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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

**DECLARATION OF RECEIVER MICHAEL
ESSARY IN SUPPORT OF REPORT AND
RECOMMENDATION**

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

DECLARATION OF RECEIVER MICHAEL ESSARY

1. I, Michael Essary, was appointed as the Receiver in the above-entitled matter by this Court. This declaration is submitted in support of my Report and Recommendation, set to be heard

1 on April 5, 2019 at 1:30 p.m.

2 2. I received three final proposals from potential operators. The potential operators that
3 submitted proposals are SoCal Building Ventures, LLC (“SoCal”), March & Ash, Inc (“March &
4 Ash”), and MJIC Regulated, Inc. (“MJIC”). True and correct copies of the operator proposals are
5 attached hereto as **Exhibit B** (SoCal Proposal), **Exhibit C** (March & Ash Proposal) and **Exhibit D**
6 (MJIC Proposal).

7 3. I recommend this Court approve SoCal Building Ventures, LLC as the Balboa Ave
8 Dispensary operator and authorize me to enter into an operator agreement based on the terms within
9 SoCal’s submitted proposal.

10 4. Based on an analysis of the three proposals, the SoCal proposal is superior. It contains
11 the highest guaranteed monthly rent to the receivership. The month-to-month term is flexible. It
12 covers all operating and property costs. Its funding plan has the lowest interest rate without any
13 requirement to make loan payments during the term of the loan. It does not require an “exit fee”
14 should the dispensary be sold to a third party.

15 5. In addition to an analysis of the proposal terms, I conducted additional due diligence
16 on all three potential operators. The due diligence efforts included a review of the potential operators’
17 history as a dispensary operator, review of management/leadership team of operator, review of
18 previous/pending state or local violations in cannabis industry, proof of funds related to any proposed
19 receivership funding, relationships with any party to the receivership action and operational plans for
20 the Balboa Ave Dispensary.

21 6. All three potential operators were cooperative and responded with comprehensive
22 detail to my due diligence requests and questions. Further, all three potential operators presented
23 information and documents to support substantial experience in the dispensary operation industry,
24 strong leadership/management teams, zero previous/pending state or local violations in the cannabis
25 industry and sufficient proof (including copies of bank statements) that each has more than sufficient
26 funds to provide proposed funding to the receivership. I strongly believe that all three potential
27 operators present qualified credentials to operate this (or any) dispensary. With this confidence, my
28

1 review became primarily focused on the actual terms of the potential operators' proposals. As stated
2 above, the terms of the SoCal proposal are superior.

3 7. I invited representatives from all three operator companies to attend the April 5th
4 hearing in the event the Court had further questions for any of them.

5
6 I declare, under penalty of perjury under the laws of the State of California, that the foregoing
7 is true and correct.

8 Executed this 29th day of March 2019.

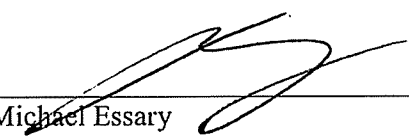
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11 Michael Essary
12 Court Appointed Receiver
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Exhibit B

AGREEMENT TO ASSUME AND FUND OPERATIONS

March 22, 2019

TO: Michael W. Essary, Court Appointed Receiver
Balboa Ave Cooperative
8861-8863 Balboa Avenue, Suites B and E
San Diego, CA 92123

FROM: SOCAL BUILDING VENTURES, LLC, or Assignee

Re: Proposal to Assume and Fund Operations of Balboa Avenue Cooperative

The purpose of this proposal is for SOCAL BUILDING VENTURES, LLC, a Delaware limited liability company, or Assignee ("Operator") to enter into a binding agreement between Operator and Balboa Avenue Cooperative, a California nonprofit Mutual benefit corporation ("Balboa"), by and through its court appointed Receiver, Michael W. Essary ("Receiver"), with respect to Operator's offer to assume the Operations of, and providing funding to, Balboa on the terms and subject to the conditions set forth below (collectively, the "Management Agreement") in connection with the properties located at 8861 Balboa Avenue, Suite B and 8863 Balboa Avenue, Suite E, San Diego, CA 92123 (collectively, the "Property").

