

Memorandum of Understanding

Date: 09/24/16

Between:

Mr. Darryl Cotton, an individual (Cotton)
6176 Federal Boulevard
San Diego, CA 92114

Ph: 619.954.4447
E-mail: Darryl@dalbercia.us

Mr. Larry Geraci, an individual (Geraci)
GERL Investments (GERL)
5402 Ruffin Road, Ste. 200
San Diego, CA 92103

Ph: 858.956.4040
E-mail: Larry@TFCSD.net

Pursuant to conversations held by all parties this Memorandum of Understanding (MOU) will serve to act as the basis for development of a Contract or in the absence of a Contract be used as the Contract between both parties to define our mutually beneficial relationship, responsibilities, services and terms relative to the commercial development of 6176 Federal Boulevard San Diego, CA. 92114 (hereinafter referred to as the property) as a new dispensary to be owned and managed by GERL Investments, a California Corporation.

- 1) Cotton believes that GERL is in the unique position having the skills, experience and financial resources to develop the property as a licensed retail dispensary of marijuana products. Therefore Cotton, as the owner of the property, hereby agrees to sell the property in 'as is' condition to GERL for the sum of \$400,000.00 and a minority 10% shareholder position in GERL.
- 2) Upon acceptance of the Purchase Agreement for the property, GERL will begin the necessary design work necessary for the project redevelopment and simultaneous application for the CUP with the City of San Diego. Both of these processes take what is anticipated to be 9-12 months before construction would begin. In consideration of the sale price the current tenant, Inda-Gro, would be given use of the property at no charge until such time that the permits have been secured and the 30 Day Notice to Vacate, as defined in the separate Service Agreement Contract has been issued to Inda-Gro.
- 3) GERL shall bear all costs and submit all necessary paperwork and documentation to the City of San Diego Development Services required in which to acquire a Conditional Use Permit (CUP) to operate as a licensed Medical Marijuana Consumer Cooperative (MMCC) at the property. Cotton makes no claims as to whether or not the property is suitable or is eligible for that business. Geraci and GERL assume all responsibility, costs and liabilities for that process and whatever its final outcome and determination with the City of San Diego may be.
- 4) Upon issuance of permits GERL plans to demolish the existing structures on the property and construct a new 2 story retail and office building. GERL will assume all costs associated with this development

including design, engineering, planning, permits and construction related charges. Cotton makes no assurances or claims as to suitability or City of San Diego acceptability for the intended development but Geraci has stated that as a result of their due diligence which includes meetings with key representatives of the City of San Diego Development Services and Legal Department the property has been deemed acceptable for the intended use and development as described herein.

- 5) Upon opening of the new dispensary Geraci and Cotton have agreed that GERL will pay Cotton a monthly 10% of the dispensary's net profits. Cotton would ask that the payments be made on or before the 15th of each month accounting for the previous month's sales. Payments may be made in the form of cash or check as GERL prefers. GERL will accompany these payments with a copy of any City of San Diego or Board of Equalization tax reporting forms that would serve to reconcile the amount being paid Cotton to the amount being reported to these agencies.
- 6) If at some future date GERL decides to sell their interest in the dispensary Cotton may at his discretion elect to either take a 10% share in the sale price or maintain a 10% net profit relationship with the new owner. Cotton may also at some future date elect to assign his 10% to a trust or heir and the same terms and conditions would apply.
- 7)

I/we accept this Memorandum of Understanding and do hereby agree to the Terms and Conditions as set forth herein:

Sign: _____ Print Name: _____ Date: _____
Darryl Cotton, an individual

Sign: _____ Print Name: _____ Date: _____
Larry Geraci, an individual

Sign: _____ Print Name: _____ Date: _____
Larry Geraci, President
GERL Investments