1 2	Steven W. Blake, Esq., SBN 235502 Andrew E. Hall, Esq., SBN 257547 Danielle S. Ward, Esq., SBN 270220	ELECTRONICALLY FILED Superior Court of California, County of San Diego
2	BLAKE LAW FIRM	03/24/2023 at 02:48:00 PM
3	533 2nd Street, Suite 250 Encinitas, CA 92024	Clerk of the Superior Court By E- Filing,Deputy Clerk
4 5	Phone: (858) 232-1290 Email: steve@blakelawca.com Email: andrew@blakelawca.com	
6	Attorneys for Defendant,	
7	STEPHEN LAKE	
8	SUPERIOR COURT OF THE STATE OF CALIFORNIA	
9	COUNTY OF SAN DIEGO – CENTRAL DIVISION	
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12	AMY SHERLOCK, an individual and on behalf of her minor children, T.S. and S.S., ANDREW FLORES, an individual,	Case No. 37-2021-00050889-CU-AT-CTL
13	DI : (:CC	DEFENDANT CERTIEN LAIZESC
14	Plaintiffs,	DEFENDANT STEPHEN LAKE'S OPPOSITION TO EX PARTE APPLICATION FOR STAY OF ACTION
15	VS.	FOR STAY OF ACTION
16	GINA M. AUSTIN, an individual; AUSTIN LEGAL GROUP, a professional corporation, LARRY GERACI, an individual, REBECCA	Hearing Date: April 7, 2023
17	BERRY, an individual; JESSICA MCELFRESH, an individual; SALAM	Hearing Time: 9:00 a.m.
18	RAZUKI, an individual; NINUS MALAN, an	G F'' 1 D 1 2 2021
19	individual; FINCH, THORTON, AND BARID, a limited liability partnership;	Case Filed: December 3, 2021 Department: Dept. C-75
20	ABHAY SCHWEITZER, an individual and dba TECHNE; JAMES (AKA JIM) BARTELL, an individual; NATALIE	Judge: Hon. James A. Mangione Trial Date: Not Set
21	TRANG-MY NGUYEN, an individual, AARON MAGAGNA, an individual;	
22	BRADFORD HARCOURT, an individual; SHAWN MILLER, an individual; LOGAN	
23	STELLMACHER, an individual;	
24	EULENTHIAS DUANE ALEXANDER, an individual; STEPHEN LAKE, an individual,	
25	ALLIED SPECTRUM, INC., a California corporation, PRODIGIOUS COLLECTIVES,	
26	LLC, a limited liability company, and DOES 1 through 50, inclusive,	
27	Defendants.	
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#### TO THE COURT, ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

Defendant STEPHEN LAKE ("Defendant" or "LAKE"), hereby opposes the ex parte, now noticed, application of Plaintiffs, attorney Andrew Flores, Amy Sherlock and her two minor children, T.S. and S.S. ("Plaintiffs") for an order seeking a stay of this action. The Opposition is based on the following argument below and the accompanying Declaration of Stephen Lake.

#### A. INTRODUCTION

Plaintiffs seek to stay the *entire* action pending the outcome of their appeal on the granting of Defendant GINA AUSTIN ("AUSTIN") and AUSTIN LEGAL GROUP's ("ALG") anti-SLAPP motion. First and foremost, it should be noted that Plaintiffs filed an identical request to stay – also based, like this one, on *CCP* § 916(a) – which was denied back on October 27, 2022. [*See Dkt. No. 181*]. Nothing has changed. For the same reasons the Court outlined in denying Plaintiffs' request in October, Plaintiffs' second bite at the apple should also be denied.

That notwithstanding, the claims asserted against LAKE are not "embraced" in the appeal of the AUSTIN and ALG decision. The only remaining claims against LAKE do not include or reference to AUSTIN or ALG. In fact, though the First Amended Complaint attacks certain properties and conditional use permits associated with the properties, there is no crossover between the interests of LAKE and either AUSTIN or ALG. Thus, Plaintiffs cannot reasonably argue that the claims against Defendant are "embraced" by the appeal, nor do Plaintiffs even feign an attempt to do so.