Operator is a reputable and experienced investor, manager, and cultivator in the cannabis industry. Operator currently owns and operates two active dispensaries in Los Angeles with two additional dispensaries opening next month, and another opening in San Francisco later in the year. Among Operator's active dispensaries is DC Collective, which generates more than \$1,000,000 per month in revenue, and the highly acclaimed Atrium, which is generating approximately \$600,000 in revenue per month in only its 4th month of operation and is growing revenues at 35% month over month. Atrium is anticipated to be generating \$2,000,000 per month by the end of 2019. More information about Atrium and Operator is provided in the attached Exhibit "A."

The Property currently supports or has supported a marijuana dispensary ("Balboa Ave Dispensary") and all operations related to or connected therewith (collectively, the "Operations"). This Management Agreement is conditioned on the understanding that the Operations are in compliance, or can reasonably and timely be brought into compliance, with all state and local laws concerning sales and regulation of cannabis and cannabis related products.

Balboa further understands that the Property, including the Operations, is currently in litigation in a case entitled Salam Razuki v. Ninus Malan, et al., San Diego Superior Court Case No. 37-2018-00034229-CU-BC-CTL, in addition to other third-party claims and litigation to the Property and Operations (the "Litigation"), and that this proposal concerning the Operations will need, and is contingent upon, approval by the Receiver and the Court. **BUYER AND OR ITS AFFILIATES ARE PARTY PLAINTIFFS-IN-INTERVENTION IN SAID LITIGATION, AND NEITHER**

ANYTHING IN THIS AGREEMENT NOR ANY ACTS IN FURTHERANCE HEREOF ARE MADE TO OR WITH ANY INTENT TO WAIVE, INVALIDATE, OR OTHERWISE IMPACT ITS CLAIMS IN THE LITIGATION OR ON UNASSERTED CLAIMS OR FUTURE CLAIMS WITH RESPECT TO THE PARTIES THERETO, ALL OF WHICH ARE HEREBY EXPRESSLY RESERVED.

The following numbered paragraphs reflect our understanding of the matters described in them, but do not constitute a commitment on the part of, Balboa or Operator with respect to the matters described therein or to impose on either Balboa or Operator an enforceable duty or obligation to negotiate towards or conclude any such agreement or commitment, unless and until this Management Agreement is approved and adopted by the San Diego Superior Court (the "Court") as discussed herein.

1. ASSUMPTION OF OPERATIONS AND FUNDING

1.1 Subject to the approval of the Court, Operator proposes the following concerning Operator's assumption and funding of the Operations:

1.1.1. Upon approval of the Court, and provided that Operator is permitted by any applicable governmental agencies to assume management control of the Operations at such time (the "Closing"), Operator will, within 5 days of Closing, loan (the "Loan") Balboa, by and through the Receiver, an amount not to exceed the principal amount of \$500,000.00, specifically to be utilized by the Receiver only to pay and cure all current and outstanding financial obligations and debts of Balboa (the "Liabilities") in connection with the Property and Operations.

1.1.2. The Loan made payable to Balboa will be memorialized by a secured promissory note (the "Note") and shall bear interest at a rate of six percent (6%) per annum and all interest and principal will be due and payable from Balboa to Operator within twelve (12) months from the Closing, except that, in the event the Operations are subsequently sold to, or purchased by, any person or entity other than Operator, the Note shall accelerate and become immediately due and payable upon such sale and from the proceeds of said sale. The Note shall be secured by the Property, and all assets of the Operations, including but not limited to, furniture, fixtures and equipment, goods, inventory, accounts receivable and all other assets of Balboa.

1.1.3. Within (5) days of Closing, Operator shall commence paying: (1) all expenses reasonably necessary or incidental to the Operations incurred, including, but not limited to, Property payments and expenses, monthly mortgage payments, HOA fees, utilities, payroll, sales commissions, employee benefits, transportation and travel, amortization and depreciation, repairs, cost of goods sold, taxes, insurance, specified expenses and charges of the Receiver, and those other necessary expenses for the care, preservation and maintenance of the Operations and (2) the sum of \$40,000 per month to the Receiver as rent, which shall continue month to month until the Operations are sold (the "Operational Period"). The Operational Period may be extended by Operator, on a month to month basis, at Operator's sole discretion.

