhibit C**. Counsel for
28

1 the parties were served electronically via One Legal on September 19, 2018 at approximately 2:20 p.m.,
2 **WHICH WAS TWO DAYS PRIOR TO THE COURT'S DEADLINE FOR PLAINTIFF TO FILE**
3 **HIS BOND.** *Id.* at ¶ 8. In fact, Gina Austin, Esq., counsel for the Malan Defendants, viewed and/or
4 retrieved the filed documents at approximately 2:26 p.m. which was less than 10 minutes after it was
5 served. A true and correct copy of the One Legal notice of eFiling and eServe received by Plaintiff's
6 counsel is attached to the Joseph Dec. as **Exhibit E.** Counsel for Plaintiff also have the original bond
7 delivered directly to the Court. *Id.* at ¶ 9.

8 Because Plaintiff's Bond was actually timely filed, the Malan Defendants' request that the
9 receivership and/or the preliminary injunction should be dissolved is moot. Even if Plaintiff has failed to
10 meet some technical requirements for posting the Bond, Defendants cannot demonstrate any prejudice.
11 The Bond was secured three days before the deadline and provided sufficient security for all named
12 Defendants. The Court should not disturb its previous order confirming the Receiver and issuing the
13 preliminary injunction

13 **III.**
14 **THE MALAN DEFENDANTS' REQUEST THAT THE COURT**
15 **MODIFY ITS SEPTEMBER 7, 2018 ORDER SHOULD BE DENIED**

16 The Malan Defendants argue that the facts of this case have changes and that the ends of justice
17 would be served by modifying (clarifying) or outright dissolving the injunction and TRO under CCP
18 §533. This is merely a red herring as the facts and circumstances giving rise to the receivership have
19 not changed. Merely because a dissolution or modification of the injunction order might serve the ends
20 of the Malan Defendant does not mean it would serve the ends of justice.

21 The Malan Defendants further argue that the Court should modify the proposed order regarding
22 the September 7, 2018 hearing for various reasons. Most of these reasons are better suited for a
23 response from the Receiver and/or his counsel, however, Plaintiff objects to certain requested
24 modifications for the reasons discussed below.

24 **A. The Court Has Already Determined that the Licensed Non-Profit Businesses Are**
25 **Necessary to the Receivership.**

26 The Malan Defendants argue that the proposed order should not include the three non-profits
27 corporations who hold the state marijuana licenses (California Cannabis Group, Balboa Ave
28 Cooperative and Devilish Delights) (referred to herein collectively as the "Licensed Entities").

1 However, none of the facts regarding the state licenses and/or the Licensed Entities have changed since
2 the September 7, 2018 hearing when the Court issued its ruling and, therefore, this request is really a
3 request for reconsideration under CCP §1008.

4 At the hearing on September 7, 2018, and at other hearings that occurred prior to that, the Court
5 specifically heard and considered the Licensed Entities should be under the receivership. Joseph Dec.
6 at ¶ 4; *see also, generally*, the Transcript at 9:16-18:8. The Receiver, Receiver’s counsel and Receiver’s
7 retained consultant, Aaron Lachont, all represented to the Court that the non-profits were essential to
8 the Receiver being able to successfully and legally operate and manage the marijuana businesses under
9 the receivership. *Id.* Having heard the contrary arguments from counsel for the Malan Defendants, the
10 Court determined that the non-profits did, in fact, need to be under the receivership. *Id.*

11 Here, again, the Malan Defendants argue simply that there is “no practical purpose to put the
12 Licensed Entities in the receivership as no money flows in or out of these entities.” *See* Malan
13 Defendants P’s & A’s ISO Ex Parte Application to Dissolve/Clarify/Modify Injunction Orders (“Ex
14 Parte Application”) at 4:22-24. While at the Daniel Watts, Esq., counsel for Malan, argued at the
15 hearing that the Licensed Entities “are not parties to this case,” they “haven’t been sued,” and they’re
16 “not involved,” none of these representations are or were true. *See* Transcript at 10:3-9. All three
17 Licensed Entities are parties to this lawsuit.

18 The Court clearly understood the need to keep the Licensed Entities under the receivership when
19 it stated:

20 THE COURT: So he's going to run a marijuana operation and not have the license?
21 That's what you're saying.
22 Transcript 13:22-24

23 After this, the Court did not modify its order to exclude the Licensed Entities.

24 Moreover, while the Malan Defendants have continued to argue that the receivership over these
25 entities would somehow interfere with the state licenses (while failing to provide an actual example),
26 the Receiver has stated in his reports and through his counsel at the September 7, 2018 hearing, that his
27 receivership has caused no problems with the state in terms of his control over the Licensed Entities.

28 The Court has heard and considered arguments regarding the inclusion of the Licensed Entities
in the scope of the receivership ad nauseum. This issue should not be revisited yet again.

1 **B. The Court Should Not Require the Receiver to Execute a Power of Attorney in Favor of**
2 **Austin Legal Group and/or Relinquish Any Control Over the State Applications.**

3 Another issue which has been discussed ad nauseum in this case is Plaintiff's distrust of Mr.
4 Malan and his counsel. Suffice it to say that Plaintiff has presented a substantial amount of evidence of
5 the lack of veracity and, albeit, blatant disregard for this Court's orders shown by Malan and/or his
6 counsel. In the interest of brevity, Plaintiff will not revisit the reasons why he is so distrustful. However,
7 regardless of ongoing issues of trust and refusal to cooperate, to give Malan's counsel essentially the
8 power to make decisions on behalf of the court appointed Receiver makes absolutely no sense.

9 The Receiver has been appointed for a reason, *i.e.* to oversee the operations of the business, as
10 well as a forensic accounting of said businesses. The Receiver does this for a living and should be more
11 than capable of communicating intelligently and effectively on behalf of the Licensed Entities with the
12 City and/or State. If the Receiver needs to gather information from or relay information to Austin Legal
13 Group regarding the licenses and its work related to state or city licensing, he is more than capable of
14 transmitting said request or information to Austin Legal Group via telephone, e-mail, etc.

15 Again, although the Malan Defendants basically argue that Austin Legal Group needs to have
16 the authority to communicate directly with the state licensing agencies because otherwise there will be
17 problems, they cite not one example where a problem has actually occurred. The Court seemed
18 relatively clear that counsel for the parties should work with the Receiver and not against him. If Austin
19 Legal cooperates with the Receiver in all licensing issues, then there should be no problem.

20 Furthermore, if the Receiver feels it necessary to retain the services of a consultant in order to
21 properly oversee and operate the businesses, then he should have the power to do so with the Court's
22 blessing.

23 **C. The Standard Method of Dealing With the Potential Dissemination of Confidential**
24 **Information is A Protective Order.**

25 On the one hand, the Malan Defendants argue that the Receiver and his counsel have refused to
26 acknowledge the existence of information deemed "confidential" by Malan's counsel and, on the other
27 hand, admit that the Receiver's counsel suggested that Malan's counsel seek a protective order to protect
28 whatever confidential information they are concerned about. A protective order is the typical vehicle
used by the courts in order to protect the private and/or proprietary information of parties and there is

1 no reason a protective order would not work in this case. Furthermore, while Malan’s counsel vaguely
2 and conclusively refers to the information as being “internal work product and confidential proprietary
3 information,” it gives no specifics as to what documents/information it believes is confidential other
4 than to say “much of operating procedures for Mira Este and Balboa Ave are marked as confidential
5 when submitted to the state agencies to avoid disclosure by any public records request.” *See, generally,*
6 *Ex Parte Application at 6:6-19.*

7 However, the Court does not need to be reminded that just because a party marks a document as
8 “confidential” does not mean the document is actually internal work product or confidential proprietary
9 information. The Malan Defendants have failed to establish that the documents they have marked as
10 “confidential” are truly subject to a privacy or some other protection. To the extent the Court does not
11 believe a protective order sufficient to protect the proprietary information of the Malan Defendants, if
12 any, the Court should implement a mechanism of review as to the true confidentiality of such a
13 document before it deems that a document should be withheld from the other parties in the case.

13 **D. The Forensic Accounting Should Be Limited to the Entities Under the Receivership and**
14 **the Financial Contributions of the Individual Parties to the Balboa and Mira Este**
15 **Facilities.**

16 The Malan Defendants argue that Sunrise Consulting Group (“Sunrise”) and Super 5 Consulting
17 Group, LLC (“Super 5”) should be part of the forensic accounting ordered by the Court. In discussing
18 this issue at the hearing on September 7, 2018, the Court made clear it was requesting a forensic
19 accounting of Balboa and Mira Este. *See Transcript at 8:1-8.* When Malan’s counsel inquired as to
20 whether Plaintiff would be subject to the forensic accounting, the Court responded, “I want to know if
21 he put in up to 6 million.” *Transcript at 9:1-11.*

22 It was abundantly clear that the Court wanted a forensic accounting as to the Balboa and Mira
23 Este facilities in terms of what financial contributions were made by the parties, if any. Neither Sunrise
24 nor Super 5 are subject to the receivership and there is no reason to suggest they should be regardless
25 of whether they are entities mentioned in the settlement agreement. Sunrise and Super 5 have not even
26 been served in this case and Sunrise was only named as party in this matter on September 6, 2018
27 hearing. For that reason, they should not be subject to the forensic accounting. Furthermore, there is
28 no evidence to suggest that the Malan Defendants could satisfy the requirements of obtaining a

1 receivership in respect to Sunrise or Super 5 and that certainly it not at issue today nor should be a
2 matter contemplated ex parte. Sunrise and Super 5 are entirely different entities in which Plaintiff has
3 an ownership interest in and the Malan Defendants can conduct discovery through the normal channels
4 in order to establish the value of Mr. Razuki's interest in them just like any other defendant.

5 In terms of the individual defendants in this case, Plaintiff believes the Court intended that the
6 parties submit to the forensic accounting personally insofar as it relates to their financial contributions
7 to the Balboa and Mira Este operations, if any. Plaintiff has never argued otherwise and will cooperate
8 fully with the forensic accounting as he has with the receivership. Plaintiff does not believe that the
9 Court intended Plaintiff to submit to a forensic accounting as to his numerous other unrelated business
10 entities or that Malan should have to a submit to a forensic accounting to the extent that it does not relate
11 to the Balboa and Mira Este operations.

12 **IV.**
CONCLUSION

13 To the extent that the Malan Defendants request that the Court dissolve or modify the Court's
14 orders of September 7, 2018, Plaintiff respectfully requests that the Court deny this relief.

15 Dated: September 26, 2018

LAW OFFICES OF STEVEN A. ELIA,
APC

17 By:



18 Maura Griffin, Attorneys for Plaintiff
19 Salam Razuki
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7 Attorneys for Plaintiff
SALAM RAZUKI

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

CASE NO. 37-2018-00034229-CU-BC-CTL
**DECLARATION OF JAMES JOSEPH,
ESQ.**
Date: September 27, 2018
Time: 8:30 a.m.
Dept: C-67
Judge: Hon. Eddie C. Sturgeon

1 I, James Joseph, declare as follows:

2 1. I am an attorney admitted to practice before this Court and all other California State
3 courts. I am an associate attorney with the LAW OFFICES OF STEVEN A. ELIA, APC, which
4 represents Salam Razuki (“Razuki” or “Plaintiff”) in this instant matter.

5 2. All facts stated in this declaration are within my personal knowledge (unless otherwise
6 stated) and, if called as a witness, I would and could competently testify to them.

7 3. At the hearing on September 7, 2018, the Court confirmed the appointment of Mike
8 Essary as the receiver in this action. A true and correct copy of the Court’s September 7, 2018 Minute
9 Order (the “Minute Order”) is attached as **Exhibit A**.

10 4. Although not reflected in the Minute Order, the Court also ordered Plaintiff to post a
11 preliminary injunction bond in the amount of \$350,000. At this time, the certified complete transcript
12 is unavailable. However a true and correct copy of a partial transcript from the September 7, 2018
13 hearing (the “Transcript”) is attached as **Exhibit B**. This portion of the transcript

14 5. On or around September 18, 2018, Plaintiff obtained a bond in the amount of \$350,000
15 (the “Bond”) from American Contractors Indemnity Company (the “Surety”) in compliance with the
16 Court’s September 7, 2018 order.

17 6. On September 19, 2018, Plaintiff’s counsel filed and served all parties with Notice of
18 Plaintiff’s Injunction Bond (the “Notice of Bond”), which had the Bond attached to is as Exhibit A, via
19 One Legal. A true and correct copy of the Notice of Bond and the accompanying Proof of Services are
20 attached as **Exhibit C**.

21 7. Counsel for the parties were served electronically via One Legal on September 19, 2018
22 at approximately 2:20 p.m. A true and correct copy of the One Legal receipt is attached as **Exhibit D**.

23 8. According to One Legal, Gina Austin, Esq., counsel for the Malan Defendants, viewed
24 and/or retrieved the filed documents at approximately 2:28 p.m.. A true and correct copy of the One
25 Legal notice of eFiling and eServe received by Plaintiff’s counsel is attached as **Exhibit E**.

26 9. In addition to serving the Notice of Plaintiff’s Injunction Bond, I also had the original
27 bond delivered directly to the Court through Advanced Attorney Services. On September 26, 2018, I
28 called Advanced Attorney Services and they confirmed the runner had delivered the bond to Department
C-67 last week before September 21, 2018.

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. This declaration was executed on September 26, 2018, at San Diego, California.


James Joseph, Esq.

Exhibit A

Exhibit B

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 THE COURT: Thank you. Let the record 04: 42
 2 reflect that the Court has read numerous documents. 04: 42
 3 Let the record reflect the Court has considered all 04: 42
 4 the arguments of the counsel. Obviously, the Court 04: 42
 5 has a lot of concerns. So I hope the business 04: 42
 6 survives for everyone so that someday I'll be 04: 42
 7 dividing that money while doing damages, and I 04: 43
 8 really mean that sincerely. 04: 43

9 You can imagine what's going through the 04: 43
 10 mind is the impact of this decision it's going to 04: 43
 11 have on the parties. And I want you all to know I 04: 43
 12 gave it -- I guess that's why I'm a judge. Somebody 04: 43
 13 has to make these decisions, and it's my job and I'm 04: 43
 14 going do it. 04: 43

15 And so here we go, but it's going to be 04: 43
 16 modified just a little bit. Let me tell you what I 04: 43
 17 want to do and I think I have the discretion to do 04: 43
 18 it. Well, I'm pretty sure I have the discretion to 04: 43
 19 do it. 04: 43

20 All right. Here we go. Mr. Essary, I'm 04: 43
 21 going to go ahead and appoint you as a receiver 04: 43
 22 under a preliminary injunction. I want you to bring 04: 43
 23 in Brenagin & Company. Call them today. I know 04: 43
 24 them. Tell them it's for me. They have been in my 04: 43
 25 courtroom hundreds of times. I want this done so 04: 43
 26 fast, because here's my thoughts. I want to review 04: 43
 27 this probably in 60 days, because I don't know if 04: 44
 28 I'm going to keep you, Mr. Essary. 04: 44

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

♀

1 But, I mean that -- you've been in my 04: 44
2 courtroom. You know that, but I got concerns. But 04: 44
3 at this point, for the record, I'm finding there's a 04: 44
4 likelihood of success on the merits by the 04: 44
5 plaintiff, that there would be irreparable harm 04: 44
6 based on the filings. 04: 44

7 Mr. Bacca, help the Court. All right? Get 04: 44
8 it rented. All right? 04: 44

9 MR. BACCA: Okay. 04: 44

10 THE COURT: Yeah, come on. I'm not going 04: 44
11 to bite anybody as a judge up here in that thing. 04: 44
12 So here we go. So people keep saying there's a lot 04: 44
13 of money. I still don't see it. I still don't see 04: 44
14 it. That's all I want to know. Where's the money? 04: 44
15 Can somebody answer that for me? 04: 44

16 In fact, now I'm hearing from the defense 04: 44
17 you didn't even put in 2.6 million. That's what 04: 45
18 they just said, right? Yeah. I hear that you 04: 45
19 didn't put in your money too. I know. So now, I 04: 45
20 mean, it's -- so let's do some work. So here's what 04: 45
21 we're going to do. Do your job. I don't care what 04: 45
22 it takes. Get it done. 04: 45

23 Mr. -- 04: 45

24 MS. LEETHAM: Henkes. 04: 45

25 THE COURT: Thank you. 04: 45

26 No check goes out without his approval. No 04: 45
27 check goes out. I don't care if it's for an 04: 45
28 electric bill. You talk to the receiver before you 04: 45

♀

3

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 issue any checks, period. Is there any other 04: 45
2 account that I've got to make that order to? If 04: 45

9-7-18 Razuki partial rough

3 there is, let me know. I'll do the same thing. 04: 45

4 MS. LEETHAM: No, Your Honor. 04: 45

5 THE COURT: That's very kind. But the 04: 45

6 point is -- and this is without prejudice -- you're 04: 45

7 coming back in 60 days, six oh. 04: 45

8 MS. AUSTIN: Sixty. 04: 45

9 THE COURT: So whatever -- six oh. Did I 04: 45

10 say six? 04: 45

11 MS. AUSTIN: No. You said 60. I said at 04: 45

12 least we get 60. 04: 46

13 THE COURT: Sixty days to do your -- let me 04: 46

14 finish. And then we'll -- I end another whole 04: 46

15 Friday afternoon. 04: 46

16 And I'll put it on the record. I don't 04: 46

17 know if I'm going to keep you or not, Mr. Essary. 04: 46

18 Yeah, I know. You'll live either way. 04: 46

19 But what I worry about is the business, and 04: 46

20 I want you to know that. This could be a thriving 04: 46

21 business, but -- well, I'm not going to say it. 04: 46

22 Look what's going on in my courtroom, and I'm going 04: 46

23 to stop right there. Okay. Here we go. Sixty days 04: 46

24 would be then? 04: 46

25 THE CLERK: November 16th. I just don't 04: 46

26 know what your afternoon looks like. 04: 46

27 THE COURT: Make it 1:30. I'll fit it in. 04: 46

28 Can I assume -- and will the licensing be done then? 04: 46

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MS. AUSTIN: We will have moved through -- 04: 46

2 the licensing for Mira Este will be heard on 04: 46

3 October 3rd. So if it's appealed, then there's a 04: 46

4 chance that we could still be going to the planning 04: 47

♀

4

9-7-18 Razuki partial rough

5 commissi on. The Balboa appeal period has almost 04: 47

6 run, so we'll know for sure on that one. And so 04: 47

7 we'll be close to the end of the licensing period. 04: 47

8 THE COURT: Close. I'd like a report on 04: 47

9 that, obviously. 04: 47

10 MS. AUSTIN: Okay. Absolutely. And to 04: 47

11 clarify, I'm still working on that, right? 04: 47

12 THE COURT: Yeah. Got to have a license. 04: 47

13 MS. LEETHAM: Can -- 04: 47

14 THE COURT: Let me finish, and then you all 04: 47

15 can ask questions. 04: 47

16 You want your equipment? I'm not going to 04: 47

17 put you back in. 04: 47

18 MR. ZIMMITTI: We do, Your Honor. 04: 47

19 THE COURT: I know you disagree with that. 04: 47

20 I respect that. Wouldn't it make sense to let him 04: 47

21 take his equipment where you have more space for new 04: 47

22 people? 04: 47

23 MS. AUSTIN: Yes. 04: 47

24 THE COURT: Did I get that one right? The 04: 47

25 answer is yes, right? 04: 47

26 MS. AUSTIN: Yes, it is, Your Honor. 04: 47

27 THE COURT: Well, let's talk about -- 04: 47

28 MS. AUSTIN: I know, but I know the 04: 47

♀

5

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 operations, so -- 04: 47

2 MR. GORIA: We obviously believe we have an 04: 47

3 interest in that equipment. But if that's the 04: 47

4 Court's order, we're going to go ahead -- 04: 47

5 THE COURT: Do you want to pick it up? 04: 48

6 MR. ZIMMITTI: Your Honor, we want it for 04: 48

9-7-18 Razuki partial rough

7 both facilities, Mira Este and also Balboa. There's 04: 48
8 equipment there as well. 04: 48

9 MS. LEETHAM: I have no idea what they 04: 48
10 think is theirs at Balboa, so I disagree with that. 04: 48

11 MR. ZIMMITTI: Well, obviously, they don't 04: 48
12 want to give us anything. You're hearing -- 04: 48

13 THE COURT: Okay. Hold on. You're going 04: 48
14 to pick up the -- with the receiver, pick up the 04: 48
15 equipment from Mira Mesa -- Mira Este. What's in 04: 48
16 Balboa? 04: 48

17 MR. ZIMMITTI: I know we have some fixtures 04: 48
18 in there. We couldn't do an accounting. We 04: 48
19 couldn't do an inventory. We haven't been in there 04: 48
20 for a while. 04: 48

21 THE COURT: Send it to Mr. Essary. He'll 04: 48
22 look at it. 04: 48

23 MS. AUSTIN: Your Honor, can we be present 04: 48
24 at both of those? 04: 48

25 THE COURT: Sure. Well, hold on. I'm only 04: 48
26 ordering one at this time. I want to make sure 04: 48
27 that -- 04: 48

28 MS. AUSTIN: Well, I think if there's 04: 48

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 equipment at Balboa -- 04: 48
2 THE COURT: And Mr. Essary says it's okay, 04: 48
3 you can pick it up. You have a right to be present 04: 48
4 at both. 04: 48

5 MR. ZIMMITTI: So, Your Honor, just to be 04: 48
6 clear, we can do this forthwith, as soon as we set 04: 48
7 it up with Mr. Essary? 04: 48

8 THE COURT: Yeah, you know, within a week 04: 48

♀

6

9-7-18 Razuki partial rough

9 or so. Not Monday, but within a week, because that 04: 48

10 clears space. Am I missing something? No. 04: 48

11 Everybody got it? Hold on. We're not done. And I 04: 49

12 still got to set a bond, which I'm going to do 04: 49

13 today. Okay? 04: 49

14 Mr. Richardson [sic], you wanted to say 04: 49

15 something to the Court? 04: 49

16 MR. GRISWOLD: I did. I just wanted to 04: 49

17 clarify. You had mentioned you wanted Mr. Essary to 04: 49

18 hire Brenagin & Company. 04: 49

19 THE COURT: Yeah. 04: 49

20 MR. GRISWOLD: You also mentioned to direct 04: 49

21 Mr. Henkes to clear cutting checks with Mr. Essary. 04: 49

22 So should I take that as Mr. Henkes will continue 04: 49

23 his role as more of kind of a bookkeeping aspect? 04: 49

24 THE COURT: Yeah. 04: 49

25 MR. GRISWOLD: And Brenagin & Company is 04: 49

26 going to do -- 04: 49

27 THE COURT: The analysis. 04: 49

28 MR. GRISWOLD: The analysis. 04: 49

♀

7

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 THE COURT: Yeah. Brenagin is not going 04: 49

2 in, at least at this time, to take over the 04: 49

3 accounting procedures. What I want Brenagin to go 04: 49

4 there for is to do a forensic accounting. They know 04: 49

5 when I say that what I want. They have done it for 04: 49

6 me. 04: 49

7 MR. GRISWOLD: Balboa and Mira Este? 04: 49

8 THE COURT: Yeah. 04: 49

9 MR. ESSARY: One point I'd like to make, 04: 49

10 Your Honor. The feed of information from 04: 49

11 Mr. Henkes -- again, I hired the CPAs. I'm going to 04: 49
12 be duplicating what I want him to get too. It's not 04: 50
13 just the past you want me to look at; you want me to 04: 50
14 look at the current and the future? 04: 50
15 THE COURT: Absolutely. 04: 50
16 MR. ESSARY: Okay. Thank you. 04: 50
17 THE COURT: I want as much information as I 04: 50
18 can. 04: 50
19 MR. ZIMMITTI: Your Honor, just to be 04: 50
20 clear, when you ordered the accounting, we're 04: 50
21 talking about all of it, including my client, what 04: 50
22 they paid, what, you know, defendants represented 04: 50
23 they should have paid? We're going -- 04: 50
24 THE COURT: That is a forensic accounting. 04: 50
25 MR. ZIMMITTI: Thank you, Your Honor. 04: 50
26 THE COURT: Everything. And it may take 04: 50
27 him a longer time. I'm going to -- that's going to 04: 50
28 be tough for him to do in 60 days, but I'm hoping. 04: 50

♀

8

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MS. LEETHAM: So the record is clear, that 04: 50
2 would require Mr. Razuki to also -- a forensic 04: 50
3 accounting? 04: 50
4 THE COURT: Everybody. 04: 50
5 MS. LEETHAM: Everybody. 04: 50
6 THE COURT: I want to know if he put in up 04: 50
7 to 6 million. You know, hold on. Let's make it 04: 50
8 real clear. 04: 50
9 Mr. Richardson, notice the words I say. 04: 50
10 Forensic accounting, including Mr. Razuki, including 04: 50
11 SoCal, everybody. 04: 50
12 MR. WATTS: Your Honor -- 04: 51

9-7-18 Razuki partial rough

13 THE COURT: He won't get that done in 60 04:51
14 days. I'll just continue -- it's not going to 04:51
15 happen, but I still want to see you all in 60 days. 04:51
16 MR. WATTS: Could you state specifically 04:51
17 which companies are going to be in the receivership, 04:51
18 which of the entities? 04:51
19 THE COURT: Yeah. We're going to have 04:51
20 someone write -- Mr. Richardson is going to write 04:51
21 the orders. So what entities should be in? 04:51
22 MR. ELIA: Same as before, Your Honor. 04:51
23 THE COURT: Huh? 04:51
24 MR. ELIA: It should be the same as before. 04:51
25 THE COURT: And who was that? Refresh the 04:51
26 Court's mind. 04:51
27 MR. JOSEPH: That would be SD United, 04:51
28 Mira Este, Roselle, California Cannabis Group, 04:51

9

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 Balboa Avenue Cooperative, Devilish Delights, and 04:51
2 Flip Management. 04:51
3 MR. WATTS: Your Honor, the ninth cause of 04:51
4 action for appointment of a receiver only lists 04:51
5 San Diego United, Flip, Roselle, Mira Este, and 04:51
6 Monarch. And some of those other ones -- Devilish 04:51
7 Delights, California Cannabis -- are not parties to 04:51
8 this case. They haven't been sued. They're not -- 04:51
9 they are not involved. 04:52
10 MR. GORIA: And, Your Honor, you may recall 04:52
11 that at the last hearing, Roselle was not part of 04:52
12 the receivership. 04:52
13 MR. JOSEPH: Excuse me. I meant to exclude 04:52
14 Roselle in that -- 04:52

♀

9-7-18 Razuki partial rough

15 THE COURT: Roselle is out. Why do I need 04: 52

16 Devilish Delights? I don't -- 04: 52

17 MR. JOSEPH: Your Honor, Devilish 04: 52

18 Delights -- 04: 52

19 THE COURT: Hold on. Let him finish. 04: 52

20 Devilish Delights, California Cannabis Group, and 04: 52

21 Balboa Avenue Cooperative are the state license 04: 52

22 holders, is our understanding. So they would need 04: 52

23 to be working in concert with the CBU license 04: 52

24 holders, which are the real estate property holders. 04: 52

25 It does not make sense to not have them all under 04: 52

26 the receivership. The receiver would need control 04: 52

27 over all of those entities in order to legally 04: 52

28 operate the business. 04: 52

10

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MS. LEETHAM: For Roselle -- 04: 52

2 MR. ZIMMITTI: Your Honor -- 04: 52

3 THE COURT: Shh. 04: 52

4 MS. LEETHAM: Can I jump in? 04: 52

5 THE COURT: You may. And then, Mr. -- 04: 52

6 MR. ESSARY: My concern would be losing 04: 52

7 legal control of the entity by not having a 04: 52

8 nonprofit. 04: 52

9 THE COURT: Okay. 04: 52

10 MS. LEETHAM: Your Honor, we can do that as 04: 52

11 officers of the Court. It makes it more complicated 04: 52

12 to do the licensing with numerous parties involved. 04: 52

13 MS. AUSTIN: With the three nonprofit 04: 52

14 entities, which are the licensing entities, a 04: 53

15 receiver creates problems with the state and with 04: 53

16 the locals. I will -- I can report daily if 04: 53

17 Your Honor would like as to the process with that. 04: 53

18 I can go through another five cases of paper, but I 04: 53

19 would strongly request and urge the Court not to put 04: 53

20 those three in there. 04: 53

21 I will give him whatever information he 04: 53

22 needs. If he needs to come in ex parte, I will show 04: 53

23 up with bells on. But I -- putting those three 04: 53

24 nonprofits, which are the licensing entities, 04: 53

25 creates so many complications at the state level, I 04: 53

26 can't even begin to explain. 04: 53

27 THE COURT: Yeah. But then wouldn't the 04: 53

28 argument be that then he doesn't have authority 04: 53

♀

11

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 because he's not the licensee's agent, therefore 04: 53

2 what -- he still is invalid? Would that be the 04: 53

3 argument, Counsel? 04: 53

4 MS. AUSTIN: The money is all going into -- 04: 53

5 I mean, we can take an order that says no money, no 04: 53

6 nothing, no transactions, revolved around the 04: 53

7 nonprofits. The nonprofit is only a licensing 04: 53

8 entity with no dollars, no nothing. Everything else 04: 54

9 you can put into the other accounts. All of that 04: 54

10 can be taken care of. 04: 54

11 But if I have control -- if he has control, 04: 54

12 we have to deal with that. Even with the new bills 04: 54

13 at the state that the governor is about to sign 04: 54

14 granting an extension for provisional licensing, it 04: 54

15 is -- it could seriously impact our ability to get 04: 54

16 the state licensing necessary. I could probably 04: 54

17 work around the locals, but I don't think I could 04: 54

18 work around the state. 04: 54

9-7-18 Razuki partial rough

19 MR. JOSEPH: Your Honor, very briefly, I 04: 54
20 would just like to point out that the receiver hired 04: 54
21 a consultant, Adam Lachant -- 04: 54
22 THE REPORTER: Adam? Speak up a little 04: 54
23 bit, please. 04: 54
24 MR. LACHANT: Aaron. 04: 54
25 MR. JOSEPH: Aaron Lachant. I apologize 04: 54
26 for that. And he is ordered to provide a 04: 54
27 declaration saying he's worked with the receiver, 04: 54
28 the state is aware of his takeover of these entities 04: 54

