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Cross-complainants CHRIS HAKIM,
MIRA ESTE PROPERTIES LLC, and
ROSELLE PROPERTIES LLC, and

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

SALAM RAZUKI, an individual
Plaintiff

vs

NINUS MALAN, an individual; CHRIS
HAKIM, an individual; MONARCH
MANAGEMENT CONSULTING, INC.,
California corporation; SAN DIEGO
UNITED HOLDINGS 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

**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

CHRIS HAKIM, an individual; MIRA ESTE PROPERTIES LLC, a California Limited Liability Company; and ROSELLE PROPERTIES LLC, California Limited Liability Company,

Cross-complainants,

vs.

SALAM RAZUKI, an individual; SOCAL BUILDING VENTURES, LLC, a Delaware limited liability company; SAN DIEGO BUILDING VENTURES, LLC, a Delaware limited liability company; and ROES 51-100,

Cross-Defendants.

AND RELATED CROSS-COMPLAINTS
AND COMPLAINTS IN INTERVENTION.

COMES NOW, the Cross-complainants, Chris Hakim, Mira Este Properties LLC, and Roselle Properties LLC, and for causes of action against cross-defendants, and each of them, alleges as follows:

GENERAL ALLEGATIONS

1. Defendant and cross-complainant Chris Hakim ("Hakim") is an individual residing in San Diego County, California.

2. Defendant and cross-complainant Mira Este Properties, LLC ("MEP") is a limited liability company owned in part by Hakim. MEP owns the real property at 9212 Mira Este Court, San Diego, CA 92126 ("Mira Este Facility") in fee simple. There is a marijuana manufacturing facility at the Mira Este Facility, whose license to operate is held by California Cannabis Group.

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.

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.
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22 22. Beginning in or about November 2017 and continuing until in or about May
23 2018, certain of the payments required of SoCal under the Mira Este Management Agreement
24 were made by personal checks which later were returned unpaid as there were insufficient funds
25 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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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.
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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.
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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.
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15 49. In or about June 2018, Malan gave SoCal 25 days' notice to cure defaults, as
16 required by the management agreements. SoCal did not cure its defaults, so Malan fired SoCal.
17 Malan in or about July 2018. Cross-complainants then replaced SoCal with new, competent
18 management companies at the Balboa Dispensary and the Mira Este Facility.

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
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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 53. In his declaration in support of his application for a receiver in this lawsuit,
8 Plaintiff Razuki said he owns Sunrise Properties, LLC – the same company SoCal employee
9 Spillane pretended to own when he tried to trick the police into giving him possession of the
10 Mira Este Facility.

11 54. In addition, on or about July 13, 2018, approximately three (3) days after SoCal
12 was terminated as manager at all three locations, Jorge Emilio Aguilar showed up to the Mira
13 Este Facility. MEP employees then called the police. Aguilar – who had an outstanding warrant
14 for his arrest – claimed *he* was the owner of the Mira Este Facility, holding forged documents.
15 The police did not believe his forged documents either, and he was told to leave.

16 55. The natural and probable consequence of Razuki intentionally interfering with
17 cross-complainants' contractual relationships with SoCal was that cross-complainants would
18 have to incur expenses and lose profits during the time they spend hiring a new manager.

19 56. Another natural and probable consequence of Razuki intentionally interfering
20 with cross-complainants' contractual relationships with SoCal was that cross-complainants
21 would lose income and profits in that SoCal was withholding monies due cross-complainants.

22 57. Another natural and probable consequence of Razuki intentionally interfering
23 with cross-complainants' contractual relationships with SoCal was that cross-complainants
24 would lose income and profits because of the delay or, in the case of Roselle, the loss of the CUP
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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.
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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.
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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

with track-and-trace at least every 14 days. (Cal. Code Regs. §5049.) The fines for violations range from \$1,000 to \$144,000 and may include a revocation of the permit or a suspension of activity for up to 45 days. (Cal. Code Reg. §5814.) On information and belief, SoCal unlawfully took personal property and money from the Balboa Dispensary, Mira Este Facility, and Roselle Facility and did not return it, instead converting it to their own use and benefit.