As it relates to LAKE, Plaintiffs request should be denied and the case should be permitted to move forward.

#### B. STATEMENT OF FACTS

#### 1. Background

LAKE is the brother-in-law of SHERLOCK. *Declaration of Stephen Lake ("Lake Dec")* ¶ 2. LAKE and SHERLOCK's husband, Michael "Biker" Sherlock ("BIKER"), were long-time friends and companions. *Id.* Thus, in or around June 2012, with BIKER's business, Dregs Skateboards, was hit hard by the recession and began experiencing financial issues. This created stress on BIKER on many levels – on him personally and especially on his relationship with

SHERLOCK. *Id.* At the same time, the family observed BIKER becoming increasingly depressed and anxious. His prior abundance of confidence shrunk, he began having fainting spells and seizures, and became generally confused, all of which contributed to his inability to find meaningful employment. LAKE believed, however, that BIKER was an entrepreneur at heart and, more importantly, was his friend and brother, so he stepped in to help. *Id.* 

On June 20, 2012, LAKE's family trust loaned Biker Sherlock Enterprises, Inc. \$150,000 to purchase Chakra balance boards for a new business that BIKER was starting. The loan was secured by a promissory note that required monthly payments in the amount of \$3,041.46 for 48 consecutive months. *Lake Dec* ¶ 3. LAKE never received a single payment. *Id.* On March 14, 2013, LAKE was presented a debtor settlement agreement from BIKER's bankruptcy attorney whereby LAKE ended up with 3,330 balance boards as collateral for the money he loaned; those boards has no value to him. *Id.* Because he was struggling through a difficult time and trying to earn back the respect of his wife, LAKE honored his wish to keep the transaction between he and LAKE. *Id.* 

After BIKER's business was shut down, he found himself unemployed and struggling to find a job in a difficult San Diego job market with a high cost of living. To help BIKER through this difficult time, once again without telling anyone, LAKE loaned him \$5,000 on three separate occasions so he could pay his bills and take care of his family. *Lake Dec* ¶ 4.

#### 2. The Ramona Property

Sometime toward the end of 2013, LAKE was approached by BIKER, who indicated that he was made aware that San Diego was going to allow licensed medical marijuana stores to open in specified geographical locations. *Lake Dec* ¶ 5. It was LAKE's impression that BIKER was extremely excited about the prospects of entering the industry and I was happy to see that old fire lit back up in my friend. *Id*.

In July 2014, BIKER approached LAKE about a property he was looking at in Ramona – 1210 Olive Street, Ramona, CA 92065 ("Ramona Property"). *Lake Dec* ¶ 6. At first, LAKE balked at the prospect of purchasing the Ramona Property. He eventually reconsidered. *Id*. This was due not only to the fact that LAKE wanted to help BIKER but because LAKE became aware of another group that was interested in the Ramona Property spearheaded by Renny Bowden ("Bowden"). *Id*.

Because neither Bowden nor BIKER had the capital to purchase the Ramona Property and the prior owner was not interested in leasing the property, BIKER and Bowden approached LAKE with the idea that he would purchase the Ramona Property, build it out, and then lease the property back to them as part of a larger business that they intended to pursue. *Id.* Bowden and LAKE had a longstanding friendship – he was my college roommate for 8-10 months– and I found his potential involvement such an unlikely coincidence that it comforted me in my decision to move forward. *Id.* As such, on or about January 8, 2015, LAKE purchased the Ramon Property as his sole and separate property. *Id.* 

After closing, LAKE contemplated with how to proceed. LAKE was not then, nor has he ever been, involved in the marijuana industry. *Lake Dec* ¶ 7. His discomfort with the industry coupled with my lack of knowledge fueled my decision to proceed as a landlord. At no point did BIKER ever have a financial interest in the Ramona Property and the Ramona Property was then, and remains to this day, in LAKE's name. *Id*.

#### 3. The Balboa Property

Prior to April 24, 2015, David Chadwick ("Chadwick") formed Leading Edge Real Estate, LLC ("LERE"), for which he served as CEO. *Lake Dec* ¶ 8. At some point unknown to LAKE, Chadwick, BIKER, BIKER's partner, Brad Harcourt ("Harcourt"), all partnered up to pursue the purchase of 8863 Balboa Avenue, Unit E, San Diego, CA 92123 ("Balboa Property"). On or about June 30, 2015, Chadwick resigned as CEO of LERE, at which point BIKER, on information and belief, was appointed as CEO. *Id*.

Chadwick's resignation occurred after several events pertinent to this dispute. On June 9, 2015, LAKE and his wife, through their family trust, the Lake Family Trust ("Trust"), made a \$289,560.68 loan to LERE as a 3rd party deposit into escrow and as what was intended to be a two-week bridge loan. *Lake Dec* ¶ 9. LAKE only made the loan because of BIKER's involvement in LERE. The loan was memorialized via a promissory note. *Id.* The loan was to be used to purchase 8863 Balboa Avenue, Unit E, San Diego, CA 92123 ("Balboa Property"). Notably, LAKE and BIKER had a clear, direct conversation of the importance of the loan being paid back in a timely manner; BIKER and his business partners, including Harcourt, agreed and pledged that if the loan

were not timely paid back, the Balboa Property would be deeded to LAKE as payment with the intent that LAKE would sell the Balboa Property to recoup his investment. BIKER in particular, because of his prior history of obtaining loans from LAKE and failing to pay them back, was adamant in pledging the Balboa Property as collateral for LAKE's loan. *Id*.

There were immediate problems with the Balboa Property. One such problem had to do with the HOA at the premises, which had recently amended its governing documents to prohibit the operation of any marijuana dispensaries. *Lake Dec* ¶ 10. On June 16, 2015, BIKER, Chadwick, and Harcourt received a legal opinion advising that any attempts to overturn this amendment would be very unlikely. Thus, BIKER and the others were unable to legally use the Balboa Property for its intended use. LAKE was not made aware of this potential issue with the HOA, including the fact that the HOA had amended its CC&Rs to prohibit operation of dispensaries, at the time he made the Balboa Loan. *Id*.

On September 9, 2015, the promissory note went into default. *Lake Dec* ¶ 11. LAKE discussed the default with both BIKER and Harcourt and made it clear that they needed to make good on the terms of the note and security agreement. LAKE conveyed to both that he had no desire to be a part of the business and simply wanted the loan proceeds repaid. *Id.* BIKER and Harcourt pledged to follow through as they agreed. Given these reassurances, LAKE allowed BIKER and Harcourt more time to procure financing to pay off the Balboa Loan. *Id.* 

Over the next several weeks, BIKER and Harcourt met with other potential investors to raise funds to pay off the Balboa Loan. *Lake Dec* ¶ 12. They were unsuccessful. LAKE became increasingly frustrated as their continued default on the Balboa Loan was beginning to cause him financial distress. *Id.* Moreover, though BIKER was like family to him, BIKER nevertheless had a history of failing to repay loans to LAKE – like, for example, the Chakra loan. LAKE communicated his concern to BIKER and reiterated that LAKE was only trying to help him and never wanted to be a part of the business. *Id.* 

In or around early October 2015, BIKER and Harcourt determined that they could not find an investor and decided to try to secure funding to purchase the Balboa Property and the property went into escrow. *Lake Dec* ¶ 13. However, by October 22 or 23, 2015, the Balboa fell out of escrow

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due to, on information and belief, BIKER's and Harcourt's inability to provide personal guarantees. Id.