12

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 and has said, We'll let you know if we need anything 04: 54
2 else. I do not see the problem since we've already 04: 54
3 been operating with Mr. Essary as the person in 04: 54
4 control of those entities. 04: 54
5 THE COURT: Mr. Richardson? 04: 54
6 MR. GRISWOLD: Yes. So as stated in both 04: 54
7 the interim report before the last hearing and in 04: 55
8 the receiver's report before this hearing, 04: 55
9 Mr. Essary reported and provided copies in his 04: 55
10 report of the notifications to the State. 04: 55
11 We went over this at the last hearing. You 04: 55
12 heard from the outside consultant that Mr. Essary is 04: 55
13 working with there is nothing inappropriate, 04: 55
14 certainly not illegal, for Mr. Essary, as a 04: 55
15 receiver, to be the person in charge of the license. 04: 55
16 The consultant spoke with a representative from the 04: 55
17 state, says there was a non issue. If there was an 04: 55
18 issue, they would of course contact us. 04: 55
19 And as a part of, specifically, the request 04: 55
20 that Mr. Essary has been making to comply with the 04: 55

9-7-18 Razuki partial rough
21 order and provide information. I've been 04: 55
22 communicating with Ms. Austin and asking 04: 55
23 specifically for any statuses/notices from any 04: 55
24 licensing agencies regarding the receivership. I 04: 55
25 have not received any of the -- I guess it sounds 04: 55
26 like daily concerns she's hearing about. 04: 55
27 So if there are concerns, of course let's 04: 55
28 deal with them. But if we're just assuming there 04: 55

♀

13

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT
1 might be concerns, I'm not so sure that it should be 04: 55
2 too concerning for the Court. 04: 55
3 MS. AUSTIN: I have to address those 04: 56
4 issues. First is I have had additional 04: 56
5 communication. I provided a two-page summary of the 04: 56
6 status of all the licenses to Mr. Griswold, so all 04: 56
7 of that information is there. We don't have any -- 04: 56
8 any -- their phone calls. Their -- we do get some 04: 56
9 reports, but I -- and I didn't send them over. I 04: 56
10 didn't even see that those would be necessary where 04: 56
11 they said, give us all this additional information. 04: 56
12 If you would like those reports -- I was 04: 56
13 trying to keep the fees down, but I am happy to send 04: 56
14 over an e-mail that says, We want all of this 04: 56
15 additional information. 04: 56
16 The fact that Mr. Lachant, who -- I mean, 04: 56
17 they're a respectable firm. My problem is not with 04: 56
18 Mr. Lachant and MMLG. It's the issue of the 04: 56
19 association with them being the defense counsel. 04: 56
20 But the -- they made an initial phone call. There 04: 56
21 are more steps. I did call the bureau and there are 04: 56
22 more steps that needed to be done. They just wanted 04: 56

9-7-18 Razuki partial rough

23 to know what the status was, because it was 04:56

24 preliminary at the first step. 04:56

25 THE COURT: All right. 04:57

26 MS. LEETHAM: The one other thing I want to 04:57

27 add is that we just added an inordinate expense that 04:57

28 my clients are bearing the burden of, not the 04:57

14

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 plaintiffs. They are not being required to bear 04:57

2 this cost. Right? I mean, the order -- who's 04:57

3 paying for the forensic accountant? My client. 04:57

4 Right? Are we sharing the cost? I mean, that's 04:57

5 what's not clear. 04:57

6 So Mr -- Ms. Austin has been allowed to do 04:57

7 the state licensing. The receiver is still 04:57

8 consulting with Mr. Lachant at an added expense to 04:57

9 the entities. We have someone here who can do it. 04:57

10 And if she's willing to report and has reported and 04:57

11 we can keep the core monetary entities, for lack of 04:57

12 a better term, in the receivership, that's really 04:57

13 what they want. Correct me if I'm wrong. The 04:57

14 license entities don't generate the income or take 04:57

15 the income. 04:57

16 MS. AUSTIN: And the licensing process has 04:57

17 been -- that is a flat fee. The numbers were all 04:57

18 wrong earlier, but that is a flat fee they have 04:57

19 already paid for. They have already paid for us to 04:57

20 process the state licensing on at least the Balboa 04:57

21 and Mira Este facility. 04:58

22 THE COURT: So he's going to run a 04:58

23 marijuana operation and not have the license? 04:58

24 That's what you're saying. 04:58

25 MS. AUSTIN: No. He can have -- he can 04: 58
 26 be -- yeah, he's going to run it without having the 04: 58
 27 license. 04: 58
 28 THE COURT: That license. I got it. 04: 58

♀

15

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MR. ZIMMITTI: Your Honor, I just want to 04: 58
 2 point out the irony in calling Mr. Lachant aligned 04: 58
 3 when Gina -- Ms. Austin is actually defense counsel 04: 58
 4 and, you know -- I mean, I think it's just not -- 04: 58

5 THE COURT: I got it. 04: 58

6 Mr. Essary, what's your position? 04: 58

7 MR. ESSARY: I object to the concept of 04: 58
 8 separating, because I've been told both by the 04: 58
 9 defense's counsel and by Mr. Lachant that those two 04: 58
 10 are integral. You can't operate a functional 04: 58
 11 cannabis operation without the nonprofit with the 04: 58
 12 license but the CUP for the real estate. 04: 58

13 And some of the confusion, obviously, is 04: 58
 14 where does the money go? The money usually -- or 04: 58
 15 doesn't go to the nonprofit. It's a nonprofit. But 04: 58
 16 we had -- I had Mr. Lachant check and I am capable 04: 58
 17 of taking over both entities and holding that 04: 59
 18 operation. I think that's what the judge wants. 04: 59

19 THE COURT: Thank you. Anything else? 04: 59

20 MR. ZIMMITTI: Your Honor, if I -- just 04: 59
 21 so -- so wait a minute. In the interim, the -- my 04: 59
 22 clients contracts and the options, what is the 04: 59
 23 status? I know Your Honor -- 04: 59

24 THE COURT: That's a very good question, 04: 59
 25 counsel. That's got to be litigated. That's my 04: 59
 26 answer. 04: 59

♀

9-7-18 Razuki partial rough
 27 MR. ZIMMITTI: So -- and does it depend on 04: 59
 28 what the Brenagin Company turns up in terms of their 04: 59
 ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT 16
 1 audit? because at this point, I mean -- and I 04: 59
 2 understand Your Honor -- 04: 59
 3 THE COURT: Counsel, you're being polite. 04: 59
 4 Go ahead and say it. It's all right. 04: 59
 5 MR. ZIMMITTI: So essentially, our -- we 04: 59
 6 were terminated from our contracts. 04: 59
 7 THE COURT: Yes, you are. 04: 59
 8 MR. ZIMMITTI: Okay. That's our position 04: 59
 9 and we produced evidence that's uncontroverted. So 04: 59
 10 what, in effect, will happen if this goes on is 04: 59
 11 Your Honor's essentially just adopting their 04: 59
 12 argument that we breached based on fraud, under 04: 59
 13 fraudulent representation about -- 04: 59
 14 THE COURT: I didn't even understand that. 05: 00
 15 MR. ZIMMITTI: So in other -- so, 05: 00
 16 Your Honor, we -- they terminated our agreement 05: 00
 17 summarily based on failure to pay \$125,000 that they 05: 00
 18 fraudulently represented was an actual real 05: 00
 19 bona fide debt. 05: 00
 20 THE COURT: That's your position. 05: 00
 21 MR. ZIMMITTI: Right. 05: 00
 22 THE COURT: I got it. 05: 00
 23 MR. ZIMMITTI: Okay. So -- and therefore, 05: 00
 24 if we -- just to be clear, is our contract in 05: 00
 25 suspension or is it just -- is it actually -- 05: 00
 26 THE COURT: Sue them. Hello. All I'm 05: 00
 27 doing -- and I mean that very, very respectfully. I 05: 00
 28 didn't mean to say that. I apologize. Counsel, let 05: 00

17

♀

1 me be -- it's getting late. Let's me slow down. 05:00
2 The only thing I am doing today -- only 05:00
3 thing -- is making a determination of whether 05:00
4 there's going to be a preliminary injunction in this 05:00
5 case with the appointment of the receiver. That 05:00
6 answer is yes. The three nonprofits are included. 05:00
7 That answer is yes. If it causes a problem, it 05:00
8 causes a problem. I can only do so much. 05:00
9 So -- and I didn't mean to be so flippant, 05:00
10 and I apologize for that. But I understand your 05:01
11 argument. It's not before me today. If you think 05:01
12 you have valid claims, (descriptive sound) file. 05:01
13 MR. ZIMMITTI: Thank you, Your Honor. 05:01
14 MS. AUSTIN: Your Honor -- 05:01
15 THE COURT: Let me finish. One more thing. 05:01
16 It's getting late. I want to set a bond. I want to 05:01
17 set a bond. I've heard 10 million. I've heard 05:01
18 6 million and I've heard 50,000. 05:01
19 Anybody else want to say anything before I 05:01
20 pick a number? 05:01
21 MS. AUSTIN: Two? 05:01
22 THE COURT: It won't be that much. It 05:01
23 ain't going to be 50,000, plaintiff. 05:01
24 MR. ELIA: Your Honor, we're okay with a 05:01
25 hundred or 200,000. That -- 05:01
26 THE COURT: It's going to be more than 05:01
27 that. 05:01
28 MS. LEETHAM: That's not enough, 05:01

♀

18

1 Your Honor. 05:01

2 THE COURT: Shh. I'm going to determine 05:01
3 what enough is. It's going to be more than that. 05:01
4 MR. ELIA: Just -- Your Honor, just taking 05:01
5 into account that it may be very difficult to get a 05:01
6 bond if it's high. 05:01
7 THE COURT: I got it. I had a number 05:01
8 before you even said all that, just so you know. 05:01
9 Anybody want to say anything else? 05:01
10 MS. LEETHAM: A million. 05:02
11 MR. ELIA: Just one thing, Your Honor. 05:02
12 Just -- I just want to make sure that it's clear on 05:02
13 the record that not only the receiver, but Brenagin 05:02
14 & Company has unfettered and unencumbered access, 05:02
15 because the last time we were here, Your Honor said 05:02
16 it three times and it didn't happen. 05:02
17 MS. LEETHAM: This is a reciprocal order, 05:02
18 though. 05:02
19 THE COURT: Absolutely it is, and I will 05:02
20 tell you this. For any accountant, anybody, if 05:02
21 there comes a report that, Judge, we didn't get this 05:02
22 from any account, anybody, I'll take it from them. 05:02
23 I don't have jurisdiction over it, but I'll say, 05:02
24 Brenagin, come in and do it all. And boy, you want 05:02
25 to see fees then? That's about (descriptive sound.) 05:02
26 MS. AUSTIN: Before we get to the bond, I 05:02
27 just want to -- I understand the nonprofits are in. 05:02
28 THE COURT: Yes. 05:02

♀

19

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MS. AUSTIN: And that's fine. Is there a 05:02
2 way that we can just make them part of the nonprofit 05:02
3 so that we're not changing ownership at all? The 05:02

4 receiver -- make the receiver a member of the 05:02
5 nonprofit, and then he's got control but we're not 05:02
6 changing ownership. And then those problems go -- 05:02
7 THE COURT: They don't want to be 05:02
8 ownership. He -- 05:02
9 MS. AUSTIN: Well, he's an owner by 05:02
10 default, because he has control under the state 05:03
11 rules. 05:03
12 MR. GRISWOLD: As counsel, I would not 05:03
13 agree to having the Court appointed receiver as a 05:03
14 member -- 05:03
15 THE COURT: Yeah. 05:03
16 MR. GRISWOLD: -- on the nonprofit on many 05:03
17 liability grounds. And no, that's -- the 05:03
18 receivership, he's in control -- there's already 05:03
19 actually -- I think the statute even cites to when a 05:03
20 receiver has been put in control of an entity, if 05:03
21 they submit the notice to the state agency, so I 05:03
22 don't -- I object. 05:03
23 MS. AUSTIN: We'll try to figure something 05:03
24 out. 05:03
25 THE COURT: Good attitude. Ready? 05:03
26 MS. AUSTIN: Yes, sir. 05:03
27 THE COURT: 350,000. That's it. Have a 05:03
28 nice day. 05:03

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20

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 MR. GORIA: Judge, I did have one question 05:03
2 about Mira Este -- 05:03
3 MS. AUSTIN: Do you -- 05:03
4 MR. GORIA: -- if I could, if I could ask 05:03
5 the question. 05:03

6 THE COURT: For sure. I don't know if I'll 05: 03
7 answer it, but -- 05: 03
8 MR. GORIA: Okay. I'm assuming that 05: 03
9 Mira Este is included -- 05: 03
10 THE COURT: Absolutely. 05: 03
11 MR. GORIA: -- in the receivership. 05: 03
12 THE COURT: Absolutely. 05: 03
13 MR. GORIA: So we have a -- one producer 05: 03
14 manufacturer, Edipure, who's paying 30,000 in cash 05: 03
15 to Mr. Bacca. 05: 03
16 THE COURT: Right. 05: 03
17 MR. GORIA: So -- and that's to cover a 05: 04
18 whole bunch of overhead that Mr. Bacca is in charge 05: 04
19 of providing, Synergy is in charge of providing. 05: 04
20 THE COURT: It is. 05: 04
21 MR. GORIA: So I'm not sure how that 05: 04
22 figures into the receiver, whether that 30,000 has 05: 04
23 to go to the receiver, and then, you know, all the 05: 04
24 overhead is paid. That probably will spell a quick 05: 04
25 end to Synergy if I'm not mistaken, but -- 05: 04
26 THE COURT: Nah. 05: 04
27 MR. BACCA: I have a question. 05: 04
28 THE COURT: He's going to go out and have 05: 04

♀

21

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 20 more leases. 05: 04
2 MR. BACCA: How fast will he be able to 05: 04
3 respond to requests for money? Like if we have to 05: 04
4 do a -- changing a bulb, you said even we have to 05: 04
5 account for that, right? 05: 04
6 THE COURT: Pretty close. 05: 04
7 MR. BACCA: So how long do we have to let 05: 04

8 that bulb out before he says yes? 05:04
9 THE COURT: He says -- how fast can you 05:04
10 do -- 05:04
11 MR. ESSARY: Well, I have two examples 05:04
12 previously paying bills that were submitted to me 05:04
13 immediately approving them the same day. I turned 05:04
14 over -- I'm not planning on writing the checks 05:04
15 myself, Your Honor. 05:04
16 THE COURT: No. Just approve them. 05:04
17 MR. ESSARY: I'll approve them and you'll 05:04
18 have signature on the account, but I also will 05:04
19 signature on the account, right? 05:04
20 THE COURT: Correct. And I just hope 05:05
21 there's enough money to pay the bills. That's what 05:05
22 I'm hoping for. I hope there's enough money to pay 05:05
23 the bills. Let's see where this goes. All right? 05:05
24 You know, you've all been very patient with the 05:05
25 Court. 05:05
26 Mr. Richardson, did you write down all my 05:05
27 orders? 05:05
28 MR. GRISWOLD: I did. I did. 05:05

♀

22

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT

1 THE COURT: You may want to get a 05:05
2 transcript. 05:05
3 MR. GRISWOLD: Yes, Your Honor. 05:05
4 THE COURT: All right. Sixty days, I'm 05:05
5 going to revisit everything. And I want to make 05:05
6 this really clear. Listen to me loud. Including 05:05
7 the continuation of the receiver. That is still on 05:05
8 the table. 05:05
9 MS. LEETHAM: And obviously, the injunction 05:05

10 is not effective until they post the bond? That's 05:05
11 normally how that works. 05:05
12 THE COURT: It does, but there better not 05:05
13 be any money going from accounts. 05:05
14 MS. LEETHAM: Okay. It's just if he 05:05
15 doesn't post it, it goes away. 05:05
16 THE COURT: Absolutely. No, no. I'm with 05:05
17 you. 05:05
18 MR. WATTS: Is there a deadline for them to 05:05
19 post it? 05:05
20 MR. JOSEPH: Your Honor, just to clarify, 05:05
21 we would work with our clients to get it posted as 05:05
22 soon as possible. We already have a bond for the 05:06
23 temporary receivership that can hold off until we 05:06
24 get it by sometime next week, early next week. 05:06
25 THE COURT: I'll give you two weeks, 05:06
26 fourteen days. 05:06
27 MR. JOSEPH: Thank you, Your Honor. 05:06
28 THE COURT: But let's -- counsel is 05:06

♀

23

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT
1 absolutely right, though. Hold on. If it's not 05:06
2 posted that, means no. You know that. I don't have 05:06
3 to tell you what the law is. 05:06
4 MR. GORIA: Your Honor, another point on 05:06
5 the bond. There are two entities with different 05:06
6 ownership groups here, and damages would accrue to 05:06
7 each ownership group differently. We'd like to have 05:06
8 that bond divided up if we can, because the 05:06
9 Mira Este ownership which is being placed on the 05:06
10 receivership may suffer damages independently of 05:06
11 Balboa. 05:06

12 THE COURT: I can take care of that, 05:06
13 counsel. I'm not going to do that at this stage. 05:06
14 MR. GORIA: And also, the previous order of 05:06
15 the Court was -- that was directed to Mr. Essary was 05:06
16 to maintain separate accounts for the facilities -- 05:06
17 for the different facilities. Is that also going to 05:06
18 be continued? 05:06
19 THE COURT: I would hope, absolutely. 05:06
20 MR. ESSARY: They're going to have access 05:07
21 to pay expenses immediately once they're approved. 05:07
22 THE COURT: Thank you, sir. That -- let's 05:07
23 make it clear. That answer is yes. 05:07
24 Sir? 05:07
25 MR. GORIA: All right. 05:07
26 THE COURT: So. 05:07
27 MR. ESSARY: Your Honor, one last question, 05:07
28 please. I have an order now and it's a fairly good 05:07

♀

24

ROUGH DRAFT 9-7-18 PARTIAL TRANSCRIPT ROUGH DRAFT
1 order. Shall I use that until this new one is 05:07
2 executed? 05:07
3 THE COURT: Correct. 05:07
4 MR. ESSARY: Okay. Thank you, Your Honor. 05:07
5 THE CLERK: You're still a receiver. 05:07
6 MR. ESSARY: Thank you. 05:07
7 THE COURT: Have patience, all of you. I 05:07
8 really mean this. Have patience with the Court. 05:07
9 You've been very polite and I appreciate that. And 05:07
10 just so you know, I understand the magnitude of this 05:07
11 decision. I just hope for your sakes -- I'll say 05:07
12 everybody -- that the business survives. Thank you. 05:07
13

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♀

Exhibit C

1 Steven A. Elia (State Bar No. 217200)
Maura Griffin (State Bar No. 264461)
2 James Joseph (State Bar No. 309883)
LAW OFFICES OF STEVEN A. ELIA, APC
3 2221 Camino Del Rio South, Suite 207
San Diego, California 92108
4 Telephone: (619) 444-2244
Facsimile: (619) 440-2233
5 Email: steve@elialaw.com
maura@elialaw.com
6 james@elialaw.com

7 Attorneys for Plaintiff
SALAM RAZUKI

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

CASE NO. 37-2018-00034229-CU-BC-CTL
**NOTICE OF PLAINTIFF'S INJUNCTION
BOND**

25
26 AND RELATED CROSS-ACTIONS
27


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TO ALL PARTIES AND COUNSEL OF RECORD.

PLEASE TAKE NOTICE that Plaintiff SALAM RAZUKI ("Razuki") has secured the Injunction Bond pursuant to the Court's order from the September 7, 2018 hearing. Attached, as **Exhibit A**, is a true and correct copy of the Injunction Bond. The original bond paper work will be filed with the Court.

DATED: 9/19/18

LAW OFFICES OF STEVEN A. ELIA, APC

By: 

Steve A. Elia
Maura Griffin
James Joseph
Attorneys for Plaintiff SALAM RAZUKI

EXHIBIT A



TOKIOMARINE
HCC

American Contractors Indemnity Company
801 S. Figueroa Street Suite 700, Los Angeles, California 90017

In the SUPERIOR Court
County of SAN DIEGO State of California

SALAM RAZUKI, an individual,

Plaintiff,

vs.

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

UNDERTAKING UNDER

SECTION 529 C.C.P.

American Contractors Indemnity Company
801 S. Figueroa St., Suite 700
Los Angeles, CA 90017

WHEREAS, the above named SALAM RAZUKI desires to give an undertaking for PRELIMINARY INJUNCTION as provided in Section 529 C.C.P.

NOW THEREFORE, the undersigned Surety, does hereby obligate itself, jointly and severally, to THE ABOVE NAMED DEFENDANTS under said statutory obligations in the sum of THREE HUNDRED FIFTY THOUSAND Dollars (\$ 350,000.00).

IN WITNESS WHEREOF, The corporate seal and name of the said Surety Company is hereto affixed and attested by RACHEL G. HOLBROOK who declares under penalty of perjury that he is its duly authorized Attorney-in-Fact acting under an unrevoked power of attorney on file with the Clerk of the County in which above entitled Court is located.

Executed at SAN DIEGO, California on SEPTEMBER 18, 2018

Bond No. 1001094245

The premium charge for this bond is \$ 3,250.00 per annum.

AMERICAN CONTRACTORS INDEMNITY COMPANY

Rachel G. Holbrook
Attorney-in-Fact RACHEL G. HOLBROOK

Case Name: *Razuki v. Malan, et al.*
Case No.: 37-2018-00034229-CU-BC-CTL

PROOF OF SERVICE

I am employed in the County of San Diego, State of California. I am over the age of 18 years, and not a party to the within action. I am an employee of or agent for the LAW OFFICES OF STEVEN A. ELIA, APC, whose business address is 2221 Camino Del Rio South, Suite 207, San Diego CA 92108. On Wednesday, September 19, 2018, I served the following document(s):

- **NOTICE OF PLAINTIFF'S INJUNCTION BOND**

on the following party(ies) in this action addressed as follows:

See Attached List	
-------------------	--

- (BY MAIL) I caused a true and correct copy of each document, placed in a sealed envelope with postage fully paid, to be placed in the United States mail at San Diego, California. I am "readily familiar" with this firm's business practice for collection and processing of mail, that in the ordinary course of business said document(s) would be deposited with the U.S. Postal Service on that same day. I understand that the service shall be presumed invalid if the postal cancellation date or postage meter date on the envelope is more than one day after the date of deposit for mailing contained in this affidavit.
- (BY PERSONAL SERVICE) I delivered each such document by hand to each addressee above.
- (BY E-MAIL) I delivered each such document via emailed PDF to the address listed above, per counsels' agreement.
- (BY OVERNIGHT DELIVERY) I caused a true and correct copy of each document, placed in a sealed envelope with delivery fees provided for, to be deposited in a box regularly maintained by United Parcel Service (UPS). I am readily familiar with this firm's practice for collection and processing of documents for overnight delivery and know that in the ordinary course of LAW OFFICES OF STEVEN A. ELIA, APC's business practice the document(s) described above will be deposited in a box or other facility regularly maintained by UPS or delivered to a courier or driver authorized by UPS to receive documents on the same date it is placed at LAW OFFICES OF STEVEN A. ELIA, APC for collection.
- (BY FACSIMILE) By use of facsimile machine number (619) 440-2233, I served a copy of the within document(s) on the above interested parties at the facsimile numbers listed above. The transmission was reported as complete and without error. The transmission report was properly issued by the transmitting facsimile machine.
- (BY E-SERVICE) By utilizing the e-service feature through One Legal when filing the documents with the Court.
- (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.
- (FEDERAL) I declare that I am employed in the office of a member of the Bar of this Court, at whose direction the service was made. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on September 19, 2018 at San Diego, California.


James Joseph

PROOF OF SERVICE

SERVICE LIST

Razuki v. Malan, et al.

37-2018-00034229-CU-BC-CTL

<p>Charles F. Gorla GORIA, WEBER & JARVIS 1011 Camino Del Rio South, Suite 210 San Diego, CA 92108 chasgoria@gmail.com</p>	<p>Robert Fuller Zachary Rothenberg Salvatore J. Zimmitti NELSON HARDIMAN, LLP 11835 W. Olympic Blvd., 9th Floor Los Angeles, CA 90064 rfuller@nelsonhardiman.com szimmitti@nelsonhardiman.com zrothenberg@nelsonhardiman.com</p>
<p>Gina Austin Tamara Leetham AUSTIN LEGAL GROUP 3990 Old Town Ave, Ste A-112 San Diego, CA 92110 gaustin@austinlegallgroup.com tamara@austinlegallgroup.com</p> <p>Steven Blake Daniel Watts GALUPPO & BLAKE, ACPLC 2792 Gateway Road, Suite 102 Carlsbad, CA 92009 sblake@galuppolaw.com dwatts@galuppolaw.com</p>	<p>Richardson Griswold GRISWOLD LAW, APC 444 S. Cedros Ave., Ste 250 Solana Beach, CA 92075 rgriswold@griswoldlawsandiego.com</p> <p><i>Attorney for Receiver, Mike Essary</i></p>

Exhibit D



Confirmation #: 21868892
Case Title: Razuki vs Malan [IMAGED]

Thank you for choosing One Legal. If you have any questions about this order, please email us at support@onelegal.com.

CASE INFORMATION

Court Name: San Diego County,
Superior Court of
California

Court Branch: Central

Case Title: Razuki vs Malan
[IMAGED]

Case Category: Civil - Unlimited

Case Type: Breach of
Contract/Warranty

Case #: 37-2018-00034229-
CU-BC-CTL

ORDER DETAILS

Order Type: eFiling-eService

Filing order #: 12324668

Date/Time Submitted: 9/19/2018 2:18 PM PT

Contact Name: James Joseph

Attorney Name: James Joseph

Email Notification: Contact

DOCUMENTS

Document Type	Document Title	Pages Uploaded
Order Appointing Receiver	Notice of Plaintiff's Injunction Bond	4
Proof of Service	Proof of Service	2

eSERVICE RECIPIENTS

Name	Email
Austin, Gina	admin@austinlegalgroup.com
Blake, Steven	sblake@galuppolaw.com
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Coughlin, Katie	kcoughlin@griswoldlawsandiego.com
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Charles Goria	chasgoria@gmail.com	Austin, Gina
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David Jarvis	davejarvisii@yahoo.com	Austin, Gina
Mary Markwell	mmarkwell@nelsonhardiman.com	Salvatore J. Zimmitti
Salvatore Zimmitti	szimmitti@nelsonhardiman.com	Salvatore J. Zimmitti

Exhibit E

Order #12324668: eFiling & eServe

Submitted: 9/19/2018 2:18 PM PT | Attorney: James Joseph



Under court clerk review

9/19/2018 2:19 PM PT

Court Transaction #2533055

MESSAGE FROM ONE LEGAL: The court has received your filing. This status will be updated and you will receive an email immediately upon completion of the court clerk's review. Although court processing times vary, the court filing date for accepted filings will reflect the date this order was submitted.

MESSAGE FROM THE COURT CLERK: This Electronic Filing has been received by the Court and has passed technical validations. -

Documents

Returned (0)

Documents will be available here once they are provided by the court's system.