63. As manager of the Balboa Dispensary, Mira Este Facility and Roselle Facility, SoCal was in a confidential relationship with cross-complainants from at least November 2017 to July 2018. SoCal was entrusted with cross-complainants' most sensitive business information. SoCal was obligated to devote its best efforts to promoting cross-complainant's interests and not to engage in activities harmful to cross-complainants and/or in conflict with cross-complainant's business interests. Throughout the period of time from approximately November 2017 to July 10, 2018, SoCal owed fiduciary duties to cross-complainants and each of them.

64. As a result of the breaches of the respective management agreements by cross-defendants, cross-complainants have been required to retain the services of an attorney to assist them in bringing this action. Pursuant to the management agreements with SoCal, cross-complainants are therefore entitled to recover attorney's fees and costs from said cross-defendants.

First Cause of Action

(Breach of Balboa Management Agreement-By Hakim against SoCal)

65. Cross-complainants refer to each of the previous paragraphs of this cross-complaint and by this reference, incorporate the same herein as though fully set forth at length.

66. As alleged in more detail hereinabove, SoCal breached the Balboa Management Agreement by drinking alcohol on the job, consuming marijuana at the Balboa Dispensary or allowing people to consume it there, stealing marijuana from the Balboa Dispensary, failing to make payments to the Association, failing to make other payments required by the Balboa Management Agreement, failing to comply with the terms of the use variance from the Association, failing to have two armed guards on duty at all time, hiring a wanted criminal to guard the Balboa Dispensary, leaving trash at the Balboa Dispensary and around it, incurring code enforcement violations from the City of San Diego, and committing the other acts described in this pleading. These failures and breaches included the failure to pay MMCI, Hakim and Malan, and Hakim the monthly guaranteed amount of \$35,000.

67. Cross-complainants have performed all conditions, covenants, and promises required on their part to be performed in accordance with the terms and conditions of the contract, except for those conditions, covenants, and promises that they were prevented from performing either by cross – defendants or otherwise or were excused from having to perform or fulfill or were otherwise waived by cross-defendants or concerning which cross-defendants are estopped from asserting or which have been otherwise eliminated by executed modification of the agreement.

68. The acts and omissions constituting SoCal's breaches as described above were the proximate cause of damages to cross-complainants as more fully alleged hereinabove.

Second Cause of Action

(Breach of Mira Este Management Agreement-By Hakim and MEP against SoCal)

69. Cross-complainants refer to each of the previous paragraphs of this cross-complaint and by this reference, incorporate the same herein as though fully set forth at length.

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.

Third Cause of Action

(Breach of Roselle Management Agreement-By Roselle and Hakim against SoCal)

74. Cross-complainants refer to each of the previous paragraphs of this cross-complaint and by this reference, incorporate the same herein as though fully set forth at length.

75. Pursuant to the terms of the Roselle Management Agreement, SoCal was required to utilize its best efforts to procure all licenses, permits, and approvals necessary to enable the Roselle Facility to begin operations as a cannabis manufacturing facility.

76. SoCal breached said agreement by failing and refusing and continuing to make the required payments and failing and refusing to utilize its best efforts, or any efforts at all to procure licenses, permits, and/or approvals necessary to enable the Roselle Facility to begin operations of cannabis manufacturing facility.

77. Cross-complainants have performed all conditions, covenants, and promises required on their part to be performed in accordance with the terms and conditions of the contract, except for those conditions, covenants, and promises that they were prevented from performing either by cross – defendants or otherwise or were excused from having to perform or fulfill or were otherwise waived by cross-defendants or concerning which cross-defendants are estopped from asserting or which have been otherwise eliminated by executed modification of the agreement.

78. As a direct and proximate result of said breach, Roselle has been damaged in that it did not receive monies due it. Roselle has further been damaged in that there were only approximately 40 conditional use permits (CUP) issued by the City of San Diego. Because of the delay caused by SoCal's failure and omissions to process the application for a CUP to be issued for the Roselle Facility, Roselle was unable to obtain one of the 40 permits. Had SoCal properly performed its obligations to process and utilize its best efforts to obtain one of the 40

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

16 **Fourth Cause of Action**

17 **(Interference with Balboa Management Agreement-By Hakim against Razuki)**

18 82. 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

21 83. No later than approximately January 2, 2018, cross-complainants and SoCal
22 entered into a valid and binding written agreement by which SoCal agreed to manage the Balboa
23 Dispensary for and on behalf of certain of the cross-complainants. As alleged hereinabove, a
24 true and correct copy of said management agreement is attached hereto as Exhibit 1 and, by this
25 reference, made a part hereof.
26
27

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 91. Cross-complainants refer to each of the previous paragraphs of this cross-
16 complaint and by this reference, incorporate the same herein as though fully set forth at length.
17

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

21 93. No later than approximately January 2, 2018, cross-complainants and SoCal
22 entered into a valid and binding written agreement by which SoCal agreed to manage the Mira
23 Este Facility for and on behalf of certain of the cross-complainants. As alleged hereinabove, a
24 true and correct copy of said management agreement is attached hereto as Exhibit 2 and, by this
25 reference, made a part hereof.
26
27

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 **Sixth Cause of Action**

14 **(Interference with Roselle Management Agreement-By Roselle and Hakim against** 15 **Razuki)** 16

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

20 104. 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
22 Roselle Facility for and on behalf of certain of the cross-complainants. As alleged hereinabove,
23 a true and correct copy of said management agreement is attached hereto as Exhibit 3 and, by
24 this reference, made a part hereof.

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
26
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

1 119. At all times herein mentioned, Razuki was aware of SoCal's position as manager
2 of the Balboa Dispensary and as contracting party with MMCI, Hakim and Malan and others.
3 Razuki was also aware at all times herein mentioned that SoCal owed fiduciary duties of loyalty,
4 care and good faith to MMCI, Hakim and Malan and others relative to the operation of the
5 Balboa Dispensary. Razuki nonetheless encouraged, aided and abetted SoCal and worked in
6 concert with SoCal in efforts to injure and damage cross-complainant's interests in and to the
7 Balboa Dispensary, including the right of MMCI, Hakim and Malan to receive the minimum
8 guaranteed payment of \$35,000 per month.
9

10 120. As a direct and proximate result of SoCal's breach of fiduciary duty and duty of
11 loyalty and Razuki's aiding and abetting of said breaches, MMCI, Hakim and Malan have been
12 damaged. MMCI, Hakim and Malan were caused to suffer damage and lose profits in an amount
13 equal to a minimum of the minimum guaranteed monthly guarantee of \$35,000. Cross-
14 complainants will seek lare to amend this cross-complaint when same is ascertained or prove
15 same at the time of trial.
16

17 121. SoCal and Razuki undertook the above – described acts intentionally,
18 oppressively, fraudulently, and maliciously, in conscious disregard of cross-complainant's rights
19 and interests, and with the probability that cross-complainants would be injured and damaged.
20 By reason thereof, cross-complainants are entitled to exemplary and punitive damages in
21 amounts to be proved at the time of trial.
22

23 Eighth Cause of Action

24 (Breach of Fiduciary Duty -By Hakim and MEP against SoCal and Razuki)

25

26 122. Cross-complainants refer to each of the previous paragraphs of this cross-
27 complaint and by this reference, incorporate the same herein as though fully set forth at length.

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

1 130. SoCal and Razuki undertook the above – described acts intentionally,
2 oppressively, fraudulently, and maliciously, in conscious disregard of cross-complainant's rights
3 and interests, and with the probability that cross-complainants would be injured and damaged.
4 By reason thereof, cross-complainants are entitled to exemplary and punitive damages in
5 amounts to be proved at the time of trial.
6

7 **Ninth Cause of Action**

8 **(Breach of Fiduciary Duty-By Roselle and Hakim against SoCal and Razuki)**

9 131. Cross-complainants refer to each of the previous paragraphs of this cross-
10 complaint and by this reference, incorporate the same herein as though fully set forth at length.
11

12 132. From at least November 2017 to July 2018, SoCal was in a confidential
13 relationship with cross-complainants Hakim and Roselle in which SoCal was the manager of the
14 Roselle Facility for and on behalf of said cross-complainants and others. Said confidential
15 relationship arose partly as a result of the Roselle Management Agreement and partly as a result
16 of the previous relationship between the parties. Said previous relationship arose by reason of
17 the reposing of trust in SoCal by said cross-complainants and the acceptance of said trust by
18 SoCal. Said trust was reposed and accepted as a result of the parties' business relationship in
19 which SoCal undertook to act for and on behalf of said cross-complainants and others in
20 procuring the necessary permits and approvals, managing the Roselle Facility, and undertaking
21 all other acts necessary to operate the Roselle Facility profitably for and on behalf of said cross-
22 complainants.
23

24 133. SoCal's actions as set forth herein constitute a breach of its fiduciary duty and
25 duties of loyalty, care and good faith to said cross-complainants, including but not limited to the
26 fact that SoCal, while manager of the Roselle Facility, and on the Roselle Facility 's time and
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 leave 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,

///

1 7. For such other and further relief as the Court deems just and proper.