1.1.4. During the Operational Period, Operator shall reasonably cooperate with the Receiver and keep the Receiver informed regarding all updates, statuses, notices or otherwise regarding

the Operations. Notwithstanding Operator's cooperation with, and obligation to provide information to, the Receiver, Operator alone shall make all business decisions regarding the Property and Operations during the Operational Period. Should Operator materially default in its obligations during the Operational Period, the Receiver shall have the option of removing Operator, after five (5) days written notice of defaults and Operator's failure during that time period to cure all defaults. Upon removal of Operator by Receiver for Operator's default, the Loan shall be due and payable from Balboa to Operator, including all principal and accrued interest.

1.15 The Operations assumed by Operator exclude:

- a) Tort liabilities;
- b) Prior employment claims;
- c) Criminal claims;
- d) Pending litigation; and
- e) Undisclosed liabilities.

1.16 Notwithstanding anything else herein, Operator is not waiving any of its rights under any prior agreements regarding the Property, Balboa Ave Dispensary, or Operations, nor is Operator waiving any of its rights under the pending Litigation.

2. REVIEW OF DOCUMENTS

Within ten (10) days after Closing, Balboa shall furnish for Operator's review all documentary materials in Balboa's (and the Receiver's) possession, custody or control, including but not limited to all books and records of Balboa and the Operations and the Properties, all statements of account, financial statements of Balboa, profit and loss statements, income and expense statements, canceled checks, bank statements, receipts, records, ledgers, all electronically stored information, corporate records, contracts, licenses, permits, notices, leases, gross receipts from the business operations, cash register tapes and sales slips, point of sale documents and information, all check book disbursements, accounts receivable, accounts payable, tax returns, customer and vendor lists, and all other information related to or in connection with the Operations and/or the Balboa Ave Dispensary.

3. CLOSING DATE

The parties anticipate that the Closing, if any, will occur on or about April 5, 2015, which is the hearing date for the Court to consider approval of this or any other proposal submitted to the Court by the Receiver. Operator may extend the date of Closing in the event such hearing is continued or otherwise delayed, in its sole discretion.

4. IMMEDIATE TAKEOVER OF DAY-TO-DAY OPERATIONS

Upon Closing and at its option, Receiver can request that Operator immediately take over day-to-day operations pursuant to this Management Agreement as soon as practicable, but no later than ten (10) days after receiving such request from the Receiver.

5. ADDITIONAL PROVISIONS

5.1 Access. Subject to the terms set forth in Section 5.3 below respecting confidentiality and

certain other matters, Balboa will afford Operator's employees, agents, auditors, legal counsel, and other authorized representatives all reasonable opportunity and access during normal business hours to inspect, investigate, and audit the Operations, assets, liabilities, contracts, operations, and business of Balboa before Closing. Operator will conduct this inspection, investigation, and audit in a reasonable manner during regular business hours.

52 Consents. Operator and Balboa will cooperate with one another and proceed, as promptly as is reasonably practicable, to prepare and file the notifications required by any law, to seek to obtain all necessary consents and approvals from lenders landlords, and governmental authorities, and to endeavor to comply with all other legal or contractual requirements in connection with the Operations.

53 Confidentiality. Operator agrees that (except as may be required by law) it will not disclose or use and it will cause its officers, directors, employees, representatives, agents, and advisors not to disclose or use, any Confidential Information (as hereinafter defined) with respect to Balboa furnished, or to be furnished, by Balboa to Operator in connection herewith at any time or in any manner and will not use such information other than in connection with this Management Agreement. For the purposes of this Section "Confidential Information" means any information identified as such in writing to Operator by Balboa. If, after Closing, the Operations are subsequently sold to a person or entity other than Operator, Operator will promptly return all documents, contracts, records, or properties to Balboa. The provisions of this Section shall survive the termination of this agreement.

Please reflect your agreement to the terms and provisions herein by signing and dating this Management Agreement in the spaces provided below. If we do not receive a signed copy of this agreement on or before April 6, 2019, and Operator has not otherwise agreed to continue the Closing Date for whatever reason, this proposal shall be deemed withdrawn and have no effect whatsoever.

OPERATOR: SOCAL BUILDING VENTURES LLC, OR ASSIGNEE

By: _____
Name:
Title:

APPROVED AND AGREED TO:

COURT APPOINTED RECEIVER:

By: _____
Michael W. Essary

SAN DIEGO SUPERIOR COURT:

By: _____
Hon. Eddie C. Sturgeon



ATRIUM: An Elevated Cannabis Experience in the Heart of Woodland Hills

By Lori Berezin

A store carrying bath bombs, topicals, tinctures, and lotions sounds like an upscale beauty boutique. Add vaporizer cartridges, delectable edibles, cannabis flowers, and CBD-only products and it soon becomes clear that the recently opened Atrium in Woodland Hills is actually a high-end cannabis retailer.

