

Richardson C. Griswold, Esq. (CA Bar No. 246837)  
GRISWOLD LAW, APC  
444 S. Cedros Avenue, Suite 250  
Solana Beach, California 92075  
Phone: (858) 481-1300  
Fax: (888) 624-9177

Attorney For  
**Court-Appointed Receiver Michael Essary**

SUPERIOR COURT OF CALIFORNIA  
FOR THE COUNTY OF SAN DIEGO

SALAM RAZUKI, an individual,  
Plaintiff,

v.

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

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

**RECEIVER MICHAEL ESSARY'S  
REPORT AND RECOMMENDATION  
REGARDING OPERATION AND  
FUNDING OF BALBOA AVE DISPENSARY**

Judge: Hon. Eddie C. Sturgeon  
Dept: C-67  
Date: April 5, 2019  
Time: 1:30 p.m.

**RECEIVER'S REPORT AND RECOMMENDATION**

**I. INTRODUCTION**

On September 26, 2018, this Court confirmed the appointment of Michael Essary as the Receiver in this matter ("Receivership Order"). Pursuant to the Receivership Order, the Receiver

1 has been ordered to take possession and control of all assets of the Marijuana Operations, specifically  
2 including the Balboa Ave Dispensary. Due to the abrupt abandonment of operations at the Balboa  
3 Ave Dispensary by former operator Far West, the dispensary has essentially remained closed and  
4 out of operation since November 27, 2018. The dispensary was temporarily re-opened for a brief  
5 period in March 2019. Without any revenue generated at Balboa, coupled with the already-existing  
6 debt/delinquencies, there are now substantial and urgent delinquencies that require immediate  
7 attention.

8 On March 15, 2019, this Court ordered the Receiver to a) review all final submitted Balboa  
9 Ave Dispensary proposals regarding operating and funding, b) conduct due diligence on the potential  
10 operators, and c) submit a report and recommendation regarding the Receiver's recommended  
11 operator. On March 16, 2019, counsel for the Receiver alerted all seven potential operators that had  
12 previously submitted proposals of the guidelines and deadlines for submitting a final operator  
13 proposal. Specifically, counsel for the Receiver explained to the potential operators that "sale  
14 option" provisions would not be considered at this time. Proposals were required to focus only on  
15 operation of the dispensary and a funding plan for the dispensary. The submission deadline was  
16 March 22, 2019 by 3:30 p.m. A true and correct copy of counsel for the Receiver's March 16, 2019  
17 email to all potential operators is attached to the Declaration of Richardson Griswold as **Exhibit A**.  
18 The Receiver received three final proposals from potential operators. The potential operators that  
19 submitted proposals are SoCal Building Ventures, LLC ("SoCal"), March & Ash, Inc ("March &  
20 Ash"), and MJIC Regulated, Inc. ("MJIC"). True and correct copies of the operator proposals are  
21 attached to the Declaration of Michael Essary as **Exhibit B** (SoCal Proposal), **Exhibit C** (March &  
22 Ash Proposal) and **Exhibit D** (MJIC Proposal).

23 The Receiver recommends this Court approve SoCal Building Ventures, LLC as the Balboa  
24 Ave Dispensary operator based on the below assessment.

25 ///

27 ///

1 **II. REVIEW OF OPERATOR PROPOSALS**

2 Below is a review and comparison of the key provisions within the three operator proposals:

3 **SOCAL: KEY PROVISIONS**

4 **Monthly Rent to Be Paid to Receivership:** \$40,000

5 **Operator Agreement Term:** Month-to-Month; prepared to begin operating immediately

6 **Operational/Property Costs:** 100% covered by SoCal

7 **Receivership Funding:** \$500,000 at 6% interest; 1 year term/balloon payment; fund in 5 days

8  
9 **MARCH & ASH: KEY PROVISIONS**

10 **Monthly Rent to Be Paid to Receivership:** \$25,000 + net profit split 50/50 with operator

11 **Operator Agreement Term:** Month-to-Month; 90-Day Termination Notice

12 **Operational/Property Costs:** Day-to-day costs covered ("start-up" costs" not covered)

13 **Receivership Funding:** \$550,000 at 10% interest; 3 year term/\$17,746.95 monthly principal &  
14 interest payments; \$200,000 "Start-Up Costs" loan at 10% interest; 3 year term/\$6,453.44  
15 monthly principal & interest payments

16 **Cancellation:** If Operator Agreement terminated due to sale, operator requiring an "exit fee"  
17 to be negotiated

18  
19 **MJIC: KEY PROVISIONS**

20 **Monthly Rent to Be Paid to Receivership:** \$20,000; 1 year term paid upfront (\$240,000)

21 **Operator Agreement Term:** 12 Month Minimum

22 **Operational/Property Costs:** 100% covered by MJIC

23 **Receivership Funding:** Not Offered

24 Based on an analysis of the above key provisions, the SoCal proposal is superior. It contains  
25 the highest guaranteed monthly rent to the receivership. The month-to-month term is flexible. It  
26 covers all operating and property costs. Its funding plan has the lowest interest rate without any  
27 requirement to make loan payments during the term of the loan. It does not require an "exit fee"

1 should the dispensary be sold to a third party.

2 In addition to an analysis of the proposal terms, the Receiver conducted additional due  
3 diligence on all three proposals. The due diligence efforts included a review of the potential  
4 operators' history as a dispensary operator, review of management/leadership team of operator,  
5 review of previous/pending state or local violations in cannabis industry, proof of funds related to  
6 any proposed receivership funding, relationships with any party to the receivership action and  
7 operational plans for the Balboa Ave Dispensary.

8 All three potential operators were cooperative and responded with comprehensive detail to  
9 the Receiver's due diligence requests and questions. Further, all three potential operators presented  
10 information and documents to support substantial experience in the dispensary operation industry,  
11 strong leadership/management teams, zero previous/pending state or local violations in the cannabis  
12 industry and sufficient proof (including copies of bank statements) that each has more than sufficient  
13 funds to provide proposed funding to the receivership. The Receiver strongly believes that all three  
14 potential operators present qualified credentials to operate the dispensary. With this confidence, the  
15 Receiver's review became primarily focused on the actual terms of the potential operators'  
16 proposals. As stated above, the terms of the SoCal proposal are superior.

17 The Receiver invited representatives from all three operator companies to attend the April  
18 5<sup>th</sup> hearing in the event the Court had further questions for any of them.

19 **III. CONCLUSION**

20 For the reasons stated above, the Receiver respectfully requests that this Court approve SoCal  
21 Building Ventures, LLC as the Balboa Ave Dispensary operator and authorize the Receiver to enter  
22 into an operator agreement based on the terms within SoCal's submitted proposal.

23 Dated: March 29, 2019

Respectfully Submitted,

GRISWOLD LAW, APC



Richardson C. Griswold, Esq.  
Counsel for Court Appointed Receiver  
MICHAEL ESSARY

1 **PROOF OF SERVICE**

2 *Salam Razuki v. Ninus Malan, et al.*

3 *San Diego County Superior Court Case No. 37-2018-00034229-CU-BC-CTL*

4 I am employed in the County of San Diego, State of California. I am over the age of 18 and  
5 am not a party to the within action. I am employed by Griswold Law, APC and my business address  
is 444 S. Cedros Avenue, Suite 250, Solana Beach, California 92075.

6 On *March 29, 2019*, I served the documents described as **RECEIVER MICHAEL**  
7 **ESSARY'S REPORT AND RECOMMENDATION REGARDING OPERATION AND**  
8 **FUNDING OF BALBOA AVE DISPENSARY; DECLARATION OF RECEIVER MICHAEL**  
9 **ESSARY IN SUPPORT OF REPORT AND RECOMMENDATION; DECLARATION OF**  
**RICHARDSON GRISWOLD IN SUPPORT OF RECEIVER'S REPORT AND**  
**RECOMMENDATION; [PROPOSED] ORDER** on each interested party, as follows:

10 **SEE ATTACHED SERVICE LIST**

11  
12    **(VIA MAIL)** I placed a true and correct copy(ies) of the foregoing document in a sealed  
13 envelope(s) addressed to each interested party as set forth above. I caused each such envelope, with  
14 postage thereon fully prepaid, to be deposited with the United States Postal Service. I am readily  
15 familiar with the firm's practice for collection and processing of correspondence for mailing with the  
United States Postal Service. Under that practice, the correspondence would be deposited with the  
United States Postal Service on that same day with postage thereon fully prepaid in the ordinary  
course of business.

16  
17    **(VIA OVERNIGHT DELIVERY)** I enclosed the documents in an envelope or package provided  
18 by an overnight delivery carrier and addressed to each interested party. I placed the envelope or  
package for collection and overnight delivery in the overnight delivery carrier depository at Solana  
Beach, California to ensure next day delivery.

19    **(VIA ELECTRONIC MAIL)** I caused true and correct copy(ies) of the foregoing document(s)  
20 to be transmitted via **One Legal e-service** to each interested party at the electronic service addresses  
21 listed on the attached service list.

22    **(BY FACSIMILE)** I transmitted a true and correct copy(ies) of the foregoing documents via  
23 facsimile.

24 I declare under penalty of perjury under the laws of the State of California that the foregoing  
is true and correct. Executed on *March 29, 2019*, in Solana Beach, California.

25   
26 Katie Westendorf



**SERVICE LIST**

Counsel for Plaintiff Salam Razuki

Steven A. Elia, Esq.; Maura Griffin, Esq.  
LAW OFFICES OF STEVEN A. ELIA, APC  
2221 Camino Del Rio South, Suite 207, San Diego, CA 92108  
Email: [steve@elialaw.com](mailto:steve@elialaw.com); [MG@mauragriffinlaw.com](mailto:MG@mauragriffinlaw.com)

Counsel for Defendant Ninus Malan

Lou Galuppo, Esq.; Daniel Watts, Esq.  
G10 GALUPPO LAW  
2792 Gateway Road, Suite 102, Carlsbad, CA 92009  
Email: [lgaluppo@galuppolaw.com](mailto:lgaluppo@galuppolaw.com); [dwatts@galuppolaw.com](mailto:dwatts@galuppolaw.com); [ahall@galuppolaw.com](mailto:ahall@galuppolaw.com)

Gina M. Austin, Esq.; Tamara M. Leetham, Esq.  
AUSTIN LEGAL GROUP, APC  
3990 Old Town Avenue, Suite A-101, San Diego, CA 92110  
Email: [gaustin@austinlegalgroup.com](mailto:gaustin@austinlegalgroup.com); [tamara@austinlegalgroup.com](mailto:tamara@austinlegalgroup.com)

Counsel for Defendant Chris Hakim

Charles F. Gorla, Esq.  
GORIA, WEBER & JARVIS  
1011 Camino del Rio South, #210, San Diego, CA 92108  
Email: [chasgoria@gmail.com](mailto:chasgoria@gmail.com)

Counsel for SoCal Building Ventures, LLC

Robert Fuller, Esq.; Salvatore Zimmitti, Esq.  
NELSON HARDIMAN LLP  
1100 Glendon Avenue, Suite 1400, Los Angeles, CA 90024  
Email: [rfuller@nelsonhardiman.com](mailto:rfuller@nelsonhardiman.com); [szimmitti@nelsonhardiman.com](mailto:szimmitti@nelsonhardiman.com)

Counsel for Sunrise Property Investments, LLC

Douglas Jaffe, Esq.  
LAW OFFICES OF DOUGLAS JAFFE  
501 West Broadway, Suite 800, San Diego, CA 92101  
Email: [douglasjaffe@aol.com](mailto:douglasjaffe@aol.com)

Counsel for Far West Management, LLC

Matthew B. Dart, Esq.  
DART LAW  
12526 High Bluff Drive, Suite 300, San Diego, CA 92130  
Email: [matt@dartlawfirm.com](mailto:matt@dartlawfirm.com)

Counsel for RM Property Holdings, LLC

Timothy Daley, Esq.; Michael Hickman, Esq.  
MUSICK, PEELER & GARRETT LLP  
225 Broadway, Suite 1900, San Diego, CA 92101  
Email: [t.daley@musickpeeler.com](mailto:t.daley@musickpeeler.com); [m.hickman@musickpeeler.com](mailto:m.hickman@musickpeeler.com)