By October 26, 2015, BIKER and Harcourt still had not procured financing. Lake Dec ¶ 14. LAKE went to lunch with BIKER and Harcourt to discuss options as, again, LAKE simply wanted to be repaid and wanted nothing to do with the business. The solutions offered by BIKER and Harcourt included: (1) to make me the managing member of LERE with 100% capital interest in the company and (2) to transfer the Balboa Property over to my company, High Sierra Equity LLC ("High Sierra") in an effort to pay off the defaulted loan. *Id*.

On November 18, 2015, I met with BIKER and Harcourt at Harcourt's office in La Jolla, where we discussed the solutions presented by BIKER and Harcourt during our October 26, 2015 meeting. Lake Dec ¶ 15. LAKE was hesitant to agree to the proposed arrangement but ultimately decided that this was better than receiving nothing on the Balboa Loan and, in cooperation with BIKER and Harcourt, they documented the transaction. *Id.* They ultimately settled on an agreement that LERE would be cancelled and would quitclaim the Balboa Property over to High Sierra. *Id.* 

Immediately thereafter, BIKER, Harcourt, and LAKE went to lunch, where LAKE recalls BIKER and Harcourt discussing that they intended to cancel their other LLCs and corporations that BIKER and Harcourt had established for the Balboa business venture since it had failed and cost Harcourt a lot of money. Lake Dec ¶ 16.

#### 4. BIKER's Passing

On December 2, 2015, LAKE called BIKER to check in, as he did frequently. Lake Dec ¶ 17. After just a few minutes, LAKE could tell that BIKER was having a tough morning and decided to meet up with him in person. When LAKE arrived at BIKER's residence, he found Harcourt was there and that they were going over paperwork and signing documents, which LAKE did not find unusual given that BIKER and Harcourt were business partners and had previously discussed during our November 18, 2015 meeting their intent to dissolve several business entities. *Id.* To the best of LAKE's knowledge, BIKER intended to move forward with the arrangement he, Harcourt, and LAKE agreed to on November 18, 2015 to dissolve LERE and quitclaim the Balboa Property to High Sierra as payment for the Balboa Loan. *Id*.

On December 3, 2015, BIKER was found deceased with a gunshot wound to the head that was determined to be self-inflicted. To the best of LAKE's knowledge, BIKER's death was designated as a suicide and remains characterized as such to this day. *Lake Dec* ¶ 18.

The next several days were a blur but it was "all hands on deck" at the SHERLOCK house to help clean, organize, and to find anything banking or insurance related with which to help the family. Lake  $Dec \ \P \ 19$ .

On December 14, 2015, LAKE met with SHERLOCK for coffee to discuss how to proceed with some of the outstanding business issues. *Lake Dec* ¶ 20. They discussed the arrangement with the Balboa Property resulting in High Sierra taking the Balboa Property back as payment for the Balboa Loan. *Id.* LAKE recalls SHERLOCK being happy that LAKE was protected and able to keep the Balboa Property in the family. LAKE reiterated to her, as he had BIKER, that outside of loaning the money and trying to understand the issues with the HOA in an effort to help my friends get their business off the ground and ultimately repay me, LAKE was not a part of the business and never intended or wanted to be. *Id.* 

#### 5. Business Wind-Up After BIKER's Passing

Starting around December 17, 2015, Harcourt contacted Edith Gutierrez at the City of San Diego to set up a meeting with he, LAKE, and SHERLOCK to figure out how to proceed after BIKER's passing. *Lake Dec* ¶ 21. LAKE kept SHERLOCK apprised of these discussions. Notably, Ms. Gutierrez confirmed that the Balboa Conditional Use Permit ("CUP") had "already been approved and recorded so nothing on the permit will change *as the permit runs with the land*." *Id*.

LAKE kept SHERLOCK apprised of the communications with Ms. Gutierrez and made efforts to put her in touch with Ms. Gutierrez to effectuate the transfer of the CUP to SHERLOCK as the "financially responsible party." *Lake Dec* ¶ 22. For example, on December 17, 2015, LAKE reached out to SHERLOCK via text message to ask whether she had time to visit Edith at the city to "transfer the name on Balboa," by which LAKE meant transfer the name of the financially responsible party on the CUP from BIKER to SHERLOCK. *Id.* On January 12, 2016, LAKE reached out to Ms. Gutierrez asking for a good time for he and SHERLOCK to visit her "to change the account into her name." LAKE was working *with SHERLOCK* to transfer the CUP into *her* name.

Id.

At some point prior to December 24, 2015, Bowden, who was simply trying to help the family during the difficult time after BIKER's passing and who stood to gain nothing from doing so, met with Ms. Gutierrez, who advised that SHERLOCK would need to provide a death certificate and marriage certificate in order to be named as a financially responsible party. *Lake Dec* ¶ 23. Throughout the course of 2016, LAKE met with SHERLOCK on at least four separate occasions, each one lasting 2+ hours, to discuss everything that was going on, from life to any way he could help with the businesses. *Lake Dec* ¶ 24. LAKE did this because SHERLOCK is family and he cared about her deeply; despite her misguided and ill-informed lawsuit against him, he still does. *Id*.

On April 13, 2016, Harcourt emailed LAKE the details to finalize the quitclaim of the Balboa Property from LERE to High Sierra as we had agreed back in November 2015. *Lake Dec* ¶ 25. LAKE, SHERLOCK, and Harcourt collectively made the decision not to fight with the Balboa HOA to try and overturn their Amended CC&Rs. *Lake Dec* ¶ 26. They all, SHERLOCK included, decided that they did not want to risk any more of their money on fighting what felt like a losing battle, particularly given that LAKE never wanted to be a part of the project in the first place and had no intent of throwing any more money at it. *Id*.

LAKE vividly recalls SHERLOCK agreeing and expressing her desire to "turn the chapter." Lake Dec ¶ 27. In particular, SHERLOCK has procured a \$1 million payout from BIKER's life insurance policy and she was not willing to risk any of that money in furtherance of BIKER's Balboa business venture. During this time, SHERLOCK expressed her hard feelings toward BIKER and indicated her desire to distance herself from his legacy. Id. In fact, SHERLOCK referred to BIKER as a "lying, cheating, thief with no honor" and she was reluctant to give BIKER a legacy that was "false." It was LAKE's understanding that this included any involvement with the Balboa Property or the project that BIKER had once been involved with. At the same time, SHERLOCK praised LAKE and his wife Kelly as being "absolutely amazing" and expressing how "grateful" she was for them. Id.

Having no intention of having anything to do with the business, LAKE resolved to sell the Balboa Property in an effort to recoup proceeds from the Balboa Loan. *Lake Dec* ¶ 28. LAKE is

100% certain that SHERLOCK was aware of his intent to sell the Balboa Property to recover all of the money he had invested through the Balboa Loan. *Id.* In or around August 2016, the Balboa Property went into escrow for \$375,000. Escrow closed on September 19, 2016, and the funds were received. *Id.* 

6. Interplay With The Alleged "Enterprise"

LAKE is not nor, nor has he ever been, in the marijuana or cannabis business or industry. Lake Dec ¶ 29. LAKE does not know Gina Austin, he has never been a client of Gina Austin or the Austin Legal Group, and he has never had any business dealings with Gina Austin or the Austin Legal Group. Neither Gina Austin nor the Austin Legal Group had any interest in or affiliation with either the Balboa Property or the Ramona Property or the CUPs associated with either of those properties. Lake Dec ¶ 30. Other than his involvement as owner of the Ramona Property and lender, and subsequent owner of the Balboa Property after BIKER's default, LAKE had no involvement with the Lemon Grove Property or CUP nor the Federal Property or CUP. Lake Dec ¶ 31.

#### C. <u>LEGAL ARGUMENT</u>

As Plaintiffs point out, the purpose of *CCP* § 916(a) is to stay all further trial court proceedings on "the matters embraced" in or "affected by" the appeal. Notably, the trial court may proceed upon any other matter embraced in the action and not affected by the judgment or order. *Id.* The purpose is to prevent a judge from altering the appealed judgment or order by conducting other proceedings that may affect it, thereby causing the appeal to be futile. *Varian Med. Sys., Inc. v. Delfino* (2005) 35 Cal.4<sup>th</sup> 189, 189. The Court must consider the possible outcomes of the appeal in relation to the proceeding and its possible results; whether a matter is embraced in or affected by a judgment or order within the meaning of *CCP* § 916 depends on whether the proceedings on the matter would have any effect on the "effectiveness" of the appeal. *Id.* 

1. No Grounds Are Offered For The Court To Overrule Its October 27, 2022 Ruling On Plaintiffs' Same Request.

First and foremost, the Court entertained this same motion by Plaintiffs back on October 26, 2022. Based on the same arguments now raised again in this motion, the Court *denied* Plaintiffs' request. Nothing has changed and Plaintiffs have offered no reason as to why the Court should

overturn its prior ruling.

2. The Claims Against LAKE Are Not "Embraced" or "Affected By" The AUSTIN/ALG anti-SLAPP

Plaintiffs reliance on *Varian* misstates the holding. Notably, the *Varian* court held that an appeal of an order granting or denying an anti-SLAPP motion *automatically stays* all further trial court proceedings on the merits *of the causes of action targeted by the motion*. *Varian Medical Systems*, *Inc.* v. *Delfino* (2005) 35 Cal.4<sup>th</sup> 180, 191-192.

As Plaintiffs argue, the "gravamen of Plaintiffs FAC is that ALG is engaging in criminal conduct pursuant to a conspiracy with her clients to unlawful acquire and engage in unlicensed commercial cannibal activity via the Strawman Practice." *Motion to Stay*, 7:5-7. There is *nothing* in the record demonstrating that LAKE was a client or associate of AUSTIN or ALG. On the contrary, LAKE denies ever having any type of relationship or business dealings with AUSTIN or ALG. *Lake Dec* ¶ 30. While, arguably, claims involving AUSTIN/ALG and their clients might be "embraced" by the appeal, there is no indication whatsoever that LAKE was in any way affiliated with AUSTIN/ALG or engaged in the purported "Strawman Practice." Indeed, the only "clients" identified in Plaintiffs' Motion are Lawrence Geraci and Salam Ruzuki. *Motion to Stay*, 6:26.

The causes of action targeted by the AUSTIN anti-SLAPP are *wholly unrelated to Plaintiffs' claims against Defendant*. The claims against Defendant stem from his involvement with the Balboa Property and the Ramona Property. *See FAC* ¶¶ 67, 70. However, in her anti-SLAPP motion, Austin declared under the penalty of perjury that she had no involvement with Ramona Property and her involvement with the Balboa Property was helping Mr. Sherlock fill out a CUP application, which has nothing to do with the claims against AUSTIN that are the subject of the anti-SLAPP. *See ROA* 45, Austin Declaration, ¶¶ 2-3. Nowhere in the FAC are AUSTIN or ALG mentioned in conjunction with any claims against LAKE.

There is no tie to the remaining causes of action against Defendant and AUSTIN. Plaintiff's First and Seventh Causes of Action for Violation of the Cartwright Act and Conspiracy have respectively been dismissed. Plaintiff's Second Cause of Action for Conversion is not stated against Austin – only Defendant, Harcourt, Prodigious, and Allied. Plaintiff's Third Cause of Action for

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#### D. <u>CONCLUSION</u>

For the above stated reasons, along with those relied upon the Court in denying the same motion brought by Plaintiffs back on October 26, 2022, the ex parte application should be denied. Alternatively, the Court should permit the action to continue as to those matters not "embraced" by the appeal, including the third and fourth causes of action.

STEVEN W. BLAKE, ESQ.

ANDREW E. HALL, ESQ.

Attorneys for Defendant, STEPHEN LAKE

Dated: March 24, 2023 **BLAKE LAW FIRM**