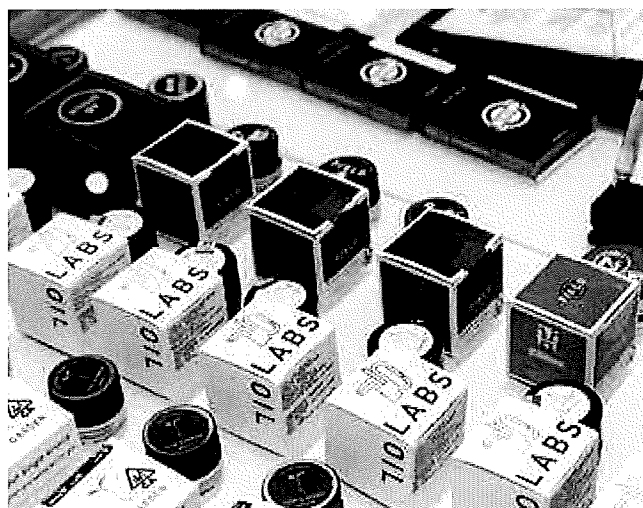
More luxury day spa than dispensary, Atrium feels special from the moment you walk through the door. Its friendly, knowledgeable staff has curated a collection of the best cannabis products designed to ensure every customer, from diehards to cannabis curious newbies, finds the best goods around. They even offer the personal service of a "cannabis concierge" to help shoppers.

"We're delivering an experience," notes Chief Operating Officer Chris Berman. "We see people of all ages and levels of familiarity with cannabis. There are plenty of regulars who come several times per week, but also lots of people who have never been to a dispensary before. ...By creating a familiar and comfortable retail experience, we're helping bring cannabis into the mainstream."

The legalization of marijuana continues to expand across the country. While not quite growing like weeds, new dispensaries open regularly. Thirty-three states, plus the District of Columbia, have already passed laws partially legalizing marijuana. The District of Columbia and 10 states—Alaska, California, Colorado, Maine, Massachusetts,

Michigan, Nevada, Oregon, Vermont, and Washington—have adopted the broadest legalization. Pot has come out of the closet and into the mainstream as one-stop shops like Atrium pop up in states from California to Vermont. Atrium positions itself ahead of the crowd, offering a more high-end "elevated cannabis experience."

Cannabis is clearly here to stay. There's even evidence that it was used as far back as ancient times for psychotropic and medicinal purposes. Today, there's a whole range of qualities attributed to this miraculous plant, from treating the ill effects of chemotherapy to possibly even slowing the growth of cancer-related tumors. According to the National Eye Institute, marijuana helps lower the pressure in-



side the eyes, which may lessen glaucoma. It reduces inflammation and can ease the pain of neuropathy and other diseases while assisting with sleep, anxiety, and relaxation. The list goes on.

Atrium's main aim is to elevate the way people explore and interact with cannabis. From the store's elegant, light-filled space to the top-shelf products displayed in crystal-cut glass cases atop polished marble counters, the store has created a truly unique shopping experience for its discerning clientele.

"We saw an opportunity to change the industry," explains Berman. "Many of the people on our team have been in this industry for more than a decade." Despite Atrium's more luxurious approach, its prices remain competitive with other area stores.

Atrium is ideal for those curious about cannabis but perhaps intimidated by the process of walking into a typical pot shop. The knowledgeable and friendly sales associates do their best to ensure that each customer has a positive experience. Clearly, there is a lot more to cannabis than meets the eye as we continue to discover what this magical plant can do. ■

Atrium
5441 Topanga Canyon Bl.
Woodland Hills
818.810.7379
atriumtopanga.com



Pasadena Application Process for Marijuana Retailers Aims at the High-End

By STEPHEN SICILIANO, Managing Editor

Published : Tuesday, January 22, 2019 | 7:24 PM

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Well-financed, luxury boutique marijuana retailers are likely to score well in Pasadena's application process, based on the City's criteria - stores like this one, for example. Shown above is the Atrium, located at 5441 Topanga Canyon Blvd. in Woodland Hills. Courtesy photo.