Your Files (2)

Document Title	Document Type	Pages	Status
Notice of Plaintiff's Injunction Bond	Order Appointing Receiver	4	Uploaded
Proof of Service	Proof of Service	2	Uploaded

eServe Recipients

Name	Email	Status
Austin, Gina	admin@austinlegalgroup.com	Viewed - 9/19/2018 2:28 PM PT Partially Viewed - 9/19/2018 2:28 PM PT Retrieved - 9/19/2018 2:26 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Blake, Steven	sblake@galuppolaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Charles Gorla	chasgorla@gmail.com	Retrieved - 9/19/2018 7:38 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Coughlin, Katie	kcoughlin@griswoldlawsandiego.com	Viewed - 9/19/2018 3:22 PM PT Partially Viewed - 9/19/2018 3:22 PM PT Retrieved - 9/19/2018 3:22 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Daniel Watts	dwatts@galuppolaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Elia, Steven	steve@elialaw.com	Notification Sent - 9/19/2018 2:19 PM PT

Name	Email	Status
Griffin, Maura	maura@elialaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Griswold, Richardson	rgriswold@griswoldlawsandiego.com	Notification Sent - 9/19/2018 2:19 PM PT
Hall, Andrew	ahall@galuppolaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Joseph, James	james@elialaw.com	Partially Viewed - 9/26/2018 10:59 AM PT Retrieved - 9/26/2018 10:59 AM PT Notification Sent - 9/19/2018 2:19 PM PT
Linda Koller	lkoller@galuppolaw.com	Viewed - 9/19/2018 2:24 PM PT Partially Viewed - 9/19/2018 2:23 PM PT Retrieved - 9/19/2018 2:23 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Markwell, Mary	mmarkwell@nelsonhardiman.com	Viewed - 9/19/2018 3:11 PM PT Partially Viewed - 9/19/2018 3:10 PM PT Retrieved - 9/19/2018 3:10 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Meza, Hector	weefile@nationwideasap.com	Notification Sent - 9/19/2018 2:19 PM PT
Nickell, Maria	maria@elialaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Robert Fuller	rfuller@nelsonhardiman.com	Notification Sent - 9/19/2018 2:19 PM PT
Rothenberg, Zachary	zrothenberg@nelsonhardiman.com	Notification Sent - 9/19/2018 2:19 PM PT
Salvatore J. Zimmitti	szimmitti@nelsonhardiman.com	Notification Sent - 9/19/2018 2:19 PM PT
Watts, Daniel	dwatts@galuppolaw.com	Notification Sent - 9/19/2018 2:19 PM PT
Zimmitti, Salvatore	szimmitti@nelsonhardiman.com	Notification Sent - 9/19/2018 2:19 PM PT
Charles Gorla eCopy recipient for Austin, Gina	chasgoria@gmail.com	Partially Viewed - 9/21/2018 12:33 PM PT Retrieved - 9/21/2018 12:33 PM PT Notification Sent - 9/19/2018 2:19 PM PT
David Jarvis eCopy recipient for Austin, Gina	davejarvisii@yahoo.com	Notification Sent - 9/19/2018 2:19 PM PT
Mary Markwell eCopy recipient for Salvatore J. Zimmitti	mmarkwell@nelsonhardiman.com	Retrieved - 9/19/2018 3:12 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Richardson C. Griswold eCopy recipient for Salvatore J. Zimmitti	rgriswold@griswoldlawsandiego.com	Partially Viewed - 9/19/2018 2:21 PM PT Retrieved - 9/19/2018 2:20 PM PT Notification Sent - 9/19/2018 2:19 PM PT
Robert Fuller eCopy recipient for Austin, Gina	rfuller@nelsonhardiman.com	Notification Sent - 9/19/2018 2:19 PM PT
Salvatore Zimmitti eCopy recipient for Salvatore J. Zimmitti	szimmitti@nelsonhardiman.com	Viewed - 9/21/2018 9:27 AM PT Partially Viewed - 9/21/2018 9:24 AM PT Retrieved - 9/19/2018 5:30 PM PT Notification Sent - 9/19/2018 2:19 PM PT

Case Information

Court

San Diego County, Superior Court of California (Central)

Number

4397

37-2018-00034229-CU-BC-CTL

Title

Razuki vs Malan [IMAGED]

Confirmation Receipt #21868892

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F I L E D
Clerk of the Superior Court
SEP 26 2018
By: I. QUIARTE, 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.

28

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;

- 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

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

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

25. Additional Orders: _____

IT IS SO ORDERED.

Dated: September 26, 2018

Eddie C. Sturgeon

Judge Eddie C Sturgeon
Judge of the Superior Court

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7 Attorneys for Defendants and
8 Cross-complainants CHRIS HAKIM,
9 MIRA ESTE PROPERTIES LLC, and
10 ROSELLE PROPERTIES LLC, and
11

12 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
13 **COUNTY OF SAN DIEGO, CENTRAL DIVISION**
14

15 SALAM RAZUKI, an individual
16 Plaintiff

17 vs

18 NINUS MALAN, an individual; CHRIS
19 HAKIM, an individual; MONARCH
20 MANAGEMENT CONSULTING, INC.,
21 California corporation; SAN DIEGO
22 UNITED HOLDINGS GROUP, LLC, a
23 California limited liability company; FLIP
24 MANAGEMENT, LLC, a California limited
25 liability company; MIRA ESTE
26 PROPERTIES LLC, a California limited
27 liability company; ROSELLE PROPERTIES
28 LLC, a California limited liability company;
29 BALBOA AVE COOPERATIVE, a
30 California nonprofit mutual benefit
31 corporation; CALIFORNIA CANNABIS
32 GROUP, a California nonprofit mutual
33 benefit corporation; DEVILISH
34 DELIGHTS, INC. a California nonprofit
35 mutual benefit corporation; and DOES 1-
36 100, inclusive;

37 Defendants.

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

**CROSS-COMPLAINT FOR BREACH OF
CONTRACT, BREACH OF FIDUCIARY
DUTY, INTERFERENCE WITH
CONTRACT, PUNITIVE DAMAGES,
AND ATTORNEY'S FEES**

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

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

1 CHRIS HAKIM, an individual; MIRA ESTE
2 PROPERTIES LLC, a California Limited
3 Liability Company; and ROSELLE
4 PROPERTIES LLC, California Limited
5 Liability Company,

6 Cross-complainants,

7 vs.

8 SALAM RAZUKI, an individual; SOCAL
9 BUILDING VENTURES, LLC, a Delaware
10 limited liability company; SAN DIEGO
11 BUILDING VENTURES, LLC, a Delaware
12 limited liability company; and ROES 51-100,

13 Cross-Defendants.

14 AND RELATED CROSS-COMPLAINTS
15 AND COMPLAINTS IN INTERVENTION.

16 COMES NOW, the Cross-complainants, Chris Hakim, Mira Este Properties LLC, and
17 Roselle Properties LLC, and for causes of action against cross-defendants, and each of them,
18 alleges as follows:

19 **GENERAL ALLEGATIONS**

- 20 1. Defendant and cross-complainant Chris Hakim (“Hakim”) is an individual
21 residing in San Diego County, California.
- 22 2. Defendant and cross-complainant Mira Este Properties, LLC (“MEP”) is a
23 limited liability company owned in part by Hakim. MEP owns the real property at 9212 Mira
24 Este Court, San Diego, CA 92126 (“Mira Este Facility”) in fee simple. There is a marijuana
25 manufacturing facility at the Mira Este Facility, whose license to operate is held by California
26 Cannabis Group.
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1 3. Defendant and cross-complainant Roselle Properties, LLC (“Roselle”) is a limited
2 liability company owned in part by Hakim. Roselle owns real property located at 10685 Roselle
3 Street, San Diego, CA 92121 (“Roselle Facility”) in fee simple. There is no marijuana
4 dispensary located at the Roselle Facility.

5 4. Monarch Management Consulting, Inc. (“MMCI”) is a corporation owned in
6 equal parts by Defendant Ninus Malan (“Malan”) and Hakim.

7 5. Cross-defendant/plaintiff Salam Razuki (“Razuki”) is an individual who is
8 believed to reside in San Diego County. On information and belief, he owns or controls Razuki
9 Investments, LLC.

10 6. Cross-defendant/plaintiff-in-intervention SoCal Building Ventures, LLC is a
11 Delaware limited liability company with its principal place of business located in California.
12 Cross-defendant/plaintiff-in-intervention San Diego Building Ventures, LLC is a Delaware
13 limited liability company with its principal place of business in California. Their complaint-in-
14 intervention alleges facts showing a unity of interest, ownership, and activities between the two
15 LLCs, such that the companies are alter egos of each other. It would be unjust to treat them
16 separately, since they claim to have identical claims for breach of contract against Hakim.
17 Additionally, San Diego Building Ventures, LLC is designated as an affiliate, as a party to the
18 below-described management agreements also bearing the title of “Manager” along with SoCal
19 Building Ventures, LLC, and as a potential assignee of the obligations owing by SoCal Building
20 Ventures LLC in the below-described management agreements. Because the two companies are
21 apparently interchangeable and lack any separate identity, this cross-complaint will refer to them
22 collectively as “SoCal”. SoCal was hired to manage businesses at certain real property
23 commonly described as 8863 Balboa Ave. and 8861 Balboa Ave. (“Balboa Properties”) as well
24 as at the Roselle Facility, and Mira Este Facility. In particular, and as alleged hereinbelow,
25 SoCal contracted to manage the retail marijuana dispensary at the Balboa Properties (“Balboa
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1 Dispensary”) as well as the Mira Este Facility and Roselle Facility. At the time that SoCal
2 contracted to manage the Mira Este Facility and Roselle Facility, those locations had not been
3 opened. SoCal operated at the Balboa Dispensary for several months, but failed, neglected, and
4 refused to take steps necessary to open the Mira Este Facility. Because SoCal mismanaged the
5 operations, failed to open the Mira Este Facility, consumed marijuana and alcohol on the job,
6 and failed to make payments required under their management agreements, SoCal was fired in
7 or about July 2018 after failing to cure their defaults.

8 7. Defendant Ninus Malan (“Malan”), a resident of the County of San Diego, State
9 of California, is a part owner of MEP, Roselle, and the Balboa Properties.

10 8. California Cannabis Group (“CCG”) is a nonprofit mutual benefit corporation, of
11 which Malan is the president. Razuki is not and never has been an officer, employee,
12 shareholder, member, or owner of CCG.

13 9. Devilish Delights, Inc. (“DDI”) is a nonprofit mutual benefit corporation of which
14 Malan is the president and Hakim is the vice president. Razuki is not and never has been an
15 officer, employee, shareholder, member, or owner of DDI.

16 10. Balboa Ave Cooperative (“BAC”) is a nonprofit mutual benefit corporation.
17 Malan is the sole managing member of BAC. Razuki is not and never has been an officer,
18 employee, shareholder, member, or owner of BAC.

19 11. Flip Management, LLC (“Flip”) is a limited liability company owned entirely by
20 Malan. Razuki is not and never has been an officer, employee, shareholder, member, or owner
21 of Flip.

22 12. San Diego United Holdings Group, LLC (“San Diego United”) is a limited
23 liability company owned entirely by Malan. It owns parcels of real property where some of the
24 other cross-complainants conduct business. San Diego United bought the Balboa Properties in
25 San Diego in March 2017.
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1 13. The true names and capacities of Cross-defendants ROES 51 through 100,
2 inclusive, whether individual, corporate, associated, or otherwise, are unknown to cross-
3 complainants, who therefore sues said Cross-Defendants by such fictitious names. Cross-
4 complainants will seek leave of court to amend this cross-complaint to show their true names
5 and capacities when the same have been ascertained. Cross-complainants are informed and
6 believe and thereon that each of these fictitiously named cross-defendants claims some right,
7 title, estate, lien, or interest in the hereinafter-described property adverse to cross-complainants'
8 title, and their claims, and each of them, constitute a cloud on cross-complainants' title to real
9 property.

10 14. Cross-complainants allege on information and belief that each of the cross-
11 defendants except Razuki and ROES 51-75, was at all relevant times the employer, employee,
12 contractor, principal, partner, agent, member, subsidiary, affiliate, joint venture, co-conspirator,
13 or alter ego of each of the other cross-defendants, and at all times herein mentioned was acting
14 within the course and scope of such agency, employment, joint venture, conspiracy, alter ego
15 relationship, or partnership, with the full authority and knowledge of each of the other cross-
16 defendants. Cross-complainants further allege that each of said cross-defendants has adopted or
17 ratified the acts, conduct, omissions or commissions of the other cross-defendants set forth
18 herein.

19 15. Cross-complainants allege on information and belief that each of the cross-
20 defendants except SoCal and ROES 76-100, was at all relevant times the employer, employee,
21 contractor, principal, partner, agent, member, subsidiary, affiliate, joint venture, co-conspirator,
22 or alter ego of each of the other cross-defendants, and at all times herein mentioned was acting
23 within the course and scope of such agency, employment, joint venture, conspiracy, alter ego
24 relationship, or partnership, with the full authority and knowledge of each of the other cross-
25 defendants. Cross-complainants further allege that each of said cross-defendants has adopted or
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1 ratified the acts, conduct, omissions or commissions of the other cross-defendants set forth
2 herein.

3 16. In or about November 2017, cross-complainants, SoCal, Malan and certain of
4 Malan's other companies began negotiations in which it was contemplated that SoCal would
5 manage the Balboa Dispensary, the Roselle Facility, and the Mira Este Facility. Pursuant
6 thereto, and although no formal written agreement had been executed at that time, SoCal began
7 undertaking certain management activities at said facilities. These management activities
8 included the submission applications to the City of San Diego for conditional use permits for the
9 Roselle Facility and Mira Este Facility to allow those facilities to operate as cannabis-related
10 enterprises, including the manufacture and/or distribution of cannabis products. Thereafter, and
11 on or about January 2, 2018, the parties executed formal management agreements in which
12 SoCal was formally hired to act as manager of the Balboa Dispensary, the Roselle Facility, and
13 the Mira Este Facility. Those management agreements included:
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15 a. An agreement between SoCal as "manager" and BAC, San Diego United,
16 MMCI, Hakim and Malan, Hakim and Malan, dated January 2, 2018, a true and
17 correct copy of which is attached as Exhibit 1 to this pleading and by this
18 reference, made a part hereof. ("Balboa Management Agreement"). The Balboa
19 Management Agreement required SoCal to manage the Balboa Dispensary.

20 b. An agreement between SoCal as "manager" and CCG, DDI, MEP,
21 Hakim, and Malan dated January 2, 2018, a true and correct copy of which is
22 attached as Exhibit 2 to this pleading and by this reference, made a part hereof.
23 ("Mira Este Management Agreement"). The Mira Este Management Agreement
24 required SoCal to manage what would become a marijuana manufacturing
25 facility at the Mira Este Facility.
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1 c. An agreement between SoCal as “manager” and Roselle, Hakim, and
2 Malan, dated January 2, 2018, a true and correct copy of which is attached as
3 Exhibit 3 to this pleading and by this reference, made a part hereof. (“Roselle
4 Management Agreement”). The Roselle Management Agreement required SoCal
5 to manage the Roselle Facility.

6 17. The Balboa Dispensary was and is subject to a settlement agreement with the
7 Montgomery Field Business Condominiums Association (“Association”), a commercial owners’
8 association that governs the Balboa Facility. The Association’s rules ban marijuana dispensaries,
9 among other things. The Association sued San Diego United and Malan, among others, in 2017,
10 alleging the sale of marijuana at the Balboa Dispensary. The parties eventually settled the
11 dispute. Under the settlement, the Association granted a special use variance allowing the
12 Balboa Dispensary to continue operating despite the Association policy banning marijuana
13 activities. The settlement and variance are contingent on the Balboa Dispensary regularly paying
14 fees to the Association, hiring security guards, maintaining and complying with the conditions
15 of its conditional use permit from the City of San Diego, paying for the Association’s insurance,
16 keeping the area clean, avoiding city code violations, and complying with the conditional use
17 permit requirements, among other terms. If the Balboa Dispensary does not strictly comply with
18 the settlement, the terms of the special use variance, or the conditional use permit, the settlement
19 authorizes the Association to revoke the use variance. The settlement agreement also entitles
20 the Association to revoke the variance “upon sale or transfer of” San Diego United or the
21 Balboa Dispensary. At the time the settlement was signed, Malan owned and controlled 100
22 percent of San Diego United and had ultimate authority over the Balboa Dispensary.

23
24 18. The settlement with the Association also required SoCal to provide services
25 necessary and appropriate for day-to-day administration and management of the marijuana
26 dispensary and consistent with good business practices, including hiring competent personnel,
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1 complying with state and local laws, using proper accounting procedures, keeping books and
2 records, and providing BAC and San Diego United with timely operating reports on a quarterly
3 basis.

4 19. The Mira Este Management Agreement and Roselle Management Agreement
5 contain similar provisions requiring SoCal to act professionally and comply with local and state
6 laws.

7 20. In connection with said management agreements, SoCal promised and agreed to
8 make certain payments to cross-complainants, utilize its best efforts to timely process the
9 aforementioned applications for conditional use permits for the Roselle Facility and Mira Este
10 Facility, and undertake all other actions necessary to obtain all required permits and licenses to
11 begin operations at the Mira Este Facility and Roselle Facility as cannabis enterprises.

12 21. At the time that said management agreements were executed, the Balboa
13 Dispensary was operational as a retail dispensary. The Mira Este Facility, though not open for
14 operations and not possessing a Certificate of Occupancy from the City of San Diego, was also
15 properly licensed or permitted to operate as a cannabis manufacturing or distributorship
16 enterprise under a pre-existing permit or license. The Roselle Facility was leased to a third-
17 party tenant. However, the tenant at the Roselle Facility was ready, willing, and able to cancel
18 the lease at the request of cross-complainants at such time as SoCal was able to obtain the
19 necessary permits and/or licenses to allow the Roselle facility to operate as a cannabis - related
20 enterprise.

21 22. Beginning in or about November 2017 and continuing until in or about May
22 2018, certain of the payments required of SoCal under the Mira Este Management Agreement
23 were made by personal checks which later were returned unpaid as there were insufficient funds
24 in SoCal's accounts from which to pay said checks.
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1 23. Thereafter, and beginning in or about May 2018, SoCal stopped making any and
2 all payments to cross-complainants required under the aforescribed management agreements.

3 24. Cross-complainants are informed and believe and thereon allege that: in or about
4 May 2018 and continuing thereafter, Razuki reached out to SoCal and falsely told SoCal that
5 Malan did not have an ownership interest in the Balboa Dispensary, Mira Este Facility, or
6 Roselle Facility that SoCal had been hired to operate; Razuki at said time also falsely told SoCal
7 that SoCal did not need to make payments due under its management agreements for the Balboa
8 Dispensary, Mira Este Facility, or Roselle Facility; Razuki at said time also told SoCal that
9 Malan was lying to SoCal about his ownership interests, and asked SoCal to breach its contracts
10 with Malan and cross-complainants by ceasing payments due under its agreements.

11 25. Cross-complainants are informed and believe and thereon allege that Razuki told
12 SoCal that he would soon gain control of the businesses owned by cross-complainants and
13 Malan, and promised SoCal that if it helped Razuki gain control of the businesses, Razuki would
14 hire SoCal.

15 26. By making these statements, Razuki intentionally sought to damage the business
16 and contractual relationship between SoCal on the one hand and cross-complainants and Malan
17 on the other hand.

18 27. Razuki's disparaging and false statements to SoCal did in fact interfere with these
19 existing contractual relationships. He convinced SoCal to stop making payments required under
20 its management agreements and to cease undertaking the necessary steps to obtain the licenses,
21 permits, certificates, and/or approvals to operate the Mira Este Facility and Roselle Facility as
22 cannabis enterprises.

23 28. After SoCal was hired to manage the Mira Este Facility, Balboa Dispensary, and
24 Roselle Facility, SoCal soon began breaching the respective management agreements in other
25 respects as well, including but not limited to the following:
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1 a. Beginning in or about May 2018, SoCal stopped making monthly
2 payments of \$35,000 owed to MMCI, Hakim and Malan under the terms of the Balboa
3 Management Agreement.

4 b. On information and belief, SoCal's employees did not undergo timely
5 criminal background checks as SoCal had promised.

6 c. SoCal's employees stole marijuana from the Balboa Dispensary and
7 consumed it themselves.

8 d. SoCal's employees smoked marijuana on the Balboa Dispensary's
9 premises, which is illegal, a violation of the conditional use permit, and a violation of the
10 settlement with the Association.

11 e. SoCal's record-keeping was substandard, and it "lost" a lot of inventory –
12 i.e. marijuana. According to state regulations, if there's greater than a 5% discrepancy in
13 a dispensary's inventory, that's grounds for revoking the dispensary's ability to operate.
14 SoCal's inventory counts had discrepancies of up to 50%. This jeopardized the Balboa
15 Dispensary's license to operate.

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17 29. In addition to the foregoing, SoCal also breached the management agreements by
18 not paying their employees correctly, violating state law. SoCal did not maintain formal records
19 of employee work hours; it used Post-It Notes. According to those Post-It Notes, several
20 employees were working more than eight hours in a day, entitling them to overtime pay, but
21 there are no records showing they were paid overtime, or that SoCal complied with other Labor
22 Code provisions, including withholding requirements and providing pay period statements.

23 30. In further breach of the management agreements, SoCal did not make insurance
24 payments on time to the Association, violating the settlement agreement with the Association.
25 This breach of the settlement agreement jeopardizes the variance from the Association, which
26 can be revoked if insurance payments are not timely made.
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1 31. In further breach of the management agreements and on information and belief,
2 SoCal did not maintain adequate insurance to cover its activities at any of the premises where it
3 served as manager.

4 32. In further breach of the management agreements SoCal violated the San Diego
5 City Code by not having security guards as required by law, at times having only one security
6 guard on duty, using security guards as receptionists when the law requires them to secure the
7 facility and do no other work, using the garage at 8861 Balboa Ave. to store marijuana instead
8 of using it for its sole legal purpose (namely, storing cars), and lacking an armed guard.

9 33. In further breach of the management agreements, SoCal mismanaged the Balboa
10 Dispensary such that the City of San Diego issued a notice on June 7, 2018, describing some of
11 the code violations at the Balboa Dispensary that existed during SoCal's management. These
12 violations put the Association variance at risk because the Association can revoke the variance if
13 the dispensary violates the Municipal Code. Additionally, said code violations jeopardize the
14 dispensary's license because the State of California will not allow a marijuana dispensary to
15 operate in violation of local ordinances. The code violation could destroy the entire business.

16 34. In further breach of the management agreements, SoCal hired a security guard
17 named Jorge Emilio Aguilar, who owns a company called Archstone International, to work at
18 the Balboa Dispensary. At the time SoCal employed him, there was a criminal case pending
19 against Aguilar, and the court had issued a warrant for Aguilar's arrest.

20 35. In further breach of the management agreements, and according to the State of
21 California's online records, Aguilar's license to carry a firearm expired June 30, 2017.

22 36. In further breach of the management agreements and according to the State of
23 California's online records, Aguilar's license to act as a private security officer was canceled on
24 July 31, 2017.
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1 37. In further breach of the management agreements and by employing a wanted
2 criminal whose license to carry a firearm has been revoked, SoCal has violated the terms of the
3 conditional use permit and the settlement with the Association; both the settlement and the
4 conditional use permit require licensed, bonded, professional security guards to protect the
5 dispensaries, and those guards must be capable of legally carrying a weapon. Aguilar is not such
6 a person.

7 38. In further breach of the management agreements, SoCal failed to implement
8 accounting procedures and failed to present quarterly reports for periods ending March 2018 and
9 June 2018.

10 39. In further breach of the management agreements, SoCal failed to produce
11 employment/independent contractor agreements, failed to produce copies of tax returns and
12 EDD filings, failed to produce financial statements for the Balboa Dispensary, and failed to keep
13 detailed check registers and accounting journals chronicling Balboa Dispensary's financial
14 transactions.

15 40. In further breach of the management agreements, SoCal disclosed confidential
16 information about the Mira Este Facility, Roselle Facility, and Balboa Dispensary to Razuki, a
17 man who was prosecuted and convicted for violating laws governing the conduct of landlords of
18 real property, and who was under a court order not to engage in any unlicensed marijuana
19 businesses in San Diego. SoCal knew or should have known that disclosing confidential
20 information to such a person would harm cross-complainants by exposing them to significant
21 liability.

22 41. In further breach of the management agreements, SoCal has failed to provide
23 certain documents demanded by the City of San Diego for an audit. In particular, the City of
24 San Diego began conducting an audit of the Balboa Dispensary using a company called MGO.
25 MGO demanded documents that SoCal has failed to provide despite having a duty to provide,
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27

1 including a business license, copies of written policies governing security procedures and
2 security guards, the names of the bookkeeper/accountant/tax preparer, an organizational chart
3 with names of all employees, a copy of the security guard company's license, sales details,
4 names of customers, names of vendors, and other information.

5 42. In further breach of the management agreements, SoCal also did not have two
6 armed guards; one of the guards SoCal hired had a warrant out for his arrest.

7 43. In further breach of the management agreements, SoCal left trash all over the
8 Balboa Dispensary; and the City of San Diego issued code enforcement violation notices.

9 44. In further breach of the management agreements, and beginning in or about May
10 2018, SoCal withheld payments and failed, neglected, and refused to make payments due MEP
11 and Roselle under said MEP management agreements as follows:

- 12 a. Failure to pay the June 2018 management fee of \$60,300;
- 13 b. Failure to pay the May 2018 minimum guarantee payment of \$50,000;
- 14 c. Failure to pay the July 2018 management fee of \$60,300;
- 15 d. Failure to pay the June 2018 minimum guarantee payment of \$50,000;
- 16 e. Failure to pay the utilities in the amount of approximately \$12,000;
- 17 f. Failure to pay SoCal's portion of the CUP processing cost in the amount of
18 approximately \$18,954;
- 19 g. Failure to reimburse MEP for tenant improvements in the amount of
20 approximately \$125,000;
- 21 h. Failure to pay the option fee of \$75,000 due MEP and \$75,000 due Roselle in
22 March 2018.

23 45. In further breach of the management agreements, SoCal also failed and refused to
24 further and advance the processing of a conditional use permit or other licensing or permits for
25 the Roselle Facility and to open for operation the Mira Este Facility notwithstanding that the
26 Mira Este Facility had obtained all necessary approvals.
27

1 46. On information and belief, SoCal promised Razuki that SoCal would
2 intentionally withhold payments due under the Mira Este Management Agreement, which would
3 cause MEP to default on loans secured by the Mira Este Facility.

4 47. SoCal employee Dan Spillane told employees at the Mira Este Facility that he and
5 SoCal were conspiring with Razuki to hijack the companies and businesses operating at the Mira
6 Este Facility, Roselle Facility, and Balboa Dispensary. They would accomplish this, Spillane
7 said, by filing this very lawsuit, in which they would falsely claim that Razuki owned the
8 businesses.
9

10 48. On information and belief, SoCal intended to use Razuki's false claims of
11 ownership as an excuse to stop making payments to the businesses' true owners, including
12 Malan, Hakim, and the other cross-complainants herein. Malan learned of this scheme from
13 SoCal's own employees on or about July 2, 2018 or July 3, 2018.

14 49. In or about June 2018, Malan gave SoCal 25 days' notice to cure defaults, as
15 required by the management agreements. SoCal did not cure its defaults, so Malan fired SoCal.
16 Malan in or about July 2018. Cross-complainants then replaced SoCal with new, competent
17 management companies at the Balboa Dispensary and the Mira Este Facility.
18

19 50. After SoCal was fired, SoCal and Razuki tried to retake the properties through
20 deception and forgery.

21 51. On July 13, 2018, SoCal's employee Dan Spillane showed up at the Mira Este
22 Facility with a forged lease purporting to give him access to the building. He was accompanied
23 by another man who falsely claimed to be the owner of the building, and who said he was in
24 charge of Sunrise Properties, LLC, a company which Razuki claims to own. Together they tried
25 to gain access to the building. The police were called. Spillane and the fake owner tried to
26 convince the police that they owned the building. The police did not believe them. The police
27

1 were shown the real deed to the building, and the police removed Spillane and the other fake
2 owner.

3 52. As the police escorted Spillane from the premises, SoCal employee Spillane
4 called out to Ninus Malan, "Salam says hello!" This was a reference to Salam Razuki, the
5 plaintiff in this action, and shows that Razuki and SoCal were conspiring to take over the Balboa
6 Dispensary, Mira Este Facility, Roselle Facility, and related businesses.

7
8 53. In his declaration in support of his application for a receiver in this lawsuit,
9 Plaintiff Razuki said he owns Sunrise Properties, LLC – the same company SoCal employee
10 Spillane pretended to own when he tried to trick the police into giving him possession of the
11 Mira Este Facility.

12 54. In addition, on or about July 13, 2018, approximately three (3) days after SoCal
13 was terminated as manager at all three locations, Jorge Emilio Aguilar showed up to the Mira
14 Este Facility. MEP employees then called the police. Aguilar – who had an outstanding warrant
15 for his arrest – claimed *he* was the owner of the Mira Este Facility, holding forged documents.
16 The police did not believe his forged documents either, and he was told to leave.

17
18 55. The natural and probable consequence of Razuki intentionally interfering with
19 cross-complainants' contractual relationships with SoCal was that cross-complainants would
20 have to incur expenses and lose profits during the time they spend hiring a new manager.

21 56. Another natural and probable consequence of Razuki intentionally interfering
22 with cross-complainants' contractual relationships with SoCal was that cross-complainants
23 would lose income and profits in that SoCal was withholding monies due cross-complainants.

24
25 57. Another natural and probable consequence of Razuki intentionally interfering
26 with cross-complainants' contractual relationships with SoCal was that cross-complainants
27 would lose income and profits because of the delay or, in the case of Roselle, the loss of the CUP

1 license because SoCal stopped any and all steps to obtain the required permits, licenses, and
2 approvals needed in order to allow the Mira Este Facility and the Roselle Facility to operate as
3 cannabis manufacturing facilities.

4 58. In mid to late July 2018, a receiver was appointed over some of the cross-
5 complainants and their property. The receiver hired SoCal to manage the Balboa Dispensary,
6 Mira Este Facility, and Roselle Facility.

7 59. As before, SoCal was incompetent. SoCal used Aguilar, a wanted criminal, to
8 guard the Balboa Dispensary. SoCal failed to maintain records and accounting, failed to account
9 for inventory, and its "counts" of the inventory did not match the actual inventory. SoCal did not
10 have guards at the front door of the Balboa Dispensary at all times. SoCal failed to make
11 payments due to the Association and failed to make other payments due under their management
12 agreements.
13

14 60. On information and belief, when SoCal was re-appointed, it withheld money
15 owed to cross-complainants, and transferred money that it had previously withheld to itself and
16 its co-conspirators, ROES 50-100.
17

18 61. The receiver was removed at the end of July 2018. For a brief period, cross-
19 complainants had the ability to go into their businesses and examine what SoCal had taken. It
20 was discovered that approximately \$57,122.96 of inventory had been removed without any
21 discernible reason during SoCal's second tenure as manager of the Balboa Dispensary. It was
22 also discovered that approximately \$23,000 of inventory was in the Balboa Dispensary that
23 SoCal neglected to list in the database system where such inventory is supposed to be listed.
24

25 62. Failure to account for all inventory that comes into and out of a dispensary is a
26 violation of the rules and regulations that govern a dispensary and could cause Balboa to lose its
27 license. The Bureau of Cannabis Control ("BCC") requires a reconciliation of physical inventory

- 1 70. Pursuant to the terms of the Mira Este Management Agreement, SoCal agreed,
2 inter alia, to the following:
- 3 a. Payment of a minimum guaranteed amount of \$50,000 to MMCI, Hakim
4 and Malan;
 - 5
 - 6 b. Payment of rent for the benefit of MEP in the initial amount of \$55,500,
7 with an increase to \$60,300 once a certificate of occupancy was obtained, which did in fact
8 occur in or about June 2018;
 - 9 c. Payment in the amount of \$125,000, or one half thereof or \$62,500, to
10 Hakim as and for reimbursement for tenant improvements;
 - 11 d. Payment of one half of the costs for obtaining the conditional use permit;
 - 12 e. Obtaining and maintaining in full force and effect all available and
13 necessary licenses, approvals, permits, and/or certificates required under any and all local and
14 state laws allowing MEP to engage in manufacturing cannabis products at the facility.
 - 15

16 71. SoCal breached the Mira Este Management Agreement by failing to make
17 payments required under said agreement and by undertaking other acts and omissions that will
18 be inserted herein by amendment or proved at the time of trial.

19 72. Cross-complainants have performed all conditions, covenants, and promises
20 required on their part to be performed in accordance with the terms and conditions of the
21 contract, except for those conditions, covenants, and promises that they were prevented from
22 performing either by cross – defendants or otherwise or were excused from having to perform or
23 fulfill or were otherwise waived by cross-defendants or concerning which cross-defendants are
24 estopped from asserting or which have been otherwise eliminated by executed modification of
25 the agreement.

26 73. The acts and omissions constituting SoCal's breaches as described above were
27 the proximate cause of damages to cross-complainants as more fully alleged hereinabove.

1 **Third Cause of Action**

2 **(Breach of Roselle Management Agreement-By Roselle and Hakim against SoCal)**

3 74. Cross-complainants refer to each of the previous paragraphs of this cross-
4 complaint and by this reference, incorporate the same herein as though fully set forth at length.

5 75. Pursuant to the terms of the Roselle Management Agreement, SoCal was
6 required to utilize its best efforts to procure all licenses, permits, and approvals necessary to
7 enable the Roselle Facility to begin operations as a cannabis manufacturing facility.

8 76. SoCal breached said agreement by failing and refusing and continuing to make
9 the required payments and failing and refusing to utilize its best efforts, or any efforts at all to
10 procure licenses, permits, and/or approvals necessary to enable the Roselle Facility to begin
11 operations of cannabis manufacturing facility.

12 77. Cross-complainants have performed all conditions, covenants, and promises
13 required on their part to be performed in accordance with the terms and conditions of the
14 contract, except for those conditions, covenants, and promises that they were prevented from
15 performing either by cross – defendants or otherwise or were excused from having to perform or
16 fulfill or were otherwise waived by cross-defendants or concerning which cross-defendants are
17 estopped from asserting or which have been otherwise eliminated by executed modification of
18 the agreement.

19 78. As a direct and proximate result of said breach, Roselle has been damaged in that
20 it did not receive monies due it. Roselle has further been damaged in that there were only
21 approximately 40 conditional use permits (CUP) issued by the City of San Diego. Because of
22 the delay caused by SoCal's failure and omissions to process the application for a CUP to be
23 issued for the Roselle Facility, Roselle was unable to obtain one of the 40 permits. Had SoCal
24 properly performed its obligations to process and utilize its best efforts to obtain one of the 40
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1 permits for cannabis-related manufacturing, the Roselle Facility would have been issued one of
2 the 40 CUPs.

3 79. Obtaining one of the 40 conditional use permits was known by all parties at all
4 times both prior to and after the execution of the Roselle management agreement as being an
5 extremely valuable asset and addition to the value of the Roselle Facility.

6 80. As a direct and proximate result of said breaches by SoCal, and the deprivation
7 and denial of a conditional use permit for the Roselle facility, Roselle has been damaged in the
8 amount of the loss of value to its facility, in the amount of not less than \$3 million. The exact
9 amount thereof being presently unknown, cross-complainants will seek leave to amend this
10 cross-complaint to insert same or prove same at the time of trial.

11 81. As a further direct and proximate result of said breaches by SoCal, Roselle has
12 been damaged in other respects. The exact nature and amount thereof being presently unknown,
13 cross-complainants will seek leave to amend this cross-complaint to insert same or prove same
14 at the time of trial.

15 **Fourth Cause of Action**

16 **(Interference with Balboa Management Agreement-By Hakim against Razuki)**

17 82. Cross-complainants refer to each of the previous paragraphs of this cross-
18 complaint and by this reference, incorporate the same herein as though fully set forth at length.

19 83. No later than approximately January 2, 2018, cross-complainants and SoCal
20 entered into a valid and binding written agreement by which SoCal agreed to manage the Balboa
21 Dispensary for and on behalf of certain of the cross-complainants. As alleged hereinabove, a
22 true and correct copy of said management agreement is attached hereto as Exhibit 1 and, by this
23 reference, made a part hereof.
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1 84. Razuki learned of the above described management agreement existing between
2 SoCal and certain of the cross- complainants in or prior to May 2018. Cross-complainants are
3 informed and believe and thereon allege that Razuki communicated with SoCal after learning
4 that SoCal was the manager of the Balboa Dispensary.

5 85. Cross-complainants are informed and believe and thereon allege that beginning in
6 or about May 2018 and continuing thereafter, Razuki reached out to SoCal and falsely told SoCal
7 that Malan did not have an ownership interest in the various dispensaries and businesses that
8 SoCal had been hired to manage. Razuki at said time also falsely told SoCal that SoCal did not
9 need to make payments due under its management agreements for the Balboa Dispensary, Mira
10 Este Facility, or Roselle Facility. Razuki at said time also told SoCal that Malan was lying to
11 SoCal about his ownership interests, and Razuki asked SoCal to breach its contracts with Malan
12 and cross-complainants by ceasing payments due under its agreements and ceasing the
13 performance of any and all other obligations required of it under said management agreement.
14

15 86. Cross-complainants are further informed and believe and thereon allege that
16 Razuki told SoCal that he would soon gain control of the businesses owned by cross-
17 complainants and Malan, and promised SoCal that if it helped Razuki gain control of the
18 businesses, Razuki would hire SoCal.
19

20 87. By making these statements, Razuki intentionally sought to damage the business
21 and contractual relationship between SoCal on the one hand and cross-complainants and Malan
22 on the other hand, and to induce SoCal to stop performing and to breach said management
23 agreement with cross-complainants...
24

25 88. Razuki's disparaging and false statements to SoCal did in fact interfere with these
26 existing contractual relationships. He convinced SoCal to stop making payments required under
27 its management agreements, which SoCal commenced to do beginning in or about May 2018.

1 As a further direct and proximate result of Razuki's interference and tortious misconduct, SoCal
2 also began breaching the Balboa Management Agreement in other respects, all as more
3 particularly alleged hereinabove.

4 89. As a proximate result of Razuki's conduct and the breach of said management
5 agreement by SoCal, cross-complainants have suffered damages as alleged hereinabove.

6 90. Razuki undertook the above – described acts intentionally, oppressively,
7 fraudulently, and maliciously, in conscious disregard of cross-complainant's rights and interests,
8 and with the probability that cross-complainants would be injured and damaged. By reason
9 thereof, cross-complainants are entitled to exemplary and punitive damages in amounts to be
10 proved at the time of trial.
11

12 **Fifth Cause of Action**

13 **(Interference with Mira Este Management Agreement-By Hakim and MEP against**
14 **Razuki)**
15

16 91. Cross-complainants refer to each of the previous paragraphs of this cross-
17 complaint and by this reference, incorporate the same herein as though fully set forth at length.

18 92. Cross-complainants refer to each of the previous paragraphs of this cross-
19 complaint and by this reference, incorporate the same herein as though fully set forth at length.

20 93. No later than approximately January 2, 2018, cross-complainants and SoCal
21 entered into a valid and binding written agreement by which SoCal agreed to manage the Mira
22 Este Facility for and on behalf of certain of the cross-complainants. As alleged hereinabove, a
23 true and correct copy of said management agreement is attached hereto as Exhibit 2 and, by this
24 reference, made a part hereof.
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1 94. Razuki learned of the above described management agreement existing between
2 SoCal and certain of the cross- complainants in or prior to May 2018. Cross-complainants are
3 informed and believe and thereon allege that Razuki communicated with SoCal after learning
4 that SoCal was the manager of the Mira Este Facility.

5 95. Cross-complainants are informed and believe and thereon allege that beginning in
6 or about May 2018 and continuing thereafter, Razuki reached out to SoCal and falsely told SoCal
7 that Malan did not have an ownership interest in the various dispensaries and businesses that
8 SoCal had been hired to manage. Razuki at said time also falsely told SoCal that SoCal did not
9 need to make payments due under its management agreements for the Balboa Dispensary, Mira
10 Este Facility, or Roselle Facility. Razuki at said time also told SoCal that Malan was lying to
11 SoCal about his ownership interests, and Razuki asked SoCal to breach its contracts with Malan
12 and cross-complainants by ceasing payments due under its agreements and ceasing the
13 performance of any and all other obligations required of it under said management agreement.
14

15 96. Cross-complainants are further informed and believe and thereon allege that
16 Razuki told SoCal that he would soon gain control of the businesses owned by cross-
17 complainants and Malan, and promised SoCal that if it helped Razuki gain control of the
18 businesses, Razuki would hire SoCal.
19

20 99. By making these statements, Razuki intentionally sought to damage the business
21 and contractual relationship between SoCal on the one hand and cross-complainants and Malan
22 on the other hand, and to induce SoCal to stop performing and to breach said management
23 agreement with cross-complainants,
24

25 100. Razuki's disparaging and false statements to SoCal did in fact interfere with these
26 existing contractual relationships. He convinced SoCal to stop making payments required under
27 its management agreements, which SoCal commenced to do beginning in or about May 2018 and

1 to undertake other actions directed at injuring and damaging cross-complainants' rights and
2 interests in and to said management agreement, all as more particularly alleged hereinabove. As
3 a direct and proximate result of Razuki's interference and tortious misconduct, SoCal began
4 breaching the Mira Este Management Agreement, all as more particularly alleged hereinabove.

5 101. As a proximate result of Razuki's conduct and the breach of said management
6 agreement by SoCal, cross-complainants have suffered damages as alleged hereinabove.

7 102. Razuki undertook the above – described acts intentionally, oppressively,
8 fraudulently, and maliciously, in conscious disregard of cross-complainant's rights and interests,
9 and with the probability that cross-complainants would be injured and damaged. By reason
10 thereof, cross-complainants are entitled to exemplary and punitive damages in amounts to be
11 proved at the time of trial.
12

13
14 **Sixth Cause of Action**

15 **(Interference with Roselle Management Agreement-By Roselle and Hakim against**
16 **Razuki)**

17 103. Cross-complainants refer to each of the previous paragraphs of this cross-
18 complaint and by this reference, incorporate the same herein as though fully set forth at length.

19 104. No later than approximately January 2, 2018, cross-complainants and SoCal
20 entered into a valid and binding written agreement by which SoCal agreed to manage the
21 Roselle Facility for and on behalf of certain of the cross-complainants. As alleged hereinabove,
22 a true and correct copy of said management agreement is attached hereto as Exhibit 3 and, by
23 this reference, made a part hereof.
24

25 105. Razuki learned of the above described management agreement existing between
26 SoCal and certain of the cross- complainants in or prior to May 2018.
27

1 106. Cross-complainants are informed and believe and thereon allege that Razuki
2 communicated with SoCal after learning that SoCal was the manager of the Roselle Facility.

3 107. Cross-complainants are informed and believe and thereon allege that beginning in
4 or about May 2018 and continuing thereafter, Razuki reached out to SoCal and falsely told SoCal
5 that Malan did not have an ownership interest in the various dispensaries and businesses that
6 SoCal had been hired to manage. Razuki at said time also falsely told SoCal that SoCal did not
7 need to make payments due under its management agreements for the Balboa Dispensary, Mira
8 Este Facility, or Roselle Facility. Razuki at said time also told SoCal that Malan was lying to
9 SoCal about his ownership interests, and Razuki asked SoCal to breach its contracts with Malan
10 and cross-complainants by ceasing payments due under its agreements, ceasing the performance
11 of any and all other obligations required of it under said management agreement, and by
12 undertaking other actions directed at injuring and damaging cross-complainants' rights and
13 interests in and to said management agreement, all as more particularly alleged hereinabove.
14

15 108. Cross-complainants are further informed and believe and thereon allege that
16 Razuki told SoCal that he would soon gain control of the businesses owned by cross-
17 complainants and Malan, and promised SoCal that if it helped Razuki gain control of the
18 businesses, Razuki would hire SoCal.
19

20 109. By making these statements, Razuki intentionally sought to damage the business
21 and contractual relationship between SoCal on the one hand and cross-complainants and Malan
22 on the other hand, and to induce SoCal to stop performing and to breach said management
23 agreement with cross-complainants.
24

25 110. Razuki's disparaging and false statements to SoCal did in fact interfere with these
26 existing contractual relationships. He convinced SoCal to stop making payments required under
27 its management agreements, which SoCal commenced to do beginning in or about May 2018.

1 As a further result of Razuki's tortious interference, SoCal also began breaching the Roselle
2 Management Agreement in other respects, all as more particularly alleged hereinabove.

3 111. As a proximate result of Razuki's conduct and the breach of said management
4 agreement by SoCal, cross-complainants have suffered damages as alleged hereinabove.

5 112. Razuki undertook the above – described acts intentionally, oppressively,
6 fraudulently, and maliciously, in conscious disregard of cross-complainant's rights and interests,
7 and with the probability that cross-complainants would be injured and damaged. By reason
8 thereof, cross-complainants are entitled to exemplary and punitive damages in amounts to be
9 proved at the time of trial.
10

11 **Seventh Cause of Action**

12 **(Breach of Fiduciary Duty -By Hakim against SoCal and Razuki)**

13 113. Cross-complainants refer to each of the previous paragraphs of this cross-
14 complaint and by this reference, incorporate the same herein as though fully set forth at length.
15

16 114. From at least November 2017 to July 2018, SoCal was in a confidential
17 relationship with MMCI, Hakim and Malan in which SoCal was the manager of the Balboa
18 Dispensary for and on behalf of MMCI, Hakim and Malan and others. Said confidential
19 relationship arose partly as a result of the Balboa Management Agreement and partly as a result
20 of the previous relationship between the parties. Said previous relationship arose by reason of
21 the reposing of trust in SoCal by cross-complainant Hakim and the acceptance of said trust by
22 SoCal. Said trust was reposed and accepted as a result of the parties' business relationship in
23 which SoCal undertook to act for and on behalf of cross-complainant Hakim and others in
24 procuring the necessary permits and approvals, managing the Balboa Dispensary, and
25
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27

1 undertaking all other acts necessary to operate the Balboa Dispensary profitably for and on
2 behalf of cross-complainant Hakim and others.

3 115. SoCal's actions as set forth herein constitute a breach of its fiduciary duty and
4 duties of loyalty, care and good faith to Hakim, including but not limited to the fact that SoCal,
5 while manager of the Balboa dispensary, and on the Balboa Dispensary's time and while
6 purportedly pursuing the business of the Balboa Dispensary, undertook substantial efforts with
7 Razuki to undermine the interests of Hakim and others and to promote the interests of itself and
8 Razuki at the expense of cross-complainant Hakim and others.
9

10 116. Commencing in or about May 2017, SoCal met with Razuki, conspired with
11 Razuki to undermine the rights and interests of MMCI, Hakim and Malan as alleged
12 hereinabove, including but not limited to stopping payments to MMCI, Hakim and Malan for the
13 minimum-guaranteed monthly payment of \$35,000.00. SoCal undertook other actions to
14 promote the interests of itself and Razuki at the expense of MMCI, Hakim and Malan and others,
15 which will be inserted herein by amendment or proved at the time of trial.
16

17 117. SoCal's activities in concert with Razuki and while SoCal was employed as
18 manager under the Balboa Management Agreement, were undertaken without the knowledge or
19 authorization of MMCI, Hakim and Malan. In addition thereto, SoCal undertook these activities
20 with the intention of injuring and damaging MMCI, Hakim and Malan's right to receive the
21 minimum guaranteed payment of \$35,000.00 per month.
22

23 118. In furtherance of SoCal's goal to misappropriate the Balboa Dispensary from
24 MMCI, Hakim and Malan and other rightful owners and to install itself and Razuki as owners
25 and managers of the Balboa Dispensary, SoCal ceased making payments to MMCI, Hakim and
26 Malan, and undertook other actions alleged hereinabove.
27

1
2 123. From at least November 2017 to July 2018, SoCal was in a confidential
3 relationship with Hakim, MEP, MMCI and Malan in which SoCal was the manager of the Mira
4 Este Facility for and on behalf of cross-complainants and others. Said confidential relationship
5 arose partly as a result of the Mira Este Management Agreement and partly as a result of the
6 previous relationship between the parties. Said previous relationship arose by reason of the
7 reposing of trust in SoCal by said cross-complainants and the acceptance of said trust by SoCal.
8 Said trust was reposed and accepted as a result of the parties' business relationship in which
9 SoCal undertook to act for and on behalf of said cross-complainants and others in procuring the
10 necessary permits and approvals, managing the Mira Este Facility, and undertaking all other acts
11 necessary to operate the Mira Este Facility profitably for and on behalf of said cross-
12 complainants.
13

14 124. SoCal's actions as set forth herein constitute a breach of its fiduciary duty and
15 duties of loyalty, care and good faith to said cross-complainants, including but not limited to the
16 fact that SoCal, while manager of the Mira Este Facility, and on the Mira Este Facility's time and
17 while purportedly pursuing the business of the Mira Este Facility, undertook substantial efforts
18 with Razuki to undermine the interests of said cross-complainants and to promote the interests of
19 itself and Razuki at the expense of said cross-complainants.
20

21 125. Commencing in or about May 2017, SoCal met with Razuki and conspired with
22 Razuki to undermine the rights and interests of said cross-complainants as alleged hereinabove,
23 including but not limited to stopping payments to said cross-complainants and stopping the
24 processing for and obtaining of permits, approvals, and other necessary acts required to open the
25 Mira Este Facility for operations.
26
27

1 126. SoCal's activities in concert with Razuki and while SoCal was employed as
2 manager under the Mira Este Management Agreement, were undertaken without the knowledge
3 or authorization of said cross-complainants. In addition thereto, SoCal undertook these activities
4 with the intention of injuring and damaging cross-complainant's right to receive the payments
5 alleged hereinabove, and cross-complainant's rights and interest in obtaining the necessary
6 licensing and approvals to operate the Mira Este Facility as a cannabis manufacturing facility.

7
8 127. In furtherance of SoCal's goal to misappropriate the Mira Este Facility from said
9 cross-complainants and to install itself and Razuki as owners and managers of the Mira Este
10 Facility, SoCal ceased making payments to said cross-complainants and undertook other actions
11 alleged hereinabove.

12 128. At all times herein mentioned, Razuki was aware of SoCal's position as manager
13 of the Mira Este Facility and as contracting party with said cross-complainants. Razuki was also
14 aware at all times herein mentioned that SoCal owed fiduciary duties of loyalty, care and good
15 faith to said cross-complainants relative to the operation of the Mira Este Facility. Razuki
16 nonetheless encouraged, aided and abetted SoCal, worked in concert with SoCal in these
17 activities in efforts to injure and damage cross-complainant's interests in and to the Mira Este
18 Facility, including cross-complainant's right to receive payments as alleged hereinabove and
19 cross-complainant's rights and interest in obtaining the necessary licensing and approvals to
20 operate the Mira Este Facility as a cannabis manufacturing facility.

21
22 129. As a direct and proximate result of SoCal's breach of fiduciary duty and duty of
23 loyalty and Razuki's aiding and abetting of said breaches, said cross-complainants have been
24 damaged. Said cross-complainants were caused to suffer damage and lose amounts due them all
25 as more particularly alleged hereinabove. Cross-complainants will seek lave to amend this cross-
26 complaint when same is ascertained or prove same at the time of trial.
27

1 while purportedly pursuing the business of the Roselle Facility, undertook substantial efforts
2 with Razuki to undermine the interests of said cross-complainants and to promote the interests of
3 itself and Razuki at the expense of said cross-complainants.

4 134. Commencing in or about May 2017, SoCal met with Razuki and conspired with
5 Razuki to undermine the rights and interests of said cross-complainants as alleged hereinabove,
6 including but not limited to stopping the processing for and obtaining of permits, approvals, and
7 other necessary acts required to open the Roselle Facility for operations.
8

9 135. SoCal's activities in concert with Razuki and while SoCal was employed as
10 manager under the Roselle Management Agreement, were undertaken without the knowledge or
11 authorization of said cross-complainants. In addition thereto, SoCal, with the aid and active
12 support of Razuki, undertook these activities with the intention of injuring and damaging cross-
13 complainant's rights and interests in its right to receive monies under the management agreement
14 and in obtaining a CUP as one of only 40 CUPs available in the City of San Diego, and
15 preventing cross-complainants from obtaining same.
16

17 136. In furtherance of SoCal's goal to injure and damage cross-complainants as alleged
18 hereinabove, SoCal ceased making payments to said cross-complainants, ceased undertaking the
19 processing for and obtaining of permits, approvals, and other necessary acts required to open the
20 Roselle Facility for operations, and undertook other actions alleged hereinabove.
21

22 137. At all times herein mentioned, Razuki was aware of SoCal's position as manager
23 of the Roselle Facility and as contracting party with said cross-complainants. Razuki was also
24 aware at all times herein mentioned that SoCal owed fiduciary duties of loyalty, care and good
25 faith to said cross-complainants relative to the operation of the Roselle Facility. Razuki
26 nonetheless encouraged, aided and abetted SoCal, worked in concert with SoCal in these
27 activities, and knowingly participated in SoCal's actions of injuring and damaging cross-

1 complainant's rights and interests to receive monies under the management agreement and to
2 obtain a CUP as one of only 40 CUPs available in the City of San Diego, and preventing cross-
3 complainants from obtaining same.

4 138. As a direct and proximate result of SoCal's breach of fiduciary duty and duty of
5 loyalty and Razuki's aiding and abetting of said breaches, said cross-complainants have been
6 damaged. Said cross-complainants were caused to suffer damage all as more particularly alleged
7 hereinabove. Cross-complainants will seek lare to amend this cross-complaint when same is
8 ascertained or prove same at the time of trial.

9
10 139. SoCal and Razuki undertook the above – described acts intentionally,
11 oppressively, fraudulently, and maliciously, in conscious disregard of cross-complainant's rights
12 and interests, and with the probability that cross-complainants would be injured and damaged.
13 By reason thereof, cross-complainants are entitled to exemplary and punitive damages in
14 amounts to be proved at the time of trial.

15
16 **PRAYER**

17 WHEREFORE, Cross-complainants pray for judgment against Cross-defendants, and
18 each of them, as follows:

19 **ON ALL CAUSES OF ACTION**

- 20 1. For damages in an amount, plus interest thereon, to be proven at trial, but which is
21 not less than \$5,000,000 representing the amount of payments due and the loss of
22 the CUP for Roselle;
- 23 2. For prejudgment interest at the legal rate according to proof;
- 24 3. For interest at the rate of ten percent (10%) per annum on all amounts due;
- 25 4. For reasonable attorney's fees;
- 26 5. For all costs of suit herein incurred;
- 27 6. For punitive and exemplary damages; and,

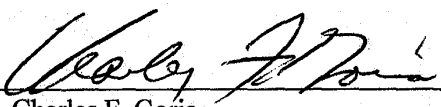
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7. For such other and further relief as the Court deems just and proper.

GORIA, WEBER & JARVIS

Dated: 10/1/18

By: 

Charles F. Goria
Attorneys for Cross-complainants
CHRIS HAKIM, MIRA ESTE
PROPERTIES LLC, and ROSELLE
PROPERTIES, LLC

EXHIBIT 1

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

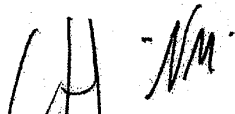
WHEREAS,

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.



NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

TERMS OF AGREEMENT

1. ENGAGEMENT

1.1. Engagement of Manager. Company hereby engages Manager to provide the Administrative Services for the Operations on the terms and conditions described herein, and Manager accepts such engagement. Manager shall be the sole and exclusive provider of the administrative, management, and other services to be provided to or on behalf of Company for the Operations as more particularly outlined herein. Manager in its sole discretion shall determine which services shall be provided to Company from time-to-time so long as the Administrative Services are provided in compliance with this Agreement. For purposes of this Agreement, "Administrative Services" shall not include any management services relating to ownership of the Facility by San Diego United Holdings Group, LLC unless and until Manager exercises the option to purchase 50% of the Facility as more particularly outlined in this Agreement.

1.1.1. No Warranty or Representations. Company acknowledges that Manager has not made and will not make any express or implied warranties or representations that the Administrative Services provided by Manager will result in any particular amount or level of income to the Company. Specifically, Manager has not represented that its Administrative Services will result in higher revenues, lower expenses, greater profits, or growth in the number of clients receiving services or purchasing goods at the Facility.

1.2. Agency. Company hereby appoints Manager as Company's true and lawful agent throughout the Term of this Agreement, and Manager hereby accepts such appointment.

1.3. Power of Attorney. In connection with billing, collection, banking, and related services incident to or under the Administrative Services to be provided hereunder, Company, in accordance with applicable law, hereby grants to Manager a limited power of attorney and appoints Manager as Company's true and lawful agent and attorney-in-fact consistent with Manager's duties under this Agreement, and Manager hereby accepts such special power of attorney and appointment, for the following purposes:

- i. To submit bills in Company's name and on Company's behalf, including all claims for reimbursement or indemnification from, health plans, all other third party payors, and its patients and customers for all services provided to patients and customers.
- ii. To collect and deposit all amounts received, including all cash received, patient co-payments, cost reimbursements, co-insurance and deductibles, and accounts receivable, into the "Manager's Account," which shall be and at all

times remain in Company's name through accrual on Company's accounting records.

- iii. To make demand with respect to, settle, and compromise such claims and to coordinate with collections agencies in the name of Company or Manager.
- iv. To take possession of and endorse in the name of Company on any note, check, money order, insurance payment or any other instrument received.
- v. To effectuate the payment of Company expenses, including to the Manager for the Management Fee as it becomes due.
- vi. To sign checks, drafts, bank notes or other instruments on behalf of Company and to make withdrawals from the Manager's Account for other payments specified in this Agreement and as determined appropriate by the Manager.

1.4. Documentation to Bank. Upon request of Manager, Company shall execute and deliver to the financial institution wherein the Manager's Account is maintained, such additional documents or instruments as may be necessary to evidence or effect the limited power of attorney granted to Manager. Company will not take any action that interferes with the transfer of funds to or from Manager's Account, nor will Company or its agents remove, withdraw or authorize the removal or withdrawal of any funds from the Manager's Account for any purpose. Manager agrees to hold all funds in the Manager's Account in accordance with California agency law.

1.5. Expiration of Power of Attorney. The power of attorney shall expire on the date that this Agreement is terminated. Upon termination or expiration of this Agreement, Manager further agrees to execute any and all documentation confirming the termination of this limited power of attorney.

1.6. Manager Payment to Company on Effective Date. From and after the Effective Date, Manager shall lend Company up to the sum of \$150,000 for working capital. Such amount shall be a short term working line of credit to facilitate purchase of new inventory and operational costs. Manager shall thereafter take possession of the Facility, the Operations, and FF&E. Further, upon the Effective date Manager shall pay the Company \$125,000 for the FF&E, which amount shall also serve as a credit against the purchase price if Manager exercises its option under Section 8 below. Manager shall lend Company an additional \$82,000 for reimbursement for old inventory, which shall be payable by Company to Old Operators. Lastly, upon the Effective Date hereof, Manager shall pay the Old Operators \$66,000 for reimbursement of legal and mitigation costs. Except for the \$15,000 monthly payments referenced in Section 5.2 and the monthly Balboa-Guaranteed Payments, all loans discussed in this Section 1.6 shall have priority for repayment from available funds more particularly referenced in Article 5 below.

2. DUTIES AND RESPONSIBILITIES OF MANAGER

2.1. General Responsibilities. During the Term of this Agreement Manager shall, in a manner determined at the Manager's sole discretion, provide such services as are necessary and appropriate for the day-to-day administration and management of Company's business in a manner consistent with good business practice, including without limitation: Human Resources, Information Technology, Equipment and Supplies, Banking, Accounting and Finance, Insurance Procurement, Risk Management, Contract Negotiation, Marketing, Management of Patient Records, and Licensing of Intellectual Property, Trade Names and Trademarks, as all are more specifically set forth below.

2.1.1. Personnel. Manager has full right, obligation, and authority to hire and retain personnel and other persons or entities needed to perform the Administrative Services for Manager under this Agreement. All personnel will be employees, agents, or independent contractors of the Company, and all costs (including payroll and withholding taxes and expenses, any employment insurance costs, health insurance expenses and insurance, and other customary expenses) associated with such personnel shall be paid by Manager from Company funds managed by Manager, or by Manager if such funds are insufficient.

2.1.2. Manager Personnel. Manager may employ or contract with and provide all necessary personnel ("Manager Personnel") it reasonably needs to provide the Administrative Services hereunder. Such personnel shall be under the direction, supervision, and control of Manager, and shall be employees of Manager. Manager shall be responsible for setting and paying the compensation and providing the fringe benefits of all Manager Personnel. Company shall be not responsible in any way for Manager Personnel, and Manager indemnifies, defends, and holds Company harmless from any such liability.

2.1.3. Training. Manager shall provide reasonable training to personnel in all aspects of the Operations material to the role of such personnel, including but not limited to administrative, financial, and equipment maintenance matters.

2.1.4. Insurance. Manager shall assist Company in Company's purchase of necessary insurance coverage, with the cost of such insurance paid from Company's funds managed by Manager.

2.1.5. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation, and keeping of records and books of accounting related to the business and financial affairs of Company. Such books and records shall at all times be accessible and available to Company and the Old Operators.

2.1.6. Tax Matters. Manager shall oversee the preparation of the annual report and tax information returns required to be filed by Company. All of Company's tax obligations shall be paid by Manager out of Company's funds managed by Manager. Manager shall provide such information, compilations, and other relevant information to Company on a timely basis in order to file all returns with the taxing agencies. Company shall also make such reserves and set asides for taxes as directed by Manager throughout the year.

customers, insurance companies and plans, all state or federally funded benefit plans, and all other third party payors or fiscal intermediaries.

2.2.2. Collections. Manager shall collect and receive on Company's behalf, all accounts receivable generated by such billings and claims for reimbursement, to take possession of, and deposit into the Manager's Account (accruing such deposits on the general ledger of Company) any cash, notes, checks, money orders, insurance payments, and any other instruments received in payment of accounts receivable, to administer such accounts including, but not limited to, extending the time or payment of any such accounts for cash, credit or otherwise; discharging or releasing the obligors of any such accounts; assigning or selling at a discount such accounts to collection agencies; or taking other measures to require the payment of any such accounts.

2.2.3. Banking. The Parties shall cooperate in opening such bank accounts as shall be required for prudent administration of the Operations, including a Manager's Account, opened by and under the control and domain of Manager for the deposit of collections and the disbursement of expenses and other purposes as set forth herein, and (ii) such other accounts as Manager determines in its sole discretion are reasonable and necessary. Manager shall sign checks, drafts, bank notes or other instruments on behalf of Company, and make withdrawals from Manager's Account for payments specified in this Agreement. Manager, in its sole discretion, may make a pledge or assignment of Company's accounts to support financing instruments.

2.2.4. Litigation Management. Manager shall, in consultation with Company, (a) manage and direct the defense of all claims, actions, proceedings or investigations against Company or any of its officers, directors, employees or agents in their capacity as such, and (b) manage and direct the initiation and prosecution of all claims, actions, proceedings or investigations brought by Company against any person other than Manager.

2.2.5. Marketing, Advertising, and Public Relations Programs. Manager shall propose, with Company's consultation, marketing and advertising programs to be implemented by Company to effectively notify the community of the services offered by Company. Manager shall advise and implement such marketing and advertising programs, including, but not limited to, analyzing the effectiveness of such programs, preparing marketing and advertising materials, negotiating marketing and advertising contracts on Company's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. Manager and Company agree that all marketing and advertising programs shall be conducted in compliance with all applicable standards of ethics, laws, and regulations.

2.2.6. Information Technology and Computer Systems. Manager shall set up workstations and other information technology required for the Operations.

2.2.7. Supplies. Manager shall order and purchase all supplies in connection with the Administrative Services and the Operations, including all necessary forms, supplies and postage, provided that all such supplies acquired shall be reasonably necessary in connection with the Operations.

2.2.8. Retention Payments. Manager shall make payments to Monarch in the aggregate of \$35,000 per month (the "Balboa-Guaranteed Payment") which shall be due on the 15th of each month starting on January 15, 2018. The Balboa-Guaranteed Payment shall be increased by 12.5% on December 1, 2018, and increased again by 12.5% on December 1, 2019. Monarch shall be responsible for all income and other taxes due relating to the monthly Balboa-Guaranteed Payment paid to Monarch. Further provided, the Balboa-Guaranteed Payment shall continue to be paid to Monarch from and after Manager's exercise of the Option, and by execution of this Agreement the Company consents to all such payments to Monarch.

3. RELATIONSHIP OF THE PARTIES

3.1. Relationship of the Parties. Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary joint venture, or employment relationship between Manager and Company. In performing all services required hereunder, Manager shall be in the relation of an independent contractor to Company, providing Administrative Services to the Operations operated by Company.

4. RESPONSIBILITIES OF COMPANY

4.1. General Responsibilities of Company. Company shall own and operate the Operations during the Term of this Agreement, with Manager managing the day-to-day Operations as provided herein. At all times during this Agreement, the Manager and Company shall coordinate to obtain and maintain in full force and effect all available and necessary licenses, approvals, permits and/or certificates (collectively "Approvals") required under any and all local and state laws allowing the Company to engage in the Operations at the Facility, and the Company's performance of its respective obligations pursuant to this Agreement. Company agrees to promptly deliver to Manager any notice of denial or revocation of any such Approvals within three (3) calendar days of receipt by the Company. From and after the Effective Date, Company and Manager shall coordinate and insure, at Company's expense, that the Operations are in compliance with all Approvals issued by any and all local or state government regarding the Company's legal standing and ability to engage in the Operations at the Facility, including but not limited to all requirements of any insurance or underwriters or any other body which may exercise similar functions. Company agrees to promptly deliver to Manager any notice of violation of any said Approvals within three (3) calendar days of receipt by the Company.

4.2. Exclusivity. During the term of this Agreement, Manager shall serve as Company's sole and exclusive manager and provider of the Administrative Services, and Company shall not engage any other person or entity to furnish Company with any sites for conduct of its Operations, any policies or procedures for conduct of the Operations, or any of the financial or other services provided hereunder by Manager. Manager may assign its rights hereunder to manage the operations (but not under the Option) to San Diego Building Ventures, LLC, or such other entity formed for such purpose by Manager, and Company and Old Operators acknowledge its approval of such assignment.

4.3. Representations and Warranties of Company.

398374.2

Handwritten initials: MU and NM

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4.3.1. Company represents and warrants to Manager as follows:

4.3.2. Company is duly organized, validly existing and in good standing under the laws of California. The Company represents and warrants that, to Company's knowledge, it holds or is pursuing all required Approvals, which for purposes of this Agreement means collectively all applicable California San Diego City and San Diego County licenses, approvals, permits, authorizations, registrations and the like required by any governmental organization or unit having jurisdiction over Company or the Facility necessary to permit the Company to own and operate the Facility as a cannabis retail store.

4.3.3. The Company has full power, authority and legal right to execute, perform and timely observe all of the provisions of this Agreement. The Company's execution, delivery and performance of this Agreement have been duly authorized.

4.3.4. This Agreement constitutes a valid and binding obligation of the Company and does not and will not constitute a breach of or default under the [charter documents, membership agreements or bylaws] of Company or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Company is a party or by which it or any of its assets is bound or affected.

4.3.5. Company shall, at its own expense, keep in full force and effect its legal existence; and Company shall make commercially reasonable efforts to obtain, as and when required for the performance of its obligations under this Agreement, and to maintain the Approvals required for it timely to observe all of the terms and conditions of this Agreement.

4.3.6. Company is the sole owner of the real property on which the Facility is located and is the sole owner of the improvements comprising the Facility and all real and personal property located therein. The Company has full power, authority and legal right to own such real and personal property.

4.3.7. There is no litigation or proceeding pending or threatened against Company that could reasonably be expected to adversely affect the validity of this Agreement or the ability of Company to comply with its obligations under this Agreement.

4.3.8. The Company nor any of its agents or subsidiaries has received any notice of revocation, modification, denial or legal or administrative proceedings relating to the denial, revocation or modification of any local or state approvals, which, singly or in the aggregate, would prohibit the Company's Operations at the Facility.

5. FINANCIAL ARRANGEMENTS

5.1. All net income, revenue, cash flow, and other distributions from Operations will be held by Manager as a Management Fee, subject to Manager's further obligations to make payments and pay rent and expenses as otherwise provided herein.

5.2. Starting on December 1, 2017, Manager shall make monthly payments of \$15,000 to Balboa Ave Cooperative.

5.3. Both before and after the closing of Manager's exercise of the Option, such monthly payments by Manager shall include (i) the monthly Balboa-Guaranteed Payments payable to Monarch, (ii) the \$15,000 monthly payments to Balboa Ave Cooperative prior to the Option as referenced in Section 5.2, and after the Option to San Diego United Holdings Group, LLC as monthly rent payments to the then-title holder of the Facility, (iii) reimbursement to any party as a preferential payment the reimbursement of sums spent for tenant improvements, and (iv) Manager's Operations expenses. Prior to the closing of Manager's exercise of the Option, one third (1/3) of any remaining net income is to be paid to Company (it being understood and agreed that the Balboa-Guaranteed Payments are credited toward this payment of 1/3 of remaining net income sharing.) All such payments constitute a material part of Manager's obligations under this Agreement.

5.4 Notwithstanding anything else herein, the Old Operators and Manager will split the costs of CUP and other mitigations 50/50, and once the Option is exercised, the Manager (or its assignee) and the Old Operators will own the property and cash flows from Manager on a 50/50 basis.

6. TERM AND TERMINATION

6.1. Term. Subject to the provisions contained in this Agreement, this Agreement shall commence as of the Effective Date and continue in full force and effect for a period of twenty (20) years.

6.2. Termination. Except as provided herein, this Agreement is not terminable by any Party and may only be not-renewed at the option of the Manager at the expiration of the term hereunder through the provision of ninety (90) days' advance written notice. This Agreement may be terminated through mutual consent of Manager and Company. This Agreement may also be terminated at the option of the Manager if the Operations fail to obtain either (i) any HOA or other local approvals, or (ii) the required California State permissions and licenses, in each case to allow the operation of a retail, non-medical cannabis business. This Agreement may be terminated at the option of the Company upon the failure by Manager to make any payments as are required herein, and such failure has gone uncured for twenty-five (25) days following notice to Manager by Company and/or the Old Operators.

7. RECORDS AND RECORD KEEPING

7.1. Access to Information. Company hereby authorize and grants to Manager full and complete access to all information, instruments, and documents relating to Company which may be reasonably requested by Manager to perform its obligations hereunder, and shall disclose and make available to representatives of Manager for review and photocopying all relevant books, agreements, papers, and records of Company. Manager shall further timely provide Company with all books and records generated from Operations. This shall be a continuing

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

Facility in San Diego Building Ventures, LLC, a Delaware Series Limited Liability Company upon . Such ownership interest shall become effective as of the closing of the Option, and the Parties shall incorporate into that Operating Agreement Series such terms as are reflected in that certain LOI dated October 17, 2017 among the Parties with respect to Managers of the Series and related issues set forth therein. The terms of the Operating Agreement for San Diego Building Ventures, LLC shall govern the operations of the Balboa Facility and the Manager upon the closing of the Option. The Parties shall cooperate on the final structural decisions and documentation consistent with the terms contained in the LOI. From and after the closing of Manager's exercise of the Option, this new management company shall further take over all of the Manager's duties and responsibilities as outlined in this Agreement.

8.6 Addition of up to Five Units in Commercial Park. As stated herein, there are five (5) other units in the HOA commercial park owned by San Diego United Holdings Group, LLC not covered by this Agreement and this Option. The "Facility" referenced in Recital A above is the only real property subject to this Agreement. Manager is considering the purchase of an additional four (4) units not owned by San Diego United Holdings Group, LLC in the HOA commercial park. . Further, in the event Manager desires to purchase one or more of these other five (5) units already owned by San Diego United Holdings Group, LLC , the parties agree to negotiate the purchase a 50% interest in one or more of these other units in addition to the Option Exercise Price referenced in Section 8.2 above, and held by Manager 50% with the Company.

8.7 HOA Resolution. Notwithstanding anything else contained in this Agreement, no obligation, passage of time, date, or other matter with respect to the Option shall become effective until the dispute with the Montgomery Field Business Condominiums Association (the "HOA Matter," which shall include Case No. 37-2017-00019384-CU-CO-CTL pending in the Superior Court of San Diego, the dispute underlying said action, and all related matters) is resolved to the satisfaction of Manager. In that regard each of the dates set forth in Section 8.2 above are tolled until the 30th, 90th, and 150th day, respectively, following the resolution of the HOA Matter, to Manager's satisfaction. The expiration date of the Option in section 8.4, above, is similarly tolled.

9. GENERAL

9.1. Conversion. At the option of Manager and in consultation with the Old Operators, any Nonprofit may be converted into a for-profit entity and owned as the Parties may otherwise agree, and as is required for compliance with law.

9.2. Indemnification.

9.2.1. Indemnification by Company. Company hereby agree to indemnify, defend, and hold harmless Manager, its officers, directors, owners, members, employees, agents, affiliates, and subcontractors, from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, awards, costs, and expenses (including reasonable attorneys' fees) related to third party claims, whether or not covered by insurance, arising from or relating to any willful misconduct relating to the breach of this Agreement by Company. The provisions of this Section

shall survive termination or expiration of this Agreement. Company shall immediately notify Manager of any lawsuits or actions, or any threat thereof, that are known or become known to Company that might adversely affect any interest of Company or Manager whatsoever.

9.2.2. Indemnification by Manager. Manager hereby agrees to indemnify, defend, and hold harmless Company, their respective officers, directors, shareholders, employees and agents from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, and awards, costs, and expenses (including reasonable attorneys' fees), whether or not covered by insurance, arising from or relating to (a) any material breach of this Agreement by Manager, (b) any acts or omissions by Manager and its employees to the extent that such is not paid or covered by the proceeds of insurance, and (c) all other Operations conduct at the Facility as part of Manager providing Administrative Services to the Company. The provisions of this Section shall survive termination or expiration of this Agreement. Notwithstanding the foregoing, Manager shall not indemnify Company for the acts or omissions of any physicians, or others employed or engaged by Company. Manager shall immediately notify Company of any lawsuits or actions, or any threat thereof, that are known or become known to Manager that might adversely affect any interest of Manager or Company whatsoever.

9.3. Dispute Resolution. In the event that any disagreement, dispute or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a "Dispute"), such Dispute shall be settled in accordance with the following procedures:

9.3.1. Meet and Confer. In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the "Dispute Notice"). The Parties shall meet and confer in San Diego County to discuss the Dispute in good faith within five (5) days following the other Parties' receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the "Meet and Confer Period" (as defined herein below).

9.3.2. Mediation. If the Parties are unable to resolve the Dispute within ten (10) days following the date of receipt of the Dispute Notice by the other parties (the "Meet and Confer Period"), then the parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the "Rules") of ADR Services, Inc. ("ADR Services") in San Diego County within thirty (30) days of delivery of the initial Dispute Notice. A single disinterested third-party mediator shall be selected by ADR Services in accordance with its then current Rules. The Parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

9.3.3. Arbitration. Any Dispute which cannot be resolved by the Parties as outlined above, such Dispute shall be resolved by final and binding arbitration (the "Arbitration"). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of ADR Services. The Arbitration shall be held in San Diego County, unless

the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator(s) selected in accordance with the then current Rules of ADR Services. The arbitrator(s) shall apply California substantive law, or federal substantive law where state law is preempted. The arbitrator(s) selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of California. The arbitrator(s) shall have the power to grant all legal and equitable remedies provided by California law and award compensatory damages provided by California law, except that punitive damages shall not be awarded. The arbitrator(s) shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the Superior Court for the State of California in San Diego County. The prevailing party in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and nonexpert witness costs and any other expenses incurred directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator(s).

THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2):

JURY TRIAL WAIVED:

Company

Manager

By:

By:

9.4. Entire Agreement; Amendment. This Agreement constitutes the entire agreement among the Parties related to the subject matter hereof and supersedes all prior agreements, understandings, and letters of intent relating to the subject matter hereof. This Agreement may be amended or supplemented only by a writing executed by all Parties. The Recitals of this Agreement are incorporated herein by this reference.

9.5. Notices. All notices, requests, demands or consents hereunder shall be in writing and shall be deemed given and received when delivered, if delivered in person, or four (4) days after being mailed by certified or registered mail, postage prepaid, return receipt requested, or one (1) day after being sent by overnight courier such as Federal Express, to and by the Parties at the following addresses, or at such other addresses as the Parties may designate by written notice in the manner set forth herein:

If to Manager: SoCal Building Ventures, LLC

If to Company: Balboa Ave Cooperative

San Diego United Holdings Group, LLC

If to Old Operators:

9.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which, when taken together, will constitute one and the same instrument.

9.7. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California, without reference to conflict of law principles.

9.8. Assignment. Unless expressly set forth to the contrary hereinabove, this Agreement shall not be assignable by any Party hereto without the express written consent of the other Parties; provided, however, Old Operators may assign their holding interest to Monarch or another legal entity owned by the Old Operators, and SoCal Building Ventures, LLC may assign all or a portion of its rights and obligations to San Diego Building Ventures, LLC.

9.9. Waiver. Waiver of any agreement or obligation set forth in this Agreement by either Party shall not prevent that party from later insisting upon full performance of such agreement or obligation and no course of dealing, partial exercise or any delay or failure on the part of any Party hereto in exercising any right, power, privilege, or remedy under this Agreement or any related agreement or instrument shall impair or restrict any such right, power, privilege or remedy or be construed as a waiver therefor. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought.

9.10. Binding Effect. Subject to the provisions set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and upon their respective successors and assigns.

9.11. Waiver of Rule of Construction. Each Party has had the opportunity to consult with its own legal counsel in connection with the review, drafting, and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting party shall not apply.

9.12. Severability. If anyone or more of the provisions of this Agreement is adjudged to any extent invalid, unenforceable, or contrary to law by a court of competent jurisdiction, each and all of the remaining provisions of this Agreement will not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

9.13. Force Majeure. Any Party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, terrorism, bio-terrorism, riot or insurrection, law or regulation, strike, flood, earthquake, water shortage, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities. This provision shall not release such Party from using its best efforts to avoid or remove such cause and such Party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such Party shall give prompt written notice thereof to the other Party, provided that failure to give such notice shall not in any way limit the operation of this provision.

9.14. Authorization for Agreement. The execution and performance of this Agreement by Company and Manager have been duly authorized by all necessary laws, resolutions, and corporate or partnership action, and this Agreement constitutes the valid and enforceable obligations of Company and Manager in accordance with its terms.

9.15. Duty to Cooperate. The Parties acknowledge that the Parties' mutual cooperation is critical to the ability of Manager and Company to perform successfully and efficiently its duties hereunder. Accordingly, each party agrees to cooperate fully with the other in formulating and implementing goals and objectives which are in Company's best interests.

9.16. Proprietary and Confidential Information. The Parties agree with regard to Confidential Information that Manager may be given or obtain as a result of Manager's performance under this Agreement, or vice versa, such Confidential Information is secret, confidential and proprietary, and shall be utilized only for those purposes of this Agreement or as otherwise directed or agreed to in writing. The term "Confidential Information" means any information or knowledge concerning or in any way related to the practices, pricing, activities, strategies, business plans, financial plans, trade secrets, relationships and methodology of Operations of the business, performance of the Administrative Services, or other matter relating to the business. The Parties shall take appropriate action to ensure that all employees permitted access to Confidential Information are aware of its confidential and proprietary nature and the restrictions placed on its use. The Parties shall not reproduce or copy the Confidential Information of the Company, or any part thereof, in any manner other than is necessary to perform under this Agreement, and no Party shall disclose or otherwise make the Confidential Information available to any other person, corporation, or other entity, except to the other Party, or as otherwise required by law.

9.16.1. All Confidential Information constitutes a valuable, confidential, special and unique asset. The Parties recognize that the disclosure of Confidential Information may give rise to irreparable injury or damage that are difficult to calculate, and which cannot be adequately compensated by monetary damages. Accordingly, in the event of any violation or threatened violation of the confidentiality provisions of this Agreement, a non-violating Party shall be entitled to an injunction restraining such violation.

9.17. Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties; provided, however, at the request of either Party, the other Party shall execute such additional instruments and take such additional acts as are reasonable and as the requesting Party may deem necessary to effectuate this Agreement.

9.18. Consents, Approvals, and Exercise of Discretion. Whenever this requires any consent or approval to be given by either Party, or either Party must or may exercise discretion, and except where specifically set forth to the contrary, the Parties agree that such consent or approval shall not be unreasonably withheld or delayed, and that such discretion shall be reasonably exercised.

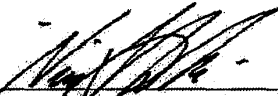
9.19. Third Party Beneficiaries. Except as otherwise provided herein, this Agreement shall not confer any rights or remedies upon any person other than Manager and Owner and their respective successors and permitted assigns.

[signature page follows]

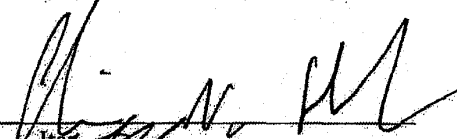
IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

"COMPANY"

Balboa Ave Cooperative

By: 
Its: _____

San Diego United Holdings Group, LLC


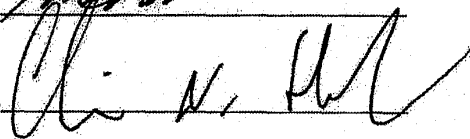
By: 
Its: _____

"MANAGER"

SoCal Building Ventures, LLC

By: _____
Its: _____

"OLD OPERATORS"

By: 
By: 

Monarch Management Consulting, Inc.

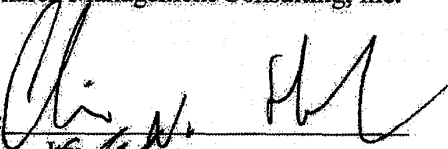

By: 
Its: 

EXHIBIT 2

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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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.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

TERMS OF AGREEMENT

1. ENGAGEMENT

1.1. Engagement of Manager. Company hereby engages Manager to provide the Administrative Services for the Operations on the terms and conditions described herein, and Manager accepts such engagement. Manager shall be the sole and exclusive provider of the administrative, management, and other services to be provided to or on behalf of Company for the Operations as more particularly outlined herein. Manager in its sole discretion shall determine which services shall be provided to Company from time-to-time so long as the Administrative Services are provided in compliance with this Agreement. For purposes of this Agreement, "Administrative Services" shall not include any management services to Mira Este LLC relating to its ownership of the Facility unless and until Manager exercises the option to purchase 50% of the Facility as more particularly outlined in this Agreement.

1.1.2 Segregated Portion of Facility. The Facility contains two downstairs suites, comprising approximately 3,000 square feet. One of the suites of approximately 1,200 sf is included in this transaction, and the remaining space is outside the scope of this Agreement. Provided, however, the Parties agree to allow the Company or its assignee, designee, or one or more Company Parties to operate in the remaining downstairs suite under all cannabis licenses issued at the Facility, with rent of \$1.00 per month paid to Mira Este LLC for such tenancy, and continuing for a period of 34 years.

1.1.3 No Warranty or Representations. Company acknowledges that Manager has not made and will not make any express or implied warranties or representations that the Administrative Services provided by Manager will result in any particular amount or level of income to the Company. Specifically, Manager has not represented that its Administrative Services will result in higher revenues, lower expenses, greater profits, or growth in the number of clients receiving services or purchasing goods at the Facility.

1.2. Agency. Company hereby appoints Manager as Company's true and lawful agent throughout the Term of this Agreement, and Manager hereby accepts such appointment.

1.3. Power of Attorney. In connection with billing, collection, banking, and related services incident to or under the Administrative Services to be provided hereunder, Company, in accordance with applicable law, hereby grants to Manager a limited power of attorney and appoints Manager as Company's true and lawful agent and attorney-in-fact consistent with Manager's duties under this Agreement, and Manager hereby accepts such special power of attorney and appointment, for the following purposes:

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- i. To collect and deposit all amounts received, including all cash received, patient co-payments, cost reimbursements, co-insurance and deductibles, and accounts receivable, into the "Manager's Account," which shall be and at all times remain in Company's name through accrual on Company's accounting records.
- ii. To make demand with respect to, settle, and compromise such claims and to coordinate with collections agencies in the name of Company or Manager.
- iii. To take possession of and endorse in the name of Company on any note, check, money order, insurance payment or any other instrument received.
- iv. To effectuate the payment of Company expenses, including to the Manager for the Management Fee as it becomes due.
- v. To sign checks, drafts, bank notes or other instruments on behalf of Company and to make withdrawals from the Manager's Account for other payments specified in this Agreement and as determined appropriate by the Manager.

1.4. Documentation to Bank. Upon request of Manager, Company shall execute and deliver to the financial institution wherein the Manager's Account is maintained, such additional documents or instruments as may be necessary to evidence or effect the limited power of attorney granted to Manager. Company will not take any action that interferes with the transfer of funds to or from Manager's Account, nor will Company or its agents remove, withdraw or authorize the removal or withdrawal of any funds from the Manager's Account for any purpose. Manager agrees to hold all funds in the Manager's Account in accordance with California agency law.

1.5. Expiration of Power of Attorney. The power of attorney shall expire on the date this Agreement is terminated. Upon termination or expiration of this Agreement, Manager further agrees to execute any and all documentation confirming the termination of this limited power of attorney.

2. DUTIES AND RESPONSIBILITIES OF MANAGER

2.1. General Responsibilities. During the Term of this Agreement Manager shall, in manner determined at Manager's sole discretion, provide such services as are necessary and appropriate for the day-to-day administration and management of Company's business in a manner consistent with good business practices, including without limitation: Human Resources, Information Technology, Equipment and Supplies, Banking, Accounting and Finance, Insurance Procurement, Risk Management, Contract Negotiation, Manufacturing, Marketing, and Licensing of Intellectual Property, Trade Names and Trademarks, as all are more specifically set forth below.

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2.1.1. Personnel. Manager has full right, obligation, and authority to hire and retain personnel and other persons or entities needed to perform the Administrative Services for Manager under this Agreement. All personnel will be employees, agents, or independent contractors of the Company, and all costs (including payroll and withholding taxes and expenses, any employment insurance costs, health insurance expenses and insurance, and other customary expenses) associated with such personnel shall be paid by Manager from Company funds managed by Manager, or by Manager if such funds are insufficient.

2.1.2. Manager Personnel. Manager may employ or contract with and provide all necessary personnel ("Manager Personnel") it reasonably needs to provide the Administrative Services hereunder. Such personnel shall be under the direction, supervision, and control of Manager, and shall be employees of Manager. Manager shall be responsible for setting and paying the compensation and providing the fringe benefits of all Manager Personnel. Company shall be not responsible in any way for Manager Personnel, and Manager indemnifies, defends, and holds Company harmless from any such liability.

2.1.3. Training. Manager shall provide reasonable training to personnel in all aspects of the Operations material to the role of such personnel, including but not limited to administrative, financial, and equipment maintenance matters.

2.1.4. Insurance. Manager shall assist Company in Company's purchase of necessary insurance coverage, with the cost of such insurance paid from Company's funds managed by Manager.

2.1.5. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation, and keeping of records and books of accounting related to the business and financial affairs of Company. Such books and records shall at all times be accessible and available to Company and the Old Operators.

2.1.6. Tax Matters. Manager shall oversee the preparation of the annual report and tax information returns required to be filed by Company. All of Company's tax obligations shall be paid by Manager out of Company's funds managed by Manager. Manager shall provide such information, compilations, and other relevant information to Company on a timely basis in order to file all returns with the taxing agencies. . Company shall also make such reserves and set asides for taxes as directed by Manager throughout the year.

2.1.7. Reports and Information. Manager shall furnish Company in a timely fashion quarterly or more frequent operating reports and other business reports as reasonably requested by Company, including without limitation (i) copies of bank statements and checks relating to Company's bank accounts and (ii) all other financial information and financial statements relating to Operations.

2.1.8. Budgets. Manager shall prepare for review and approval by Company, all capital and annual operating budgets as needed, and such approval shall not be unreasonably withheld.

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2.1.9. Expenditures. Manager shall manage all cash receipts and disbursements of Company, including the payment on behalf of Company for any of the items set forth in this Article 2, such as taxes, assessments, licensing fees, and other fees of any nature whatsoever in connection with the operation of the Operations as the same become due and payable, unless payment thereof is being contested in good faith by Company.

2.1.10. Contract Negotiations. Manager shall advise Company with respect to and negotiate, either directly or on Company's behalf, as appropriate and permitted by applicable law, such contractual arrangements with third Parties as are reasonably necessary and appropriate for Company's Operations.

2.1.11. Billing and Collection. On behalf of and for the account of Company, Manager shall establish and maintain credit and billing and collection policies and procedures, and shall exercise reasonable efforts to bill and collect in a timely manner all professional and other fees for all billable services provided by Company.

2.1.12. All Other Matters Reasonably Needed for Operations. The Manager shall perform all tasks required for the good governance and operation of the Operations, including making reasonable repairs, at Company's expense, for any facility used in the Operations as may be required under any lease or mortgage that encumbers the property, or to protect public safety.

2.1.13. Company Approval of Various Actions Relating to Operations. The parties agree Manager has authority to make decisions relating to the day-to-day business operations of the Operations and execute on behalf of Operations all instruments and documents needed in the course of the customary and ordinary operation of Operations, including the payment of ordinary expenses incurred during Operations and other related payments. Manager shall also coordinate any public statements or press interactions.

2.2. Responsibilities as Agent. In connection with the appointment of Manager as Agent of Company under Section 2.1 above, Manager shall further undertake the following:

2.2.1. Billing. Manager shall bill, in Company's name and on Company's behalf, any claims for reimbursement, cost offset, or indemnification from members or customers, insurance companies and plans, all state or federally funded benefit plans, and all other third party payors or fiscal intermediaries.

2.2.2. Collections. Manager shall collect and receive on Company's behalf, all accounts receivable generated by such billings and claims for reimbursement, to take possession of, and deposit into the Manager's Account (accruing such deposits on the general ledger of Company) any cash, notes, checks, money orders, insurance payments, and any other instruments received in payment of accounts receivable, to administer such accounts including, but not limited to, extending the time or payment of any such accounts for cash, credit or otherwise; discharging or releasing the obligors of any such accounts; assigning or selling at a discount such accounts to collection agencies; or taking other measures to require the payment of any such accounts.

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2.2.3. Banking. The Parties shall cooperate in opening such bank accounts as shall be required for prudent administration of the Operations, including a Manager's Account, opened by and under the control and domain of Manager for the deposit of collections and the disbursement of expenses and other purposes as set forth herein, and (ii) such other accounts as Manager determines in its sole discretion are reasonable and necessary. Manager shall sign checks, drafts, bank notes or other instruments on behalf of Company, and make withdrawals from Manager's Account for payments specified in this Agreement. Manager, in its sole discretion, may make a pledge or assignment of Company's accounts to support financing instruments.

2.2.4. Litigation Management. Manager shall, in consultation with Company, (a) manage and direct the defense of all claims, actions, proceedings or investigations against Company or any of its officers, directors, employees or agents in their capacity as such, and (b) manage and direct the initiation and prosecution of all claims, actions, proceedings or investigations brought by Company against any person other than Manager.

2.2.5. Marketing, Advertising, and Public Relations Programs. Manager shall propose, with Company's consultation, marketing and advertising programs to be implemented by Company to effectively notify the community of the services offered by Company. Manager shall advise and implement such marketing and advertising programs, including, but not limited to, analyzing the effectiveness of such programs, preparing marketing and advertising materials, negotiating marketing and advertising contracts on Company's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. Manager and Company agree that all marketing and advertising programs shall be conducted in compliance with all applicable standards of ethics, laws, and regulations.

2.2.6. Information Technology and Computer Systems. Manager shall set up workstations and other information technology required for the Operations.

2.2.7. Supplies. Manager shall order and purchase all supplies in connection with the Administrative Services and the Operations, including all necessary forms, supplies and postage, provided that all such supplies acquired shall be reasonably necessary in connection with the Operations.

2.2.8. Retention Payments. From Company funds managed by the Manager or as otherwise provided herein, Manager shall make payments to Monarch in the aggregate of \$50,000 per month (the "Mira-Guaranteed Payment") which shall begin accruing on October 1, 2017. The first payment of \$75,000 (the first half of the total Mira-Guaranteed Payments from October 1, 2017 to December 31, 2017) shall be paid upon execution of this Agreement; the second payment of \$75,000 (the second half of the total Mira-Guaranteed Payments from October 1, 2017 to December 31, 2017) shall be paid on February 28, 2018. Thereafter each monthly payment shall be due on the 15th of the subsequent month starting on January 1, 2018. The Mira-Guaranteed Payment shall be increased to \$56,250 per month on October 1, 2018, and increased again on December 1, 2019 to \$63,260 per month. Monarch shall be responsible for all income and other taxes due relating to the monthly Mira-Guaranteed Payment paid to Monarch. Further provided, the Mira-Guaranteed Payment shall continue to be paid to Monarch from and

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after Manager's exercise of the Option, and by execution of this Agreement the Company consents to all such payments to Monarch.

3. RELATIONSHIP OF THE PARTIES

3.1. Relationship of the Parties. Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary joint venture, or employment relationship between Manager and Company. In performing all services required hereunder, Manager shall be in the relation of an independent contractor to Company, providing Administrative Services to the Operations operated by Company.

4. RESPONSIBILITIES OF COMPANY

4.1. General Responsibilities of Company. Company shall own and operate the Operations during the Term of this Agreement, with Manager managing the day-to-day Operations as provided herein. At all times during this Agreement, the Manager and Company shall coordinate to obtain and maintain in full force and effect all available and necessary licenses, approvals, permits and/or certificates (collectively "Approvals") required under any and all local and state laws allowing the Company to engage in the Operations at the Facility, and the Company's performance of its respective obligations pursuant to this Agreement. Company agrees to promptly deliver to Manager any notice of denial or revocation of any such Approvals within three (3) calendar days of receipt by the Company. From and after the Effective Date, Company and Manager shall coordinate and insure, at Company's expense, that the Operations are in compliance with all Approvals issued by any and all local or state government regarding the Company's legal standing and ability to engage in the Operations at the Facility, including but not limited to all requirements of any insurance or underwriters or any other body which may exercise similar functions. Company agrees to promptly deliver to Manager any notice of violation of any said Approvals within three (3) calendar days of receipt by the Company.

4.2. Exclusivity. During the Term of this Agreement, Manager shall serve as Company's sole and exclusive manager and provider of the Administrative Services, and Company shall not engage any other person or entity to furnish Company with any sites for conduct of its Operations, any policies or procedures for conduct of the Operations, or any of the financial or other services provided hereunder by Manager. Manager may assign its rights hereunder to manage the operations (but not under the Option) to San Diego Building Ventures, LLC, or such other entity formed for such purpose by Manager, and Company and Old Operators acknowledge its approval of such assignment.

4.3. Representations and Warranties of Company.

4.3.1. Company represents and warrants to Manager as follows:

4.3.2. Company is a duly organized, validly existing and in good standing under the laws of California. The Company represents and warrants that, to Company's knowledge, it holds all required approvals, which for purposes of this Agreement means collectively all applicable California San Diego City and San Diego County

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licenses, approvals, permits, authorizations, registrations and the like required by any governmental organization or unit having jurisdiction over Company or the Facility necessary to permit the Company to own and operate the Facility as a cannabis manufacturing facility.

- 4.3.3. The Company has full power, authority and legal right to execute, perform and timely observe all of the provisions of this Agreement. The Company's execution, delivery and performance of this Agreement have been duly authorized.
- 4.3.4. This Agreement constitutes a valid and binding obligation of the Company and does not and will not constitute a breach of or default under the charter documents, membership agreements or bylaws as the case may be of Company or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Company is a party or by which it or any of its assets is bound or affected.
- 4.3.5. Company shall, at its own expense, keep in full force and effect its legal existence; and Company shall make commercially reasonable efforts to obtain, as and when required for the performance of its obligations under this Agreement, and to maintain the Approvals required for it timely to observe all of the terms and conditions of this Agreement.
- 4.3.6. Company is the sole owner of the real property on which the Facility is located and is the sole owner of the improvements comprising the Facility and all real and personal property located therein. The Company has full power, authority and legal right to own such real and personal property.
- 4.3.7. There is no litigation or proceeding pending or threatened against Company that could reasonably be expected to adversely affect the validity of this Agreement or the ability of Company to comply with its obligations under this Agreement.
- 4.3.8. The Company nor any of its agents or subsidiaries has received any notice of revocation, modification, denial or legal or administrative proceedings relating to the denial, revocation or modification of any local or state approvals, which, singly or in the aggregate, would prohibit the Company's Operations at the Facility.

5. FINANCIAL ARRANGEMENTS

5.1 All net income, revenue, cash flow, and other distributions from Operations will be held by Manager as a Management Fee, subject to Manager's further obligations to make payments and pay rent and expenses as otherwise provided herein.

5.2 Prior to the time that the "Option" is exercised, such payments by Manager shall include payment to the Nonprofits of \$55,500 necessary to make rental payment to Mira Este, LLC. Such rental payment shall increase to \$60,300 upon receipt of the certificate of occupancy.

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5.3 Both before and after the closing of Manager's exercise of the Option, such monthly payments by Manager shall include (i) the monthly Mire Este-Guaranteed Payments payable to Monarch, (ii) reimbursement to any party as a preferential payment the reimbursement of sums spent for tenant improvements, and (iii) Manager's Operations expenses. Prior to the closing of Manager's exercise of the Option, one third (1/3) of any remaining net income is to be paid to Company (it being understood and agreed that the Mire Este-Guaranteed Payments are credited toward this payment of 1/3 of remaining net income sharing.) All such payments constitute a material part of Manager's obligations under this Agreement.

5.4 To the extent that Old Operators provide receipts for tenant improvements made to the 1,200 sf manufacturing room, the certificate of occupancy is received, and this Agreement is executed, then Manager shall reimburse the Old Operators for \$125,000 representing 50% of the tenant improvements incurred for the 1,200 sf manufacturing room. Such payment for tenant improvements shall be due thirty (30) days after receipt of the certificate of occupancy.

5.5 Notwithstanding anything else herein, upon execution of this Agreement, the Old Operators and Manager will split the costs of CUP and other mitigations 50/50, and once the Option is exercised, the Manager (or its assignee) and the Old Operators will own the property and cash flows from Manager on a 50/50 basis.

6. TERM AND TERMINATION

6.1 Term. Subject to the provisions contained in this Agreement, this Agreement shall commence as of the Effective Date and continue in full force and effect for a period of twenty (20) years.

6.2 Termination. Except as provided herein, this Agreement is not terminable by any Party and may only be not-renewed at the option of the Manager at the expiration of the term hereunder through the provision of ninety (90) days' advance written notice. This Agreement may be terminated through mutual consent of Manager and Company. This Agreement may also be terminated at the option of the Manager if the Operations fail to obtain either (i) any CUP or other local approvals, or (ii) the required California State permissions and licenses, in each case to allow the conduct of Operations at the Facility. This Agreement may be terminated at the option of the Company upon the failure by Manager to make any payments as are required herein, and such failure has gone uncured for twenty-five (25) days following notice to Manager by Company and/or the Old Operators.

7. RECORDS AND RECORD KEEPING

7.1 Access to Information. Company hereby authorize and grants to Manager full and complete access to all information, instruments, and documents relating to Company which may be reasonably requested by Manager to perform its obligations hereunder, and shall disclose and make available to representatives of Manager for review and photocopying all relevant books, agreements, papers, and records of Company. Manager shall further timely provide Company with all books and records generated from Operations. This shall be a continuing

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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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50% interest in the land, building, and improvements to the Manager at the time of Closing, with the protections for Manager against lien holders as stated in 8.1a, above.

8.4 Expiration of Option. If Manager does not exercise the Option prior to July 1, 2018, all of Manager's rights to exercise this 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 Mira Este Facility in San Diego Building Ventures, LLC, a Delaware Series Limited Liability Company. Such ownership interest shall become effective as of the closing of the Option, and the Parties shall incorporate into that Operating Agreement Series such terms as are reflected in that certain LOI dated October 17, 2017 among the Parties with respect to Managers of the Series and related issues set forth therein. The terms of the Operating Agreement for San Diego Building Ventures, LLC shall govern the operations of the Mira Este Facility and the Manager upon the closing of the Option. The Parties shall cooperate on the final structural decisions and documentation consistent with the terms contained in the LOI. From and after the closing of Manager's exercise of the Option, this new management company shall further take over all of the Manager's duties and responsibilities as outlined in this Agreement.

8.6. Grant of CUP. Notwithstanding anything else contained in this Agreement, no obligation, passage of time, date, or other matter with respect to the Option shall become effective until the City of San Diego has granted the Facility a conditional use permit ("CUP") permitting the Company's Operations to the satisfaction of Manager. In that regard each of the dates set forth in Section 8.2 above are tolled until the 30th, 90th, and 150th day, respectively, following the granting of the CUP, to Manager's satisfaction. The expiration date of the Option in section 8.4, above, is similarly tolled.

9. GENERAL

9.1. Conversion. At the option of Manager and in consultation with the Old Operators, any Nonprofit may be converted into a for-profit entity and owned as the Parties may otherwise agree, and as is required for compliance with law.

9.2. Indemnification.

9.2.1. Indemnification by Company. Company hereby agree to indemnify, defend, and hold harmless Manager, its officers, directors, owners, members, employees, agents, affiliates, and subcontractors, from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, awards, costs, and expenses (including reasonable attorneys' fees) related to third party claims, whether or not covered by insurance, arising from or relating to any willful misconduct relating to the breach of this Agreement by Company. The provisions of this Section shall survive termination or expiration of this Agreement. Company shall immediately notify

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Manager of any lawsuits or actions, or any threat thereof, that are known or become known to Company that might adversely affect any interest of Company or Manager whatsoever.

9.2.2. Indemnification by Manager. Manager hereby agrees to indemnify, defend, and hold harmless Company, their respective officers, directors, shareholders, employees and agents from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, and awards, costs, and expenses (including reasonable attorneys' fees), whether or not covered by insurance, arising from or relating to (a) any material breach of this Agreement by Manager, (b) any acts or omissions by Manager and its employees to the extent that such is not paid or covered by the proceeds of insurance, and (c) all other Operations conduct at the Facility as part of Manager providing Administrative Services to the Company. The provisions of this Section shall survive termination or expiration of this Agreement. Notwithstanding the foregoing, Manager shall not indemnify Company for the acts or omissions of others employed or engaged by Company, or for matters relating to operations at the two downstairs suites unless due to the gross negligence of the Manager. Manager shall immediately notify Company of any lawsuits or actions, or any threat thereof, that are known or become known to Manager that might adversely affect any interest of Manager or Company whatsoever.

9.3. Dispute Resolution. In the event that any disagreement, dispute or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a "Dispute"), such Dispute shall be settled in accordance with the following procedures:

9.3.1. Meet and Confer. In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the "Dispute Notice"). The Parties shall meet and confer in San Diego County to discuss the Dispute in good faith within five (5) days following the other Parties' receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the "Meet and Confer Period" (as defined herein below).

9.3.2. Mediation. If the Parties are unable to resolve the Dispute within ten (10) days following the date of receipt of the Dispute Notice by the other parties (the "Meet and Confer Period"), then the parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the "Rules") of ADR Services, Inc. ("ADR Services") in San Diego County within thirty (30) days of delivery of the initial Dispute Notice. A single disinterested third-party mediator shall be selected by ADR Services in accordance with its then current Rules. The Parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

9.3.3. Arbitration. Any Dispute which cannot be resolved by the Parties as outlined above, such Dispute shall be resolved by final and binding arbitration (the "Arbitration"). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of ADR Services, Inc. The Arbitration shall be held in San Diego County,

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unless the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator(s) selected in accordance with the then current Rules of ADR Services, Inc. The arbitrator(s) shall apply California substantive law, or federal substantive law where state law is preempted. The arbitrator(s) selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of California. The arbitrator(s) shall have the power to grant all legal and equitable remedies provided by California law and award compensatory damages provided by California law, except that punitive damages shall not be awarded. The arbitrator(s) shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the Superior Court for the State of California in San Diego County. The prevailing party in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and nonexpert witness costs and any other expenses incurred directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator(s).

THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2):

JURY TRIAL WAIVED:

Company

Manager

By:

By:

By:

By:

Old Operators:

By:

By:

9.4. Entire Agreement Amendment. This Agreement constitutes the entire agreement among the Parties related to the subject matter hereof and supersedes all prior agreements, understandings, and letters of intent relating to the subject matter hereof. This Agreement may be amended or supplemented only by a writing executed by all Parties. The Recitals of this Agreement are incorporated herein by this reference.

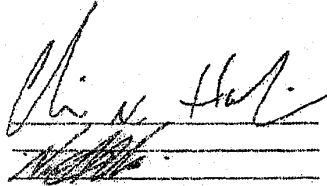
9.5. Notices. All notices, requests, demands or consents hereunder shall be in writing and shall be deemed given and received when delivered, if delivered in person, or four (4) days after being mailed by certified or registered mail, postage prepaid, return receipt requested, or one (1) day after being sent by overnight courier such as Federal Express, to and by the Parties at the following addresses, or at such other addresses as the Parties may designate by written notice in the manner set forth herein:

If to Manager:

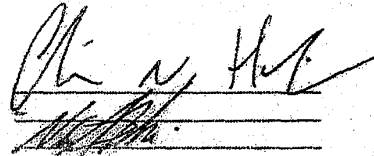
SoCal Building Ventures, LLC
32123 Linden Canyon Rd #210
Nestle Village CA 91361



If to Company:



If to Old Operators:



9.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which, when taken together, will constitute one and the same instrument.

9.7. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California, without reference to conflict of law principles.

9.8. Assignment. Unless expressly set forth to the contrary hereinabove, this Agreement shall not be assignable by any Party hereto without the express written consent of the other Parties; provided, however, Old Operators may assign their holding interest to Monarch or another legal entity owned by the Old Operators, and SoCal Building Ventures, LLC may assign all or a portion of its rights and obligations to San Diego Building Ventures, LLC.

9.9. Waiver. Waiver of any agreement or obligation set forth in this Agreement by either Party shall not prevent that party from later insisting upon full performance of such agreement or obligation and no course of dealing, partial exercise or any delay or failure on the part of any Party hereto in exercising any right, power, privilege, or remedy under this Agreement or any related agreement or instrument shall impair or restrict any such right, power,

privilege or remedy or be construed as a waiver therefor. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought.

9.10. Binding Effect. Subject to the provisions set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and upon their respective successors and assigns.

9.11. Waiver of Rule of Construction. Each Party has had the opportunity to consult with its own legal counsel in connection with the review, drafting, and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting party shall not apply.

9.12. Severability. If anyone or more of the provisions of this Agreement is adjudged to any extent invalid, unenforceable, or contrary to law by a court of competent jurisdiction, each and all of the remaining provisions of this Agreement will not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

9.13. Force Majeure. Any Party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, terrorism, bio-terrorism, riot or insurrection, law or regulation, strike, flood, earthquake, water shortage, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities. This provision shall not release such Party from using its best efforts to avoid or remove such cause and such Party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such Party shall give prompt written notice thereof to the other Party, provided that failure to give such notice shall not in any way limit the operation of this provision.

9.14. Authorization for Agreement. The execution and performance of this Agreement by Company and Manager have been duly authorized by all necessary laws, resolutions, and corporate or partnership action, and this Agreement constitutes the valid and enforceable obligations of Company and Manager in accordance with its terms.

9.15. Duty to Cooperate. The Parties acknowledge that the Parties' mutual cooperation is critical to the ability of Manager and Company to perform successfully and efficiently its duties hereunder. Accordingly, each party agrees to cooperate fully with the other in formulating and implementing goals and objectives which are in Company's best interests.

9.16. Proprietary and Confidential Information. The Parties agree with regard to Confidential Information that Manager may be given or obtain as a result of Manager's performance under this Agreement, or vice versa, such Confidential Information is secret, confidential and proprietary, and shall be utilized only for those purposes of this Agreement or as otherwise directed or agreed to in writing. The term "Confidential Information" means any information or knowledge concerning or in any way related to the practices, pricing, activities, strategies, business plans, financial plans, trade secrets, relationships and methodology of

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Operations of the business, performance of the Administrative Services, or other matter relating to the business. The Parties shall take appropriate action to ensure that all employees permitted access to Confidential Information are aware of its confidential and proprietary nature and the restrictions placed on its use. The Parties shall not reproduce or copy the Confidential Information of the Company, or any part thereof, in any manner other than is necessary to perform under this Agreement, and no Party shall disclose or otherwise make the Confidential Information available to any other person, corporation, or other entity, except to the other Party, or as otherwise required by law.

9.16.1 All Confidential information constitutes a valuable, confidential, special and unique asset. The Parties recognize that the disclosure of Confidential Information may give rise to irreparable injury or damage that are difficult to calculate, and which cannot be adequately compensated by monetary damages. Accordingly, in the event of any violation or threatened violation of the confidentiality provisions of this Agreement, a non-violating Party shall be entitled to an injunction restraining such violation.

9.17 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties; provided, however, at the request of either Party, the other Party shall execute such additional instruments and take such additional acts as are reasonable and as the requesting Party may deem necessary to effectuate this Agreement.

9.18 Consents, Approvals, and Exercise of Discretion. Whenever this requires any consent or approval to be given by either Party, or either Party must or may exercise discretion, and except where specifically set forth to the contrary, the Parties agree that such consent or approval shall not be unreasonably withheld or delayed, and that such discretion shall be reasonably exercised.

9.19 Third Party Beneficiaries. Except as otherwise provided herein, this Agreement shall not confer any rights or remedies upon any person other than Manager and Owner and their respective successors and permitted assigns.

[signatures to follow]

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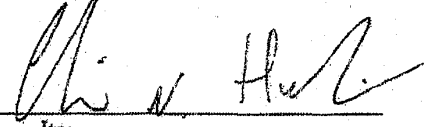
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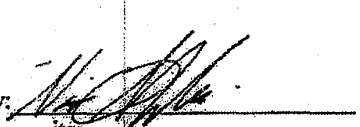
IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

"COMPANY"


Mira Este Properties, LLC

California Cannabis Group

By: 
Its: _____

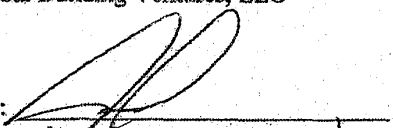
By: 
Its: _____

Devilish Delights, Inc.

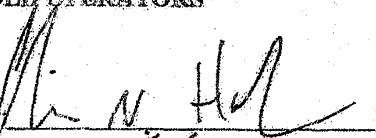
By: 
Its: _____

"MANAGER"

SoCal Building Ventures, LLC

By: 
Its: managing member

"OLD OPERATORS"

By: 


By: 

EXHIBIT 3

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** (the "Manager" and "Optionee" as context requires), and **Roselle Properties, LLC**, a California limited liability company (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 which the Parties believe may be used to operate a medical marijuana cultivation and/or manufacturing site (the "Operations"), and which is 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 real property is located at 10685 Roselle Street, San Diego, California 92121 (the "Facility"), for which a CUP has been submitted with the City of San Diego for such purposes. The Company owns the Facility in fee simple. The planned Facility will consist of approximately 20,000 SF. There is currently an unaffiliated tenant at the Facility (which currently has 4000 SF). The Company seeks to lease the Facility to one or more affiliated, qualified cannabis cultivation and/or manufacturing operators following the termination of the current lease consistent with the terms of this Agreement. The existing management company for the Company has assigned its rights to Manager under other agreements between the primary parties.

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. There are currently no cannabis-related operations occurring at the Facility.

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 Old Operators, 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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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.

NOW, THEREFORE, in consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

TERMS OF AGREEMENT

1. ENGAGEMENT

1.1. Engagement of Manager. Company hereby engages Manager to provide the Administrative Services for the Operations on the terms and conditions described herein, and Manager accepts such engagement. Manager shall be the sole and exclusive provider of the administrative, management, and other services to be provided to or on behalf of Company for the Operations as more particularly outlined herein. Manager in its sole discretion shall determine which services shall be provided to Company from time-to-time so long as the Administrative Services are provided in compliance with this Agreement. For purposes of this Agreement, "Administrative Services" shall not include any management services to Roselle Properties, LLC relating to its ownership of the Facility unless and until Manager exercises the option to purchase 50% of the Facility as more particularly outlined in this Agreement.

1.1.1. No Warranty or Representations. Company acknowledges that Manager has not made and will not make any express or implied warranties or representations that the Administrative Services provided by Manager will result in any particular amount or level of income to the Company. Specifically, Manager has not represented that its Administrative Services will result in higher revenues, lower expenses, greater profits, or growth in the number of clients receiving services or purchasing goods at the Facility.

1.2. Agency. Company hereby appoints Manager as Company's true and lawful agent throughout the Term of this Agreement, and Manager hereby accepts such appointment.

1.3. Power of Attorney. In connection with billing, collection, banking, and related services incident to or under the Administrative Services to be provided hereunder, Company, in accordance with applicable law, hereby grants to Manager a limited power of attorney and appoints Manager as Company's true and lawful agent and attorney-in-fact consistent with Manager's duties under this Agreement, and Manager hereby accepts such special power of attorney and appointment, for the following purposes:

- i. To collect and deposit all amounts received, including all cash received, patient co-payments, cost reimbursements, co-insurance and deductibles, and accounts receivable, into the "Manager's Account," which shall be and at all times remain in Company's name through accrual on Company's accounting records.

- ii. To make demand with respect to, settle, and compromise such claims and to coordinate with collections agencies in the name of Company or Manager.
- iii. To take possession of and endorse in the name of Company on any note, check, money order, insurance payment or any other instrument received.
- iv. To effectuate the payment of Company expenses, including to the Manager for the Management Fee as it becomes due.
- v. To sign checks, drafts, bank notes or other instruments on behalf of Company and to make withdrawals from the Manager's Account for other payments specified in this Agreement and as determined appropriate by the Manager.

1.4. Documentation to Bank. Upon request of Manager, Company shall execute and deliver to the financial institution wherein the Manager's Account is maintained, such additional documents or instruments as may be necessary to evidence or effect the limited power of attorney granted to Manager. Company will not take any action that interferes with the transfer of funds to or from Manager's Account, nor will Company or its agents remove, withdraw or authorize the removal or withdrawal of any funds from the Manager's Account for any purpose. Manager agrees to hold all funds in the Manager's Account in accordance with California agency law.

1.5. Expiration of Power of Attorney. The power of attorney shall expire on the date this Agreement is terminated. Upon termination or expiration of this Agreement, Manager further agrees to execute any and all documentation confirming the termination of this limited power of attorney.

2. DUTIES AND RESPONSIBILITIES OF MANAGER

2.1. General Responsibilities. During the Term of this Agreement Manager shall, in a manner determined at Manager's sole discretion, provide such services as are necessary and appropriate for the day-to-day administration and management of Company's business in a manner consistent with good business practice, including without limitation: Human Resources, Information Technology, Equipment and Supplies, Banking, Accounting and Finance, Insurance Procurement, Risk Management, Contract Negotiation, Cultivation, Marketing, and Licensing of Intellectual Property, Trade Names and Trademarks, as all are more specifically set forth below.

2.1.1. Personnel. Manager has full right, obligation, and authority to hire and retain personnel and other persons or entities needed to perform the Administrative Services for Manager under this Agreement. All personnel will be employees, agents, or independent contractors of the Company, and all costs (including payroll and withholding taxes and expenses, any employment insurance costs, health insurance expenses and insurance, and other customary expenses) associated with such personnel shall be paid by Manager from Company funds managed by Manager, or by Manager if such funds are insufficient.

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2.1.2. Manager Personnel. Manager may employ or contract with and provide all necessary personnel ("Manager Personnel") it reasonably needs to provide the Administrative Services hereunder. Such personnel shall be under the direction, supervision, and control of Manager, and shall be employees of Manager. Manager shall be responsible for setting and paying the compensation and providing the fringe benefits of all Manager Personnel. Company shall be not responsible in any way for Manager Personnel, and Manager indemnifies, defends, and holds Company harmless from any such liability.

2.1.3. Training. Manager shall provide reasonable training to personnel in all aspects of the Operations material to the role of such personnel, including but not limited to administrative, financial, and equipment maintenance matters.

2.1.4. Insurance. Manager shall assist Company in Company's purchase of necessary insurance coverage, with the cost of such insurance paid from Company's funds managed by Manager.

2.1.5. Accounting. Manager shall establish and administer accounting procedures and controls and systems for the development, preparation, and keeping of records and books of accounting related to the business and financial affairs of Company. Such books and records shall at all times be accessible and available to Company and the Old Operators.

2.1.6. Tax Matters. Manager shall oversee the preparation of the annual report and tax information returns required to be filed by Company. All of Company's tax obligations shall be paid by Manager out of Company's funds managed by Manager. Manager shall provide such information, compilations, and other relevant information to Company on a timely basis in order to file all returns with the taxing agencies. Company shall also make such reserves and set asides for taxes as directed by Manager throughout the year.

2.1.7. Reports and Information. Manager shall furnish Company in a timely fashion quarterly or more frequent operating reports and other business reports as reasonably requested by Company, including without limitation (i) copies of bank statements and checks relating to Company's bank accounts and (ii) all other financial information and financial statements relating to Operations.

2.1.8. Budgets. Manager shall prepare for review and approval by Company, all capital and annual operating budgets as needed, and such approval shall not be unreasonably withheld.

2.1.9. Expenditures. Manager shall manage all cash receipts and disbursements of Company, including the payment on behalf of Company for any of the items set forth in this Article 2, such as taxes, assessments, licensing fees, and other fees of any nature whatsoever in connection with the operation of the Operations as the same become due and payable, unless payment thereof is being contested in good faith by Company.

2.1.10. Contract Negotiations. Manager shall advise Company with respect to and negotiate, either directly or on Company's behalf, as appropriate and permitted by applicable

law, such contractual arrangements with third Parties as are reasonably necessary and appropriate for Company's Operations.

2.1.11. Billing and Collection. On behalf of and for the account of Company, Manager shall establish and maintain credit and billing and collection policies and procedures, and shall exercise reasonable efforts to bill and collect in a timely manner all professional and other fees for all billable services provided by Company.

2.1.12. All Other Matters Reasonably Needed for Operations. The Manager shall perform all tasks required for the good governance and operation of the Operations, including making reasonable repairs, at Company's expense, for any facility used in the Operations as may be required under any lease or mortgage that encumbers the property, or to protect public safety.

2.1.13. Company Approval of Various Actions Relating to Operations. The parties agree Manager has authority to make decisions relating to the day-to-day business operations of the Operations and execute on behalf of Operations all instruments and documents needed in the course of the customary and ordinary operation of Operations, including the payment of ordinary expenses incurred during Operations and other related payments. Manager shall also coordinate any public statements or press interactions.

2.2. Responsibilities as Agent. In connection with the appointment of Manager as Agent of Company under Section 2.1 above, Manager shall further undertake the following:

2.2.1. Billing. Manager shall bill, in Company's name and on Company's behalf, any claims for reimbursement, cost offset, or indemnification from members or customers, insurance companies and plans, all state or federally funded benefit plans, and all other third party payors or fiscal intermediaries.

2.2.2. Collections. Manager shall collect and receive on Company's behalf, all accounts receivable generated by such billings and claims for reimbursement, to take possession of, and deposit into the Manager's Account (accruing such deposits on the general ledger of Company) any cash, notes, checks, money orders, insurance payments, and any other instruments received in payment of accounts receivable, to administer such accounts including, but not limited to, extending the time or payment of any such accounts for cash, credit or otherwise; discharging or releasing the obligors of any such accounts; assigning or selling at a discount such accounts to collection agencies; or taking other measures to require the payment of any such accounts.

2.2.3. Banking. The Parties shall cooperate in opening such bank accounts as shall be required for prudent administration of the Operations, including a Manager's Account, opened by and under the control and domain of Manager for the deposit of collections and the disbursement of expenses and other purposes as set forth herein, and (ii) such other accounts as Manager determines in its sole discretion are reasonable and necessary. Manager shall sign checks, drafts, bank notes or other instruments on behalf of Company, and make withdrawals from Manager's Account for payments specified in this Agreement. Manager, in its sole

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discretion, may make a pledge or assignment of Company's accounts to support financing instruments.

2.2.4. Litigation Management. Manager shall, in consultation with Company, (a) manage and direct the defense of all claims, actions, proceedings or investigations against Company or any of its officers, directors, employees or agents in their capacity as such, and (b) manage and direct the initiation and prosecution of all claims, actions, proceedings or investigations brought by Company against any person other than Manager.

2.2.5. Marketing, Advertising, and Public Relations Programs. Manager shall propose, with Company's consultation, marketing and advertising programs to be implemented by Company to effectively notify the community of the services offered by Company. Manager shall advise and implement such marketing and advertising programs, including, but not limited to, analyzing the effectiveness of such programs, preparing marketing and advertising materials, negotiating marketing and advertising contracts on Company's behalf, and obtaining services necessary to produce and present such marketing and advertising programs. Manager and Company agree that all marketing and advertising programs shall be conducted in compliance with all applicable standards of ethics, laws, and regulations.

2.2.6. Information Technology and Computer Systems. Manager shall set up workstations and other information technology required for the Operations.

2.2.7. Supplies. Manager shall order and purchase all supplies in connection with the Administrative Services and the Operations, including all necessary forms, supplies and postage, provided that all such supplies acquired shall be reasonably necessary in connection with the Operations.

2.2.8. Retention Payments. From Company funds managed by the Manager or as otherwise provided herein, Manager shall make payments to Monarch Management Consulting, Inc. ("Monarch") in the aggregate of \$50,000 per month (the "Roselle-Guaranteed Payment") which shall be due on the 15th of each month starting on January 15, 2018. The Roselle-Guaranteed Payment shall be increased to \$56,250 per month on the actual first anniversary of the initial payment of the Roselle-Guaranteed Payment, and increased again on the second such anniversary to \$63,280 per month. Notwithstanding anything else herein, no payment of the Roselle-Guaranteed Payment shall be due or accrue unless and until the Certificate of Occupancy and the CUP are issued for the planned Facility. Monarch shall be responsible for all income and other taxes due relating to the monthly Roselle-Guaranteed Payment paid to Monarch. Further provided, the Roselle-Guaranteed Payment shall continue to be paid to Monarch from and after Manager's exercise of the Option, and by execution of this Agreement the Company consents to all such payments to Monarch.

3. RELATIONSHIP OF THE PARTIES

3.1. Relationship of the Parties. Nothing contained herein shall be construed as creating a partnership, trustee, fiduciary joint venture, or employment relationship between Manager and Company. In performing all services required hereunder, Manager shall be in the

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relation of an independent contractor to Company, providing Administrative Services to the Operations operated by Company.

4. RESPONSIBILITIES OF COMPANY

4.1. General Responsibilities of Company. Company shall own and operate the Operations during the Term of this Agreement, with Manager managing the day-to-day Operations as provided herein. At all times during this Agreement, the Manager and Company shall coordinate to obtain and maintain in full force and effect all available and necessary licenses, approvals, permits and/or certificates (collectively "Approvals") required under any and all local and state laws allowing the Company to engage in the Operations at the Facility, and the Company's performance of its respective obligations pursuant to this Agreement. Company agrees to promptly deliver to Manager any notice of denial or revocation of any such Approvals within three (3) calendar days of receipt by the Company. From and after the Effective Date, Company and Manager shall coordinate and insure, at Company's expense, that the Operations are in compliance with all Approvals issued by any and all local or state government regarding the Company's legal standing and ability to engage in the Operations at the Facility, including but not limited to all requirements of any insurance or underwriters or any other body which may exercise similar functions. Company agrees to promptly deliver to Manager any notice of violation of any said Approvals within three (3) calendar days of receipt by the Company.

4.2. Exclusivity. During the Term of this Agreement, Manager shall serve as Company's sole and exclusive manager and provider of the Administrative Services, and Company shall not engage any other person or entity to furnish Company with any sites for conduct of its Operations, any policies or procedures for conduct of the Operations, or any of the financial or other services provided hereunder by Manager. Manager may assign its rights hereunder to manage the operations (but not under the Option) to San Diego Building Ventures, LLC, or such other entity formed for such purpose by Manager, and Company and Old Operators acknowledge its approval of such assignment.

4.3. Representations and Warranties of Company. Company represents and warrants to Manager as follows:

4.3.1. Company is a duly organized, validly existing and in good standing under the laws of California. The Company represents and warrants that, to Company's knowledge, it holds or is pursuing all required Approvals, which for purposes of this Agreement means collectively all applicable California San Diego City and San Diego County licenses, approvals, permits, authorizations, registrations and the like required by any governmental organization or unit having jurisdiction over Company or the Facility necessary to permit the Company to own and operate the Facility as a cannabis cultivation site.

4.3.2. The Company has full power, authority and legal right to execute, perform and timely observe all of the provisions of this Agreement. The Company's execution, delivery and performance of this Agreement have been duly authorized.

4.3.3. This Agreement constitutes a valid and binding obligation of the Company and does not and will not constitute a breach of or default under the charter documents, membership agreements or bylaws as the case may be of Company or the terms, conditions, or provisions of any law, order, rule, regulation, judgment, decree, agreement, or instrument to which Company is a party or by which it or any of its assets is bound or affected.

4.3.4. Company shall, at its own expense, keep in full force and effect its legal existence; and Company shall make commercially reasonable efforts to obtain, as and when required for the performance of its obligations under this Agreement, and to maintain the Approvals required for it timely to observe all of the terms and conditions of this Agreement.

4.3.5. Company is the sole owner of the real property on which the Facility is located and is the sole owner of the improvements comprising the Facility and all real and personal property located therein. The Company has full power, authority and legal right to own such real and personal property.

4.3.6. There is no litigation or proceeding pending or threatened against Company that could reasonably be expected to adversely affect the validity of this Agreement or the ability of Company to comply with its obligations under this Agreement.

4.3.7. The Company nor any of its agents or subsidiaries has received any notice of revocation, modification, denial or legal or administrating proceedings relating to the denial, revocation or modification of any local or state approvals, which, singly or in the aggregate, would prohibit the Company's Operations at the Facility.

5. FINANCIAL ARRANGEMENTS

5.1 All net income, revenue, cash flow, and other distributions from Operations will be held by Manager as a Management Fee, subject to Manager's further obligations to make payments and pay rent and expenses as otherwise provided herein.

5.2 Once the current tenancy is extinguished, Manager shall pay to Company a monthly rental of \$16,000 for its use of space at the Facility. The Old Operators shall pay the NNN expenses for the Facility and the debt service on any liens until the existing tenants have vacated the Facility, whereupon the Manager shall take on the responsibility for the NNN expense and remit \$18,200 in monthly rental payments.

5.3. The Old Operators and Manager will split the costs of CUP and other mitigations 50/50, and once the Option is exercised, the Manager (or its assignee) and the Old Operators will own the property and cash flows from Manager on a 50/50 basis.

5.4 The Old Operators are and will remain solely responsible for the lien on the property of approximately \$1,250,000, and shall make all payments due thereunder on a timely basis pursuant to the terms of the indebtedness.

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5.5 Prior to the closing of Manager's exercise of the Option, one third (1/3) of any remaining net income is to be paid to Company (it being understood and agreed that the Roselle-Guaranteed Payments, once due, are credited toward this payment of 1/3 of remaining net income sharing.) All such payments constitute a material part of Manager's obligations under this Agreement.

6. TERM AND TERMINATION

6.1. Term. Subject to the provisions contained in this Agreement, this Agreement shall commence as of the Effective Date and continue in full force and effect for a period of twenty (20) years.

6.2. Termination. Except as provided herein, this Agreement is not terminable by any Party and may only be not-renewed at the option of the Manager at the expiration of the term hereunder through the provision of ninety (90) days' advance written notice. This Agreement may be terminated through mutual consent of Manager and Company. This Agreement may also be terminated at the option of the Manager if the Operations fail to obtain either (i) any CUP or other local approvals, or (ii) the required California State permissions and licenses, in each case to allow the conduct of Operations at the Facility. This Agreement may be terminated at the option of the Company upon the failure by Manager to make any payments as are required herein, and such failure has gone uncured for twenty-five (25) days following notice to Manager by Company and/or the Old Operators.

7. RECORDS AND RECORD KEEPING

7.1. Access to Information. Company hereby authorize and grants to Manager full and complete access to all information, instruments, and documents relating to Company which may be reasonably requested by Manager to perform its obligations hereunder, and shall disclose and make available to representatives of Manager for review and photocopying all relevant books, agreements, papers, and records of Company. Manager shall further timely provide Company with all books and records generated from Operations. This shall be a continuing 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.

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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 be solely and personally responsible for paying in a timely fashion and ultimately paying off, the first lien of approximately \$1,250,000. 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)	\$2,250,000
March 31, 2018 (or prior)	\$2,375,000
June 30, 2018 (or prior)	\$2,500,000

8.3 Closing of Escrow. Escrow shall close on or before the sixtieth (60th) day following 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, with the protections for Manager against lien holders as stated in 8.1a. above.

8.4 Expiration of Option. If Manager does not exercise the Option prior to July 1, 2018, all of Manager's rights to exercise this 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 Roselle Facility in San Diego Building Ventures, LLC, a Delaware Series Limited Liability Company. Such ownership interest shall become effective as of the closing of the Option, and the Parties shall incorporate into that Operating Agreement Series such terms as are reflected in that certain LOI dated October 17, 2017 among the Parties with respect to Managers of the Series and related

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issues set forth therein. The terms of the Operating Agreement for San Diego Building Ventures, LLC shall govern the operations of the Roselle Facility and the Manager upon the closing of the Option. The Parties shall cooperate on the final structural decisions and documentation consistent with the terms contained in the LOI. From and after the closing of Manager's exercise of the Option, this new management company shall further take over all of the Manager's duties and responsibilities as outlined in this Agreement.

8.6. Grant of CUP. Notwithstanding anything else contained in this Agreement, no obligation, passage of time, date, or other matter with respect to the Option shall become effective until the City of San Diego has granted the Facility a conditional use permit ("CUP") permitting the Company's Operations to the satisfaction of Manager. In that regard each of the dates set forth in Section 8.2 above are tolled until the 30th, 90th, and 150th day, respectively, following the granting of the CUP, to Manager's satisfaction. The expiration date of the Option in section 8.4. above, is similarly tolled.

9. GENERAL

9.1. Conversion. At the option of Manager and in consultation with the Old Operators, any nonprofit may be converted into a for-profit entity and owned as the Parties may otherwise agree, and as is required for compliance with law.

9.2. Indemnification.

9.2.1. Indemnification by Company. Company hereby agree to indemnify, defend, and hold harmless Manager, its officers, directors, owners, members, employees, agents, affiliates, and subcontractors, from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, awards, costs, and expenses (including reasonable attorneys' fees) related to third party claims, whether or not covered by insurance, arising from or relating to any willful misconduct relating to the breach of this Agreement by Company. The provisions of this Section shall survive termination or expiration of this Agreement. Company shall immediately notify Manager of any lawsuits or actions, or any threat thereof, that are known or become known to Company that might adversely affect any interest of Company or Manager whatsoever.

9.2.2. Indemnification by Manager. Manager hereby agrees to indemnify, defend, and hold harmless Company, their respective officers, directors, shareholders, employees and agents from and against any and all claims, damages, demands, diminution in value, losses, liabilities, actions, lawsuits and other proceedings, judgments, fines, assessments, penalties, and awards, costs, and expenses (including reasonable attorneys' fees), whether or not covered by insurance, arising from or relating to (a) any material breach of this Agreement by Manager, (b) any acts or omissions by Manager and its employees to the extent that such is not paid or covered by the proceeds of insurance, and (c) all other Operations conduct at the Facility as part of Manager providing Administrative Services to the Company. The provisions of this Section shall survive termination or expiration of this Agreement. Notwithstanding the foregoing, Manager shall not indemnify Company for the acts or omissions of others employed or engaged by Company, or for matters relating to operations at the two downstairs suites unless due to the

gross negligence of the Manager. Manager shall immediately notify Company of any lawsuits or actions, or any threat thereof, that are known or become known to Manager that might adversely affect any interest of Manager or Company whatsoever.

9.3. Dispute Resolution. In the event that any disagreement, dispute or claim arises among the Parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions hereof or with respect to whether an alleged breach or default hereof has or has not occurred (collectively, a "Dispute"), such Dispute shall be settled in accordance with the following procedures:

9.3.1. Meet and Confer. In the event of a Dispute among the Parties hereto, a Party may give written notice to all other Parties setting forth the nature of such Dispute (the "Dispute Notice"). The Parties shall meet and confer in San Diego County to discuss the Dispute in good faith within five (5) days following the other Parties' receipt of the Dispute Notice in an attempt to resolve the Dispute. All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the "Meet and Confer Period" (as defined herein below).

9.3.2. Mediation. If the Parties are unable to resolve the Dispute within ten (10) days following the date of receipt of the Dispute Notice by the other parties (the "Meet and Confer Period"), then the parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules of Practice and Procedures (the "Rules") of ADR Services, Inc. ("ADR Services") in San Diego County within thirty (30) days of delivery of the initial Dispute Notice. A single disinterested third-party mediator shall be selected by ADR Services in accordance with its then current Rules. The Parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on a pro rata basis.

9.3.3. Arbitration. Any Dispute which cannot be resolved by the Parties as outlined above, such Dispute shall be resolved by final and binding arbitration (the "Arbitration"). The Arbitration shall be initiated and administered by and in accordance with the then current Rules of ADR Services. The Arbitration shall be held in San Diego County, unless the parties mutually agree to have such proceeding in some other locale; the exact time and location shall be decided by the arbitrator(s) selected in accordance with the then current Rules of ADR Services. The arbitrator(s) shall apply California substantive law, or federal substantive law where state law is preempted. The arbitrator(s) selected shall have the power to enforce the rights, remedies, duties, liabilities, and obligations of discovery by the imposition of the same terms, conditions, and penalties as can be imposed in like circumstances in a civil action by a court of competent jurisdiction of the State of California. The arbitrator(s) shall have the power to grant all legal and equitable remedies provided by California law and award compensatory damages provided by California law, except that punitive damages shall not be awarded. The arbitrator(s) shall prepare in writing and provide to the Parties an award including factual findings and the legal reasons on which the award is based. The arbitration award may be enforced through an action thereon brought in the Superior Court for the State of California in San Diego County. The prevailing party in any Arbitration hereunder shall be awarded reasonable attorneys' fees, expert and nonexpert witness costs and any other expenses incurred

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directly or indirectly with said Arbitration, including without limitation the fees and expenses of the arbitrator(s).

THIS ELECTION OF AN ALTERNATIVE DISPUTE PROCESS IS AN AFFIRMATIVE WAIVER OF THE PARTIES' RIGHTS TO A JURY TRIAL UNDER CALIFORNIA LAW, Cal. C. Civ. Pro. Sec 631. BY SIGNING BELOW, EACH PARTY IS EXPLICITLY WAIVING JURY TRIAL AND AUTHORIZING ANY AND ALL PARTIES TO FILE THIS WAIVER WITH ANY COURT AS THE WAIVER REQUIRED UNDER Cal. C. Civ. Proc. Sec. 631(f)(2):

JURY TRIAL WAIVED:

Company _____ Manager _____
By: [Signature] By: [Signature]
By: [Signature]
By: _____

Old Operators:
By: [Signature] By: [Signature]

9.4. Entire Agreement; Amendment. This Agreement constitutes the entire agreement among the Parties related to the subject matter hereof and supersedes all prior agreements, understandings, and letters of intent relating to the subject matter hereof. This Agreement may be amended or supplemented only by a writing executed by all Parties. The Recitals of this Agreement are incorporated herein by this reference.

9.5. Notices. All notices, requests, demands or consents hereunder shall be in writing and shall be deemed given and received when delivered, if delivered in person, or four (4) days after being mailed by certified or registered mail, postage prepaid, return receipt requested, or one (1) day after being sent by overnight courier such as Federal Express, to and by the Parties at the following addresses, or at such other addresses as the Parties may designate by written notice in the manner set forth herein:

If to Manager: SoCal Building Ventures, LLC

If to Company:

If to Old Operators:

9.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which, when taken together, will constitute one and the same instrument.

9.7. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California, without reference to conflict of law principles.

9.8. Assignment. Unless expressly set forth to the contrary hereinabove, this Agreement shall not be assignable by any Party hereto without the express written consent of the other Parties; provided, however, Old Operators may assign their holding interest to Monarch or another legal entity owned by the Old Operators, and SoCal Building Ventures, LLC may assign all or a portion of its rights and obligations to San Diego Building Ventures, LLC.

9.9. Waiver. Waiver of any agreement or obligation set forth in this Agreement by either Party shall not prevent that party from later insisting upon full performance of such agreement or obligation and no course of dealing, partial exercise or any delay or failure on the part of any Party hereto in exercising any right, power, privilege, or remedy under this Agreement or any related agreement or instrument shall impair or restrict any such right, power, privilege or remedy or be construed as a waiver therefor. No waiver shall be valid against any Party unless made in writing and signed by the Party against whom enforcement of such waiver is sought.

9.10. Binding Effect. Subject to the provisions set forth in this Agreement, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and upon their respective successors and assigns.

9.11. Waiver of Rule of Construction. Each Party has had the opportunity to consult with its own legal counsel in connection with the review, drafting, and negotiation of this

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Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting party shall not apply.

9.12. Severability. If anyone or more of the provisions of this Agreement is adjudged to any extent invalid, unenforceable, or contrary to law by a court of competent jurisdiction, each and all of the remaining provisions of this Agreement will not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

9.13. Force Majeure. Any Party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, terrorism, bio-terrorism, riot or insurrection, law or regulation, strike, flood, earthquake, water shortage, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities. This provision shall not release such Party from using its best efforts to avoid or remove such cause and such Party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such Party shall give prompt written notice thereof to the other Party, provided that failure to give such notice shall not in any way limit the operation of this provision.

9.14. Authorization for Agreement. The execution and performance of this Agreement by Company and Manager have been duly authorized by all necessary laws, resolutions, and corporate or partnership action, and this Agreement constitutes the valid and enforceable obligations of Company and Manager in accordance with its terms.

9.15. Duty to Cooperate. The Parties acknowledge that the Parties' mutual cooperation is critical to the ability of Manager and Company to perform successfully and efficiently its duties hereunder. Accordingly, each party agrees to cooperate fully with the other in formulating and implementing goals and objectives which are in Company's best interests.

9.16. Proprietary and Confidential Information. The Parties agree with regard to Confidential Information that Manager may be given or obtain as a result of Manager's performance under this Agreement, or vice versa, such Confidential Information is secret, confidential and proprietary, and shall be utilized only for those purposes of this Agreement or as otherwise directed or agreed to in writing. The term "Confidential Information" means any information or knowledge concerning or in any way related to the practices, pricing, activities, strategies, business plans, financial plans, trade secrets, relationships and methodology of Operations of the business, performance of the Administrative Services, or other matter relating to the business. The Parties shall take appropriate action to ensure that all employees permitted access to Confidential Information are aware of its confidential and proprietary nature and the restrictions placed on its use. The Parties shall not reproduce or copy the Confidential Information of the Company, or any part thereof, in any manner other than is necessary to perform under this Agreement, and no Party shall disclose or otherwise make the Confidential Information available to any other person, corporation, or other entity, except to the other Party, or as otherwise required by law.

9.16.1 All Confidential Information constitutes a valuable, confidential, special and unique asset. The Parties recognize that the disclosure of Confidential Information may give rise

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to irreparable injury or damage that are difficult to calculate, and which cannot be adequately compensated by monetary damages. Accordingly, in the event of any violation or threatened violation of the confidentiality provisions of this Agreement, a non-violating Party shall be entitled to an injunction restraining such violation.

9.17 Additional Assurances. The provisions of this Agreement shall be self-operative and shall not require further agreement by the Parties; provided, however, at the request of either Party, the other Party shall execute such additional instruments and take such additional acts as are reasonable and as the requesting Party may deem necessary to effectuate this Agreement.

9.18 Consents, Approvals, and Exercise of Discretion. Whenever this requires any consent or approval to be given by either Party, or either Party must or may exercise discretion, and except where specifically set forth to the contrary, the Parties agree that such consent or approval shall not be unreasonably withheld or delayed, and that such discretion shall be reasonably exercised.

9.19 Third Party Beneficiaries. Except as otherwise provided herein, this Agreement shall not confer any rights or remedies upon any person other than Manager and Owner and their respective successors and permitted assigns.

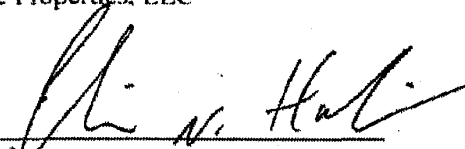
[signature page follows]

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IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

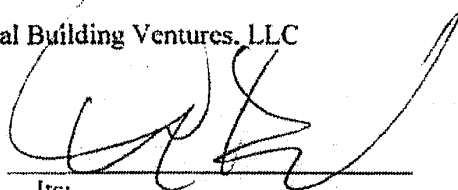
"COMPANY"

Roselle Properties, LLC

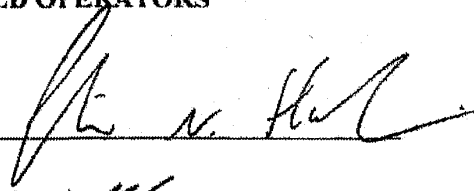

By: 
Its:

"MANAGER"

SoCal Building Ventures, LLC

By: 
Its:

"OLD OPERATORS"

By: 
By: 

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

5 Attorneys for Defendants CHRIS HAKIM
MIRA ESTE PROPERTIES LLC, and
6 ROSELLE PROPERTIES LLC

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

10
11 SALAM RAZUKI, an individual)
Plaintiff)

12 vs)

13)
14) **ANSWER OF DEFENDANTS CHRIS**
15) **HAKIM, MIRA ESTE PROPERTIES LLC,**
16) **AND ROSELLE PROPERTIES LLC TO**
17) **UNVERIFIED FIRST AMENDED**
18) **COMPLAINT**
19)
20)
21)
22)
23)
24)

25 Defendants.)
26)
27)

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

(Unlimited Civil Action)

Dept.: C-67

I/C Judge: Hon. Eddie C. Sturgeon

Complaint Filed: July 10, 2018

Trial Date: Not Set

IMAGED FILE

1 COMES NOW, defendants CHRIS HAKIM, MIRA ESTE PROPERTIES LLC, and
2 ROSELLE PROPERTIES LLC, and severing themselves from their Co-Defendants, answer the
3 unverified First Amended Complaint for Damages (“Complaint”) on file herein by denying, pursuant
4 to Code of Civil Procedure Section 431.30(d), generally and specifically each and all allegations
5 thereof.
6

7 **FIRST AFFIRMATIVE DEFENSE**
(Failure to State Cause of Action)

8 As a further, separate and First Affirmative Defense, Defendants allege that the Complaint,
9 and each and every purported cause of action therein alleged, fails to state facts sufficient to
10 constitute a cause of action against these answering Defendants.
11

12 **SECOND AFFIRMATIVE DEFENSE**
(Comparative Negligence)

13 As a further, separate and Second Affirmative Defense, Defendants allege that the
14 Complaint, and each and every purported cause of action therein alleged, are barred by reason that
15 at the time and place of the incidents alleged, Plaintiff or his agents did not exercise ordinary and
16 reasonable care, caution or prudence to avoid such incidents or to protect themselves from damage
17 or injury, and the resulting damage, if any, sustained by Plaintiff and/or his agents was proximately
18 caused and contributed to by the comparative negligence of Plaintiff and/or his agents.
19

20 **THIRD AFFIRMATIVE DEFENSE**
(Breach by Plaintiff)

21 As a further, separate and Third Affirmative Defense, Defendants allege that the Complaint,
22 and each and every purported cause of action therein alleged, are barred by reason that any failure
23 on the part of these answering Defendants to perform the obligations as alleged in said Complaint
24 are excused by the breaches of Plaintiff and/or his agents or representatives in failing, refusing and
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1 neglecting to perform their obligations under the subject statutes and/or agreements and/or
2 otherwise, which performance by Plaintiff and/or his agents was and is a condition precedent to any
3 obligation of these answering Defendants.
4

5 **FOURTH AFFIRMATIVE DEFENSE**
6 (Privilege)

7 As a further, separate and Fourth Affirmative Defense, Defendants allege that the
8 Complaint, and each and every purported cause of action therein alleged, is barred by reason that
9 the alleged acts and conduct of these answering Defendants were and are privileged.

10 **FIFTH AFFIRMATIVE DEFENSE**
11 (Statute of Limitations)

12 As a further, separate and Fifth Affirmative Defense, these answering Defendants allege that
13 the Complaint, and each and every purported cause of action therein alleged, are barred by the
14 Statute of Limitations, including but not limited to Code of Civil Procedure Sections 337, 338, 339,
15 340, and 343.

16 **SIXTH AFFIRMATIVE DEFENSE**
17 (Waiver)

18 As a further, separate and Sixth Affirmative Defense, Defendants allege that the Complaint,
19 and each and every purported cause of action therein alleged, are barred by reason that Plaintiff
20 and/or his agents waived any and all rights it may have had under the purported agreement or
21 agreements and/or statute or statutes by failing, refusing, and neglecting to properly perform their
22 obligations thereunder and by undertaking other conduct, the exact nature of which will be inserted
23 herein by amendment or proved at the time of trial.

24 **SEVENTH AFFIRMATIVE DEFENSE**
25 (Estoppel)

26 As a further, separate and Seventh Affirmative Defense, Defendants allege that the
27

1 Complaint, and each and every purported cause of action therein alleged, are barred in that Plaintiff
2 and/or his agents are estopped to assert any breach of any obligations by these answering
3 Defendants by reason of the affirmative malfeasance, misfeasance, or intentional misconduct of
4 Plaintiff and/or his agents, which conduct or omissions estops them from asserting any breach of
5 obligation by these answering Defendants.
6

7 **EIGHTH AFFIRMATIVE DEFENSE**
8 (Failure to Give Adequate Notice)

9 As a further, separate and Eighth Affirmative Defense, Defendants allege that the
10 Complaint, and each and every purported cause of action therein alleged, are barred by reason that
11 Plaintiff and/or his agents failed to give reasonable, timely, sufficient and adequate notice relative to
12 the alleged damage or injury complained of, and that by reason thereof, the Complaint and each and
13 every cause of action alleged therein are barred as against these answering Defendants.

14 **NINTH AFFIRMATIVE DEFENSE**
15 (Lack of Basis for Remedies Alleged)

16 As a further, separate and Ninth Affirmative Defense, these answering Defendants allege
17 that the injuries and damages complained of by Plaintiff do not accurately reflect the actual injuries
18 and damages, if any, sustained by Plaintiff, and by reason thereof, the remedies requested by
19 Plaintiff are barred.

20 **TENTH AFFIRMATIVE DEFENSE**
21 (Third-Party Negligence)

22 As a further, separate and Tenth Affirmative Defense, these answering Defendants allege
23 that the losses and damages complained of by Plaintiff, if any, were proximately caused by the sole
24 negligence, acts, omissions and faults of parties, individuals and organizations other than these
25 answering Defendants.
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ELEVENTH AFFIRMATIVE DEFENSE
(Lack of Compliance with Statutory Obligations)

As a further, separate and Eleventh Affirmative Defense, these answering Defendants allege that Plaintiff and/or his agents have failed to comply with the applicable statutory provisions for asserting the causes of action alleged in the Complaint, and accordingly, are barred from asserting said claims in this action.

TWELFTH AFFIRMATIVE DEFENSE
(Failure to Mitigate)

As a further, separate and Twelfth Affirmative Defense, these answering Defendants allege that the Complaint, and each and every purported cause of action therein alleged, is barred by reason of the failure to mitigate damages and injuries by Plaintiff and/or his agents.

THIRTEENTH AFFIRMATIVE DEFENSE
(Laches)

As a further, separate and Thirteenth Affirmative Defense, Defendants allege that the Complaint, and each and every purported cause of action therein alleged, is barred by reason that Plaintiff and/or his agents delayed an unreasonable period of time before asserting any purported rights under said statute or statutes or agreement or agreements, which delay has been prejudicial to Defendants. That by reason thereof, and based on the doctrine of laches, said causes of action alleged in the Complaint are barred.

FOURTEENTH AFFIRMATIVE DEFENSE
(Assumption of Risk)

As a further, separate and Fourteenth Affirmative Defense, Defendants allege that the Complaint, and each and every purported cause of action therein alleged, are barred by reason that Plaintiff and/or his agents, with full knowledge of all risks attendant thereto, voluntarily and knowingly assumed any and all risks attendant upon the conduct referred to in said Complaint, and all purported damages alleged to be related thereto were proximately caused thereby. Alternatively,

1 Defendants allege that any damages suffered by Plaintiff should be reduced based upon the
2 comparative fault, negligence, and carelessness of Plaintiff and/or his agents.
3

4 **FIFTEENTH AFFIRMATIVE DEFENSE**
5 (Unclean Hands/In pari delicto)

6 As a further, separate and Fifteenth Affirmative Defense, Defendants allege that the
7 Complaint, and each and every purported cause of action therein alleged, are barred in that Plaintiff
8 and/or his agents are guilty of wrongful misconduct and/or omissions in connection with the
9 transaction(s) or event(s) forming the basis of this litigation and should therefore be barred from all
10 legal or equitable relief requested in the Complaint or otherwise by reason of their unclean hands
11 and by the doctrine of in pari delicto.