2
3 GORIA, WEBER & JARVIS

4 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~~ ^{214,000} for reimbursement for old inventory, which shall be payable by Company to Old Operators. Lastly, ^{64,} 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.

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).

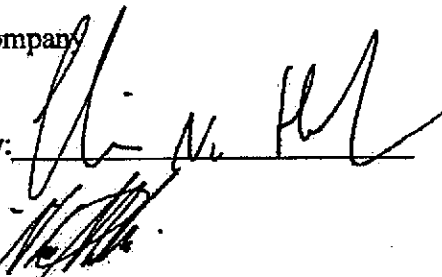

9.3.2. Mediation. If the Parties are unable to resolve the Dispute within ten (10) days following the date of receipt of the Dispute Notice by the other parties (the "Meet and Confer Period"), then the parties shall attempt in good faith to settle the Dispute through nonbinding mediation under the Rules 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 Age 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.

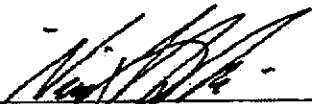
9.19. Third Party Beneficiaries. Except as otherwise provided herein, this Agreement shall not confer any rights or remedies upon any person other than Manager and Owner and their respective successors and permitted assigns.

[signature page follows]

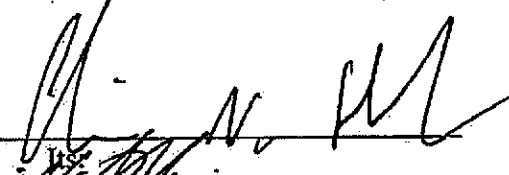
IN WITNESS WHEREOF, the Parties agree to the foregoing terms of agreement through the execution below by their respective, duly authorized representatives as of the Effective Date.

"COMPANY"

Balboa Ave Cooperative

By: 
Its: _____

San Diego United Holdings Group, LLC


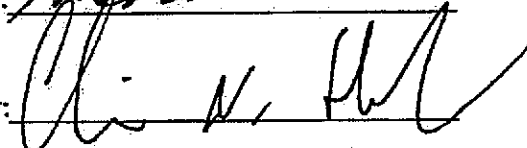
By: 
Its: _____

"MANAGER"

SoCal Building Ventures, LLC

By: _____
Its: _____

"OLD OPERATORS"

By: 
By: 

Monarch Management Consulting, Inc.

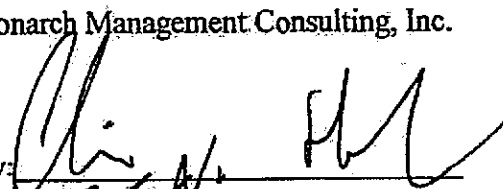
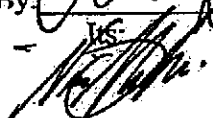
By: 
Its: 

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.

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 practice, 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.

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.

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 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 \$63,280 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

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

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

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

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

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,

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: [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.

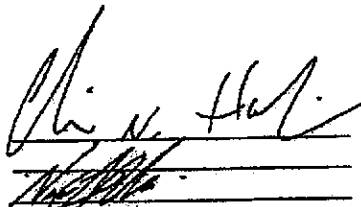
9.5. Notices. All notices, requests, demands or consents hereunder shall be in writing and shall be deemed given and received when delivered, if delivered in person, or four (4) days after being mailed by certified or registered mail, postage prepaid, return receipt requested, or one (1) day after being 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:

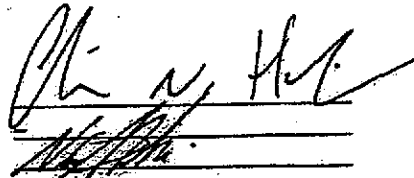
SoCal Building Ventures, LLC
32123 Lindero Canyon Rd #210
Westlake Village, CA 91361



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

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]

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: 

Monarch Management Consulting, Inc.

By: Chin Hui
Its: [Signature]

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.

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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.

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

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

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

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"

Roselle Properties, LLC

By: 

Its:

"MANAGER"

SoCal Building Ventures, LLC

By: 

Its:

"OLD OPERATORS"

By: 

By: 