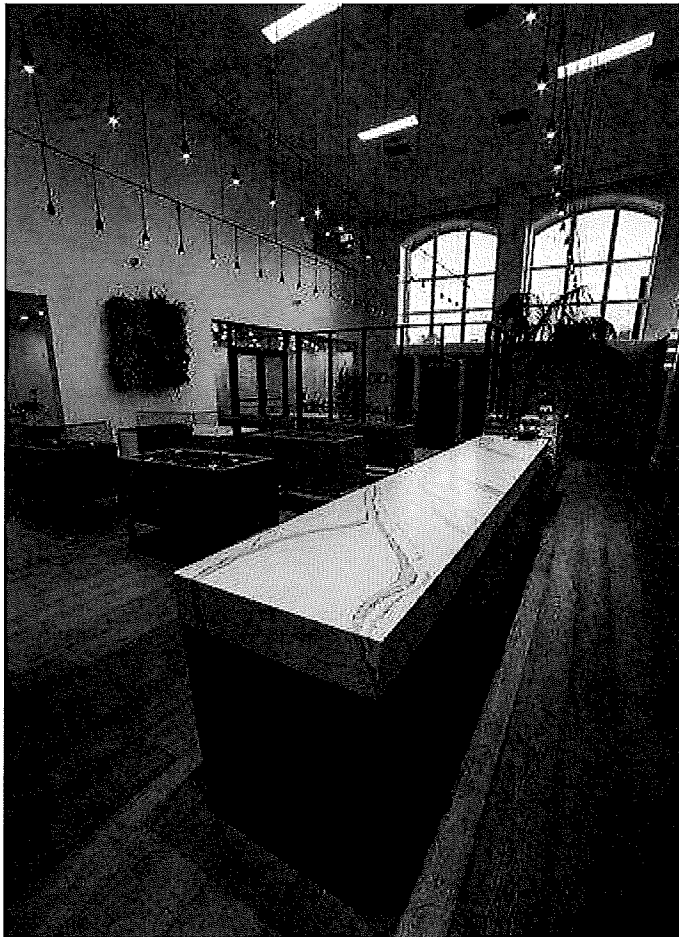
If the tone and tenor of its cannabis business application criteria are any measures, the City of Pasadena is looking for quality marijuana retailers.

The City's scoring sheet for applicants emphasizes experience and knowledge about the cannabis industry and awards points for: "Overall quality and detail of proposed operating procedures; quality of proposed employee training; quality and detail of plans for educating customers about cannabis products; quality of contextual exterior design which reflect the best of the City's architectural traditions, and the use of quality materials, to mention a few instances in which an operation's quality will contribute to an applicant's success."

For cannabis chain retailer Atrium, which is planning to apply for a Pasadena permit, the regulatory filter is more beacon than obstacle.

A statement from the company reads in part:

"Unlike anything of its kind, Atrium's beautiful, light-filled space exclusively features top-shelf products displayed in crystal-cut glass vitrines



Atrium, which operates this store in Woodland Hills, sees Pasadena as an ideal market and is planning to apply for a permit here. Courtesy photo.

atop polished marble counters to create a truly elevated shopping experience. Catering to discerning local clientele and canna-curious tourists alike, the high-end retail destination will feature a personal shopping service, a 'cannabis concierge,' who will guide shoppers through the best in class selection of California grown cannabis products."

Chris Berman is Chief Operating Officer for SoCal Building Ventures, a holding company with assets across the entire supply chain of California-sourced cannabis, including the Atrium stores.

He told Pasadena Now in a Jan. 21 interview that he believes cannabis can be "aspirational," a luxury good in the way other consumer brands are, and that Pasadena is an ideal showcase.

"Atrium is a model that only fits in certain demographics," explained Berman. "It's a higher-end store and we just think Pasadena is a great market for that. It's a more affluent community. They're not going to have too many different dispensaries there, with limited licensing, and we just feel like it's a good place to roll out this particular model."

After Measure CC was passed in June 2018, the City of Pasadena went to work developing the regulations and processes governing its implementation. Initial applications must be submitted by Jan. 31. The window opened Jan. 1.

Applicants are required to pay a \$13,654 fee. The top six winners will get the go-ahead in April when a \$10,639 processing fee will be applied to help offset the costs of implementation to the City.