12 **SIXTEENTH AFFIRMATIVE DEFENSE**
13 (Lack of Privity)

14 As a further, separate and Sixteenth Affirmative Defense, these answering Defendants allege
15 that the Complaint, and each and every purported cause of action therein alleged, are barred in that
16 Plaintiff was not and is not in privity of contract with these answering Defendants.

17 **SEVENTENTH AFFIRMATIVE DEFENSE**
18 (Reasonable Grounds for Actions)

19 As a further, separate and Seventeenth Affirmative Defense, Defendants allege that penalties
20 and/or punitive damages should be denied or reduced because any acts or omissions of
21 Defendants were in good faith and Defendant had reasonable grounds for believing that the acts
22 or omissions did not violate any statutes or other laws relating to the matters alleged in the
23 Complaint.
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1 **EIGHTEENTH AFFIRMATIVE DEFENSE**
2 (Good Faith)

3 As a further, separate and Eighteenth Affirmative Defense, these answering Defendants
4 allege that the Complaint and each and every purported claim therein alleged are barred in that each
5 and every act and/or omission alleged against these answering Defendants was done or omitted in
6 good faith and in conformity with the law, that defendant had reasonable grounds for believing
7 that its conduct did not violate any provision of the purported applicable codes of the State of
8 California, and that any purported violation of any statute or statutes as alleged in the Complaint
9 was unintentional.

10 **NINETEENTH AFFIRMATIVE DEFENSE**
11 (Statute of Frauds)

12 As a further, separate and Nineteenth Affirmative Defense, Defendants allege that the
13 Complaint, and each and every purported cause of action therein alleged, is barred by the Statute of
14 Frauds, including but not limited to Civil Code Section 1624.

15 **TWENTIETH AFFIRMATIVE DEFENSE**
16 (Accord and Satisfaction)

17 As a further, separate and Twentieth Affirmative Defense, Defendants allege that prior to
18 the commencement of the within action, a bona fide dispute existed between real party in interest
19 and defendant as to the matters alleged in the Complaint, and prior to the commencement of the
20 within action, plaintiff and these answering Defendants entered into an accord and satisfaction,
21 by the terms of which any and all obligations allegedly owed by these answering Defendants
22 were satisfied and discharged, and that by reason thereof, the Complaint, and each and every
23 purported cause of action therein alleged, are barred.

24 **TWENTY-FIRST AFFIRMATIVE DEFENSE**
25 (Ratification)

1 As a further, separate and Twenty First Affirmative Defense, Defendants allege that Plaintiff
2 acknowledged, ratified, consented to and acquiesced in the alleged acts or omissions, if any, of these
3 answering Defendants, thus barring plaintiff from any relief as prayed for herein.
4

5 **TWENTY-SECOND AFFIRMATIVE DEFENSE**
6 (Intervening/Supervening Acts)

7 As a further, separate and Twenty Second Affirmative Defense, Defendants allege that
8 plaintiff is barred from recovery because any injuries or damages alleged by plaintiff, if any, were
9 the result of new, independent, intervening, or superseding causes that are unrelated to any conduct
10 of the defendants. Any action on the part of these answering Defendants was not the proximate or
11 producing cause of any alleged injuries or damages plaintiff claims were sustained. Such
12 intervening acts or omissions require that any recovery in favor of plaintiff must be apportioned
13 among all parties and entities responsible for plaintiff's damages, if any.

14 **TWENTY-THIRD AFFIRMATIVE DEFENSE**
15 (Discharge of Duties)

16 Defendants are informed and believes and thereon allege that, prior to the commencement of
17 this action, Defendants duly performed, paid, satisfied, and/or otherwise discharged all of their
18 duties and obligations arising out of applicable law. Therefore Defendants allege that any alleged
19 failure to perform any statutory or other obligations was excused and/or prevented by the actions
20 and/or omissions of plaintiff and/or other parties.

21 **TWENTY-FOURTH AFFIRMATIVE DEFENSE**
22 (Impossibility)

23 Defendants allege that any duty or obligation they may have had to perform to the benefit of
24 plaintiff were rendered impossible to perform due to the conduct of plaintiff or other persons and
25 facts outside of Defendant's control.
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1 **TWENTY-FIFTH AFFIRMATIVE DEFENSE**
2 (Legitimate, Good Faith Business Reasons)

3 Defendants' actions involving Plaintiff, if any, were based solely on legitimate, good- faith,
4 non-discriminatory business reasons.

5 **TWENTY-SIXTH AFFIRMATIVE DEFENSE**
6 (Injuries Caused by Others)

7 Defendants allege that any injuries or damages alleged by plaintiff, if any, were caused, in
8 whole or in part, by the acts or omissions of others, for whose conduct Defendants are not
9 responsible.

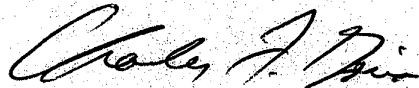
10 **TWENTY-SEVENTH AFFIRMATIVE DEFENSE**
11 (Additional Defenses)

12 Defendants allege that they may have other, separate, and additional defenses of which they
13 are not presently aware, and hereby reserve the right to assert them by amendment to this answer, as
14 allowed and permitted under California law.

15 WHEREFORE, defendants pray as follows:

- 16 1. That plaintiff takes nothing by way of its suit;
17 2. For reasonable attorney's fees and costs of suit incurred herein; and,
18 3. For such other and further relief as the court deems proper.

19 Gorla, Weber & Jarvis

20 

21 Dated: October 1, 2018

22 Charles F. Gorla
23 Attorneys for Defendants
24 CHRIS HAKIM,
25 MIRA ESTE PROPERTIES LLC,
26 and ROSELLE PROPERTIES LLC,
27

1 Richardson C. Griswold, Esq. (CA Bar No. 246837)
2 GRISWOLD LAW, APC
3 444 S. Cedros Avenue, Suite 250
4 Solana Beach, California 92075
5 Phone: (858) 481-1300
6 Fax: (888) 624-9177

7 Attorney for Court-Appointed Receiver
8 **MICHAEL W. ESSARY**

9 SUPERIOR COURT OF CALIFORNIA
10 FOR THE COUNTY OF SAN DIEGO

11 SALAM RAZUKI, an individual,
12 Plaintiff,

13 v.

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

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

NOTICE OF ENTRY OF ORDER

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

TO ALL INTERESTED PARTIES AND COUNSEL OF RECORD:

PLEASE TAKE NOTICE that following the hearing on September 7, 2018, the Court in the above-entitled matter signed the Order Confirming the Receiver and Granting the Preliminary Injunction.

-1-

NOTICE OF ENTRY OF ORDER

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Attached hereto as **Exhibit A** is a copy of the Court's signed Order.

Dated: October 11, 2018

Respectfully Submitted,



Richardson C. Griswold, Esq.
Attorney for Court-Appointed Receiver,
Michael W. Essary

Exhibit A

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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 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: _____
7 _____
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9 _____
10 _____

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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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PROOF OF SERVICE

Salam Razuki v. Ninus Malan, et al.
San Diego County Superior Court Case No. 37-2018-00034229-CU-BC-CTL

I am employed in the County of San Diego, State of California. I am over the age of 18 and am not a party to the within action. I am employed by Griswold Law, APC and my business address is 444 S. Cedros Avenue, Suite 250, Solana Beach, California 92075.

On ***October 11, 2018***, I served the documents described as **NOTICE OF ENTRY OF ORDER** on each interested party, as follows:

SEE ATTACHED SERVICE LIST

 (VIA MAIL) I placed a true and correct copy(ies) of the foregoing document in a sealed envelope(s) addressed to each interested party as set forth above. I caused each such envelope, with postage thereon fully prepaid, to be deposited with the United States Postal Service. I am readily familiar with the firm’s practice for collection and processing of correspondence for mailing with the United States Postal Service. Under that practice, the correspondence would be deposited with the United States Postal Service on that same day with postage thereon fully prepaid in the ordinary course of business.

 (VIA OVERNIGHT DELIVERY) I enclosed the documents in an envelope or package provided by an overnight delivery carrier and addressed to each interested party. I placed the envelope or package for collection and overnight delivery in the overnight delivery carrier depository at Solana Beach, California to ensure next day delivery.

 X **(VIA ELECTRONIC MAIL)** I caused true and correct copy(ies) of the foregoing document(s) to be transmitted via **One Legal e-service** to each interested party at the electronic service addresses listed on the attached service list.

 (BY FACSIMILE) I transmitted a true and correct copy(ies) of the foregoing documents via facsimile.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on ***October 11, 2018***, in Solana Beach, California.



Katie Westendorf

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Corporation, Inc., and Bradford Harcourt
6

7
8 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
9 **COUNTY OF SAN DIEGO**

10
11 SAN DIEGO PATIENTS COOPERATIVE
CORPORATION, INC., a California
12 cooperative corporation, and BRADFORD
HARCOURT, an individual,

13 Plaintiffs,

14
15 v.

16 RAZUKI INVESTMENTS, L.L.C., a
California limited liability company;
17 BALBOA AVE COOPERATIVE, a California
cooperative corporation; AMERICAN
18 LENDING AND HOLDINGS, LLC, a
California limited liability company; SAN
19 DIEGO UNITED HOLDINGS GROUP, LLC,
a California limited liability company;
20 CALIFORNIA CANNABIS GROUP, a
nonprofit mutual benefit corporation; SALAM
21 RAZUKI, an individual; NINUS MALAN, an
individual, KEITH HENDERSON, an
22 individual, AND DOES 1-20, INCLUSIVE,

23 Defendants.
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Case No. 37-2017-00020661-CU-CO-CTL

NOTICE OF RULING

Honorable Eddie C Sturgeon, Dept. C-67

Action Filed: June 7, 2017
Trial Date: N/A

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NOTICE OF RULING

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TO THE PARTIES AND THEIR RESPECTIVE ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT on October 16, 2018, Plaintiffs San Diego Patients Cooperative Corporation, Inc. and Bradford Harcourt’s (“Plaintiffs”) *Ex Parte* Application to Set Hearing on Pending Discovery Motions, as well as Defendants Balboa Ave Cooperative, San Diego United Holdings Group, LLC, American Lending and Holdings, LLC, California Cannabis Group, and Ninus Malan’s (“Malan Defendants”) *Ex Parte* Application for an Order Shortening Time on Motion to Consolidate, came for hearing in Department C-67 of the San Diego Superior Court before the Honorable Eddie C. Sturgeon. Nima Darouian of Messner Reeves LLP appeared on behalf of Plaintiffs. Gina Austin of Austin Legal Group, APC appeared on behalf of the Malan Defendants. Douglas Jaffe of Law Offices of Douglas Jaffe appeared on behalf of Razuki Investments, L.L.C., Salam Razuki, and Keith Henderson. Steven A. Elia and Maura Griffin of Law Offices of Steven A. Elia, APC specially appeared on behalf of Salam Razuki.

The Court ruled as follows:

1. Plaintiffs’ *Ex Parte* Application for an Order to Set Hearing on Pending Discovery Motions is GRANTED. The hearings on Plaintiffs’ Motion to Compel Alter Ego and Financial Discovery [ROA #147] and the Malan Defendants’ Motion to Quash Subpoena to SoCal Building Ventures, LLC [ROA #190] shall take place on February 15, 2019 at 9:00 a.m. No further briefing is necessary on these motions.
2. The Malan Defendants’ *Ex Parte* Application for an Order Shortening Time on Motion to Consolidate is GRANTED. The hearing on the Malan Defendants’ Motion to Consolidate shall take place on December 14, 2018 at 9:00 a.m.
3. Plaintiffs were ordered to give notice.

DATED: October 18, 2018

MESSNER REEVES LLP



Nima Darouian
Attorneys for San Diego Patients Cooperative Corporation, Inc., and Bradford Harcourt

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PROOF OF SERVICE

San Diego Patients Cooperative Corporation, Inc., et al. v. Razuki Investments, L.L.C, et al.
Case No. 37-2017-00020661-CU-CO-CTL

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

At the time of service, I was over 18 years of age and not a party to this action. I am employed in the County of Los Angeles, State of California. My business address is 11620 Wilshire Boulevard, Suite 500, Los Angeles, CA 90025.

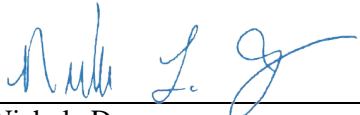
On October 18, 2018, I served true copies of the following document(s) described as **NOTICE OF RULING** on the interested parties in this action as follows:

Tamara M. Leetham, Austin Legal Group, APC 3990 Old Town Ave., Ste A-112 San Diego, CA 92110 Telephone: 619-924-9600 Facsimile: 619-881-0045 Email: tamara@austinlegalgroup.com	Douglas Jaffe LAW OFFICES OF DOUGLAS JAFFE 501 West Broadway, Suite 800 San Diego, CA 92101 Telephone: (619) 400-4945 Facsimile: (619) 400-4947 Email: djaffe@dougjaffelaw.com
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BY ELECTRONIC SERVICE: I served the document(s) on the person listed in the Service List by submitting an electronic version of the document(s) to One Legal, LLC, through the user interface at www.onelegal.com.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on May 18, 2018, at Los Angeles, California.



Nichola Demery

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

7 Attorneys for Defendants CHRIS HAKIM,
8 MIRA ESTE PROPERTIES LLC,
9 MONARCH MANAGEMENT
10 CONSULTING, INC., and
11 ROSELLE PROPERTIES LLC

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

14 **SALAM RAZUKI, an individual**

15 **Plaintiff.**

16 **vs**

17 **NINUS MALAN, an individual; CHRIS**
18 **HAKIM, an individual; MONARCH**
19 **MANAGEMENT CONSULTING, INC.,**
20 **California corporation; SAN DIEGO**
21 **UNITED HOLDINGS GROUP, LLC, a**
22 **California limited liability company; FLIP**
23 **MANAGEMENT, LLC, a California limited**
24 **liability company; MIRA ESTE**
25 **PROPERTIES LLC, a California limited**
26 **liability company; ROSELLE PROPERTIES,**
27 **LLC, a California limited liability company;**
28 **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.

AND RELATED CROSS-ACTIONS.

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

(Unlimited Civil Action)

EX PARTE APPLICATION FOR ORDER
VACATING APPOINTMENT OF
RECEIVER AT MIRA ESTE FACILITY;
DECLARATION OF CHARLES F.
GORIA; POINTS AND AUTHORITIES

Hearing Date: October 25, 2018

Time: 8:30 AM

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 Defendants and Cross-complainants CHRIS HAKIM, MIRA ESTE PROPERTIES
3 LLC, MONARCH MANAGEMENT CONSULTING, INC., and ROSELLE PROPERTIES
4 LLC (hereinafter, sometimes collectively, "Moving Defendants") hereby apply for an ex parte
5 order modifying the preliminary injunction entered in the above-entitled case on or about
6 September 26, 2018 by (1) removing the Mira Este Facility from the receivership; and, (2)
7 ordering that one half of the profits of the Mira Este Facility be delivered to the Receiver on a
8 monthly basis, together with supporting accounting documentation to allow the Receiver the
9 opportunity to independently verify the amount of profits earned at the Facility.
10

11
12 This application is brought on the grounds that good cause exists for the granting of the
13 application in that the existence of the receivership at the Mira Este Facility has blocked and
14 prevented the Mira Este Facility ("Facility") from entering into profitable licenses and
15 subcontracts with manufacturers and producers and therefore has prevented the Facility from
16 earning income necessary to meet the overhead and debt service obligations thereat. Good cause
17 also exists for the granting of the application in that the receiver is not currently performing any
18 supervisory functions at the Facility, but is only undertaking certain accounting functions.
19 Therefore, removing the Facility from the scope of the receivership but maintaining the
20 accounting functions of the receiver regarding the one-half claim of Plaintiff to the Facility's
21 profits will not result in any negative consequences. Good cause also exists for the granting of
22 the application in that there is currently a tentative agreement with a producer who has agreed to
23 pay the Facility \$50,000 per month for the right to manufacture at the Facility, but such
24 agreement is conditioned on the Facility being removed from the receivership.

25 This application is based upon this application, the accompanying declarations of Chris
26 Hakim and Jerry Baca, the following Declaration of Charles F. Gorla, the following points and

27 / / /

1 authorities, the records and file in this case, and such other oral and documentary evidence as
2 may be presented at or before the hearing hereof.

3
4 Gorla, Weber & Jarvis

5
6 Dated: 10/24/18


7 Charles F. Gorla
8 Attorneys for Moving Defendants

9 **DECLARATION OF CHARLES F. GORLA**

10 I, Charles F. Gorla, declare:

11 1. I am an attorney at law duly licensed to practice before the courts of the State of
12 California and am a partner in the law firm of Gorla, Weber & Jarvis, retained by Moving
13 Defendants Chris Hakim, Mira Este Properties LLC, Monarch Management Consulting, Inc.,
14 and Roselle Properties LLC to represent them in the above entitled action.

15 2. Notice of this ex parte hearing was provided on Wednesday, October 23, 2018 by
16 correspondence sent electronically to attorneys for the receiver, Plaintiff, Defendants other than
17 Moving Defendants, and Plaintiffs-in-Intervention. A true and correct copy of said
18 correspondence with the names and addresses of the counsel receiving same is attached hereto as
19 Exhibit 1 and, by this reference, made a part hereof. As of the date of this declaration, none of
20 the recipients has responded as to whether they will appear or oppose the application.

21 I declare under penalty of perjury under the laws of the State of California that the
22 foregoing is true and correct and that this declaration was executed at San Diego County,
23 California, this 24 day of October 2018.

24
25 
26 Charles F. Gorla

27 ///

POINTS AND AUTHORITIES

1. INTRODUCTION

The court's re-appointment of the receiver at the hearing on August 20, 2018, has had dire consequences for the cannabis manufacturing and production facility at 9212 Mira Este, San Diego, California ("Mira Este Facility" or "Facility"). Over the last three months, the Facility has been unable to license or subcontract out its ample warehouse space to other manufacturers or producers because of the existence of the receivership at the Facility.

Presently, a producer has tentatively agreed to enter into a license at the Facility for \$50,000 per month upon the Facility being removed from the receivership. That sum of money will put the Facility "in the black" for the first time since SoCal Building Ventures LLC ("SoCal") was terminated in July 2018. If the Court fails to act, the Facility will continue to operate at a substantial loss and will likely have to be sold in the near future.

Moreover, there is no reason to continue the receivership at the Facility. The receiver, himself, has indicated that he is performing minimal duties in an effort to maintain a "low-profile" at the Facility. The receiver has only visited the facility once, and that for only a brief period of time to oversee SoCal's removal of its equipment in early September 2018. The receiver's nominal activity at the Facility is a recognition that the receivership represents a barrier to income producing activity and a disincentive for producers who would otherwise enter into profitable licenses with the Facility.

The within application proposes a modification of the preliminary injunction to remove the Facility from the receivership, but also require one-half of the distributions from the Facility to be delivered to the Receiver. As is made clear by the accompanying declarations and even Plaintiff's owned documentation submitted in this case, there is no

1 dispute that Chris Hakim owns one-half of Mira Este Properties, LLC ("MEP"), and is
2 therefore entitled to one half of the distributions earned at the Facility. Plaintiff's claim
3 relates only to the other half of MEP. In particular, the operating agreement of MEP shows
4 that Ninus Malan ("Malan") is the owner of one-half of MEP. However, Plaintiff claims
5 that by a separate agreement, Malan agreed to share his one half interest in MEP with
6 Plaintiff on a split in which Plaintiff receives 75% of the subject one half, or 37 ½%; and
7 Malan receives 25% of the subject one half, or 12 ½%.

9 The within modification would still amply protect the claims of both Plaintiff and
10 Malan to one-half of the Facility's distributions by delivering that amount each month to the
11 Receiver. Such a modification would serve to protect Plaintiff's claimed interest in the
12 Facility, and by removing the Facility from the receivership, it would also allow the Facility
13 to finally begin operating profitably.

15 A brief review of the pertinent background matters in this litigation, with particular
16 attention to the events happening since August 20, 2018, shows the following:

18 1. MEP acquired the property and improvements commonly described as 9212
19 Mira Este Court, San Diego, California ("Mira Este Property") in August 2016 for the
20 purchase price of approximately \$2,625,000.00. The purchase price consisted of a down
21 payment of approximately \$637,500.00, and a new loan in the approximate amount of
22 \$1,987,500.00. **Hakim paid from his own personal funds the amount of \$420,000.00**
23 **towards the down payment of \$637,500.00.** Plaintiff Salam Razuki and Defendant Malan
24 paid the rest of the down payment.

26 2. The operating agreement of MEP provided that Hakim would receive one-half
27 of the profits, and the other one half would be distributed to Malan. Plaintiff has never made
28

1 any claim or contention that Hakim was **not entitled** to one-half of the net profits of the
2 Mira Este Facility. When the Mira Este Property was acquired, Plaintiff did not want to be
3 part of the management or operation of Mira Este, but only wanted to share in the profits that
4 Malan was to receive pursuant to an alleged agreement that he had with Malan.
5

6 3. Malan is the sole owner of the Balboa Dispensary, subject to Plaintiff's
7 similar claim for three-fourths of the distributions from the Balboa Dispensary. The receiver
8 presently oversees the Balboa Dispensary as well as the Mira Este Facility. Hakim has
9 never had any ownership interest in the Balboa Dispensary. In that regard, the Balboa
10 Dispensary is a retail facility that sells cannabis products to the public. By contrast, the Mira
11 Este Facility is a manufacturing and production facility that does not sell to the public. The
12 business model of MEP is therefore completely separate and different from that of the
13 Balboa dispensary.
14

15 4. As MEP's managing member, Hakim negotiated the management agreements
16 with SoCal. In or about May 2018, However, SoCal stopped making its required payments
17 under its management agreement with MEP. As a result of that as well as other defaults and
18 breaches, SoCal was terminated in July 2018.
19

20 5. In early August 2018 (before the receivership was put in place at the Facility),
21 Hakim on behalf of MEP and Jerry Baca ("Baca") on behalf of Synergy Management
22 Partners, LLC ("Synergy") agreed to a management agreement whereby Synergy would
23 manage the Facility. Almost immediately, and in sharp contrast to SoCal, Synergy opened
24 the Facility and contracted with a sub licensee, Edipure, for its use of the Facility. As soon
25 as the sub license agreement with Edipure was made, Edipure invested between \$50,000 and
26 \$100,000 in equipping its space at the Mira Este Facility. Under its sub license agreement,
27
28

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 entitles
4 Edipure to occupy approximately 4000 square feet of space at the Mira Este Facility. It also
5 specifies that the Facility will provide security, staffing, testing, and other overhead. **The**
6 **license agreement with Edipure was entered into after the order for initial**
7 **appointment of the receiver was vacated and before the current appointment of the**
8 **receiver was made on or about August 20, 2018.**

10 6. The Synergy management agreement requires that Synergy maintain extensive
11 accounting, recordkeeping, and reporting requirements on a monthly basis and pay itself
12 management fees and distributions on the 5th of each month. Synergy has hired a Certified
13 Public Accountant to handle the accounting required by the management agreement. Under
14 the management agreement with Synergy, all revenues are to be deposited into a "**Dedicated**
15 **Bank Account**". **Any checks or withdrawals from the Dedicated Bank Account must**
16 **be signed by both a representative of MEP and Synergy.**

19 7. Over the years, both Baca and Hakim have developed a number of contacts
20 among producers and manufacturers in the cannabis industry. In addition to Edipure, they
21 also had a number of other contacts who communicated a strong interest in locating their
22 production and manufacturing activities at the Mira Este Facility. Many of these producers
23 and manufacturers were very close to reaching an agreement for a sub license agreement
24 with MEP similar to Edipure's sub license agreement before the receiver was appointed on
25 August 20, 2018. **As a result of the appointment of the receiver on August 20, 2018, not**
26 **one of these producers and manufacturers with whom Baca and Hakim were**

1 negotiating continued negotiations.

2 8. Because there is only one sub licensee at the Mira Este Property, Edipure, the
3 operation of the Facility cannot be sustained for very long. The debt service and overhead of
4 the Mira Este Facility cannot be maintained if the receiver remains in place, since no sub
5 licensees will commit to locating at the Facility with a receiver involved in any way. Debt
6 service on the loans encumbering the Mira Este property are approximately \$25,000 per
7 month. There is also additional and extensive overhead for the Mira Este Property beyond
8 debt service. Overhead expenses include staffing, security, and services that are required to
9 be provided to sub licensees regardless of the number of sub licensees at the Facility.
10

11
12 9. Beginning in or about late September 2018, Synergy commenced negotiations
13 with another cannabis producer, Cream of the Crop ("COTC"). **Within the last week, a**
14 **tentative agreement was reached with COTC that would generate \$50,000 per month**
15 **for the Facility. The agreement is conditioned on the Facility being removed from the**
16 **receivership.**
17

18 The rights of all parties will be preserved by removing the Facility from the scope of
19 the receivership, and requiring one half of the distributions to be paid to the Receiver on a
20 monthly basis, with full accounting information. This modification would also allow for the
21 operation of the Mira Este Facility business model on a profitable basis, as it was designed.
22

23 **2. THE COURT SHOULD MODIFY THE PRELIMINARY INJUNCTION TO**
24 **PREVENT THE LOSS OF THE LEASE WITH CREAM OF THE CROP.**
25 **OTHERWISE, THE MIRA ESTE FACILITY IS LIKELY TO BE IRREPARABLY**
26 **DAMAGED IF THE FACILITY REMAINS IN RECEIVERSHIP.**

27 Because the appointment of a receiver is a drastic remedy, a court should carefully weigh
28

1 the propriety of appointment in exercising its discretion to appoint a receiver and should not
2 make the appointment when a remedy less drastic in nature and scope will adequately protect the
3 interests of the litigants (*A.G. Col Co. v. Superior Court (1925) 196 Cal. 604, 613, 238 P. 926;*
4 *Dabney Oil Co. v. Providence Oil Co. (1913) 22 Cal. App 233, 239, 133 P. 1155*).

5
6 In *Golden State Glass Corp. v. Superior Ct. (1939) 13 Cal. 2d 384, 90 P.2d 75*, a
7 stockholders' derivative suit, defendants sought a writ of prohibition to prevent the enforcement
8 of respondent court's ex parte order appointing a receiver and its subsequent orders denying their
9 motion to vacate the appointment and confirming the appointment. **The Supreme Court issued**
10 **the writ, finding that no sufficient grounds existed for continuing the receivership during**
11 **litigation** and that the trial court exceeded its jurisdiction in confirming its ex parte order
12 appointing the receiver (*13 Cal. 2d 384, 396*). The Court noted the drastic character of the
13 remedy of receivership and held that, ordinarily, if there is any other remedy less severe in its
14 results that will adequately protect the rights of the parties, a court should not take property out of
15 the hands of its owners (*13 Cal. 2d 384, 393*).

16
17 In the present case, the immediacy of the COTC arrangement needs urgent court
18 attention. This is a critical moment for the Facility in that if the COTC agreement cannot be
19 implemented, it is likely the Facility will fail.

20
21 Further, no sufficient grounds exist for continuing the receivership at this point in time.
22 The receiver is performing virtually no supervisory functions at the Facility. Continuing the
23 receivership at the Facility will result in a tremendous waste of resources and a continuing
24 disincentive for producers and manufacturers from entering into subcontracts with the Facility.

25
26 Against that backdrop, the modification of the preliminary injunction to require MEP to
27 transfer to the Receiver one half of the distributions generated at the Facility will fully protect the
28 rights and interests of Plaintiff. Indeed, Plaintiff's only interest is in fact in the net profits of the

1 Facility. Plaintiff's election to avoid any formal or managerial role in the Facility at its inception
2 means that Plaintiff's claim is only to a share of the distributions and not in the operational
3 aspects of Facility. Plaintiff's claimed interest can adequately be protected without the drastic
4 existence of a receiver at the Facility.
5

6
7 **CONCLUSION**

8 For all of the foregoing reasons, it is requested that the Court grant Moving Defendants'
9 ex parte application for modification of the preliminary injunction to: (1) remove the Mira Este
10 Facility from the receivership; and, (2) Order that one half of the distributions of the Mira Este
11 Facility be delivered to the Receiver on a monthly basis, together with supporting accounting to
12 allow the Receiver the opportunity to independently verify the amount of profits earned at the
13 Facility.
14

15
16 Respectfully submitted,

17 **GORIA, WEBER & JARVIS**

18 Dated: 10/24/18

19 By: 

20 Charles F. Goria
21 Attorneys for Moving Defendants
22
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EXHIBIT 1

**LAW OFFICES OF
GORIA, WEBER & JARVIS
ATTORNEYS AT LAW**

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October 23, 2018

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**Re: *Salam Razuki v. Ninus Malan et al*,
SDSC Case No. 37-2018-0034229**

Dear Counsel:

Please be advised that Defendants and Cross-complainants Mira Este Properties, LLC, Monarch Management Consulting Inc., and Chris Hakim will be appearing ex parte in the above-entitled matter on their application for an order modifying the September 27, 2018 preliminary injunction by removing the receiver from the Mira Este Facility.

The ex parte application will be heard on Thursday, October 25, 2018 at 8:30 a.m. in Department C-67 of the San Diego County Superior Court - Central Division located at 330 W. Broadway, San Diego, California 92101 before the Honorable Eddie C. Sturgeon.

October 23, 2018
Page 2

Please let me know at your earliest convenience if you will be appearing and if you will be opposing said application.

Sincerely yours,



Charles F. Gorla

CFG:tls

Cc: Matt Mahoney Esq. (mahoney@wmalawfirm.com)
Lou Galuppo, Esq. (lgaluppo@galuppolaw.com)