Berman said that completing the application process has been taking up the bulk of his time over the past month.

David Reyes, director, Planning and Community Development Department, City of Pasadena, said the online application process has not generated any complaints to date.

"I wouldn't say it's necessarily more difficult than some of the other cities we've looked at," said Berman. "It is merit based so I think

those in general require a little bit more effort. Just due to the fact that Pasadena is such a desirable location, we do anticipate substantial competition.”

Allison Margolin, a partner in the Beverly Hills-based “marijuana law firm” of Margolin and Lawrence said in a Jan. 22 interview that Pasadena’s ordinance is “in line” with those of other municipalities.

She said the firm is representing applicants to the Pasadena process and is dealing with about 25 pages worth of diagrams and charts related to how things are going to look.

“With the small cities like Pasadena,” she explained, “the competition is not just about the substance, but also about the aesthetic.”

The application game, she added, has changed since the days of medical marijuana dispensaries. “There wasn’t the kind of competition like your seeing now,” said Margolin. “It was really about not being seen versus being seen. So now there are different incentives.”

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High Class High at New Dispensary

It's like walking into the cosmetics area at a high-end department store. It offers gleaming wood floors, glass-topped cabinets displaying their wares, high ceilings and large palms throughout.

This isn't the make-up counter at Saks, but rather Atrium, a new 21+ and medical dispensary now open in Woodland Hills.

The high-tech design is from well-known interior designer Julia Wong, but the concept extends beyond

On Tuesday, November 27, they will celebrate their grand opening giving 10% of proceeds to LAPD and LAFD.

the decor. The concept is called "an elevated cannabis experience."

Each client who checks in is given their own personal budtender. Orders are taken on an iPad and then delivered down a hidden chute to the sleek check-out desk.

The one-on-one service assures that each client gets

the time and attention they need. All products are labeled and displayed under glass but available to be shown, smelled and discussed.

Atrium offers a range of products, including flowers, vapes, concentrates, lotions, balms, bath products and tinctures.

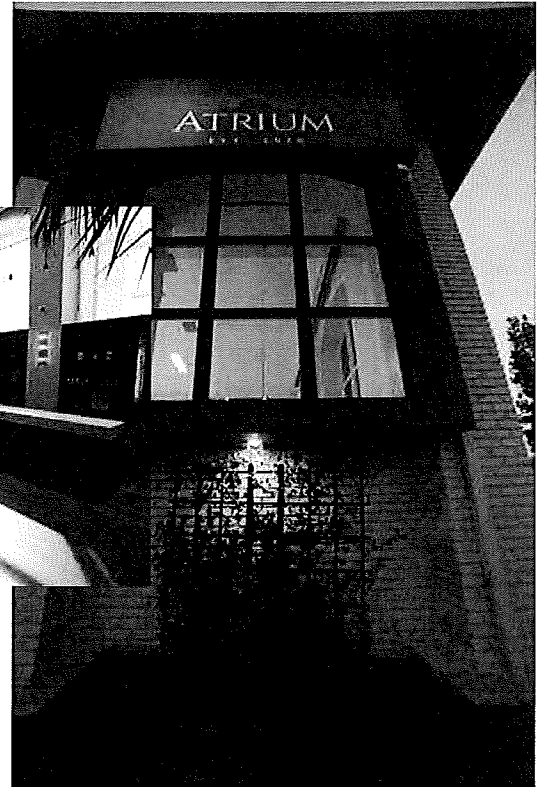
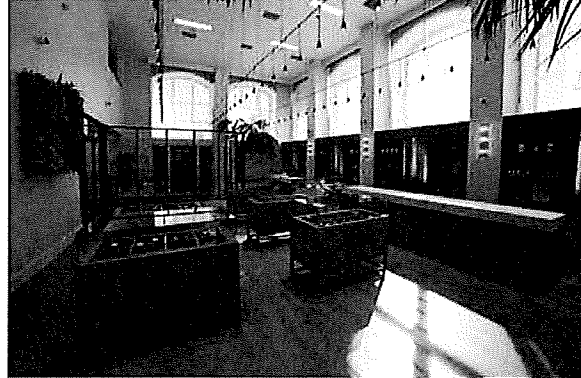
Products have been researched and sourced to offer the finest strains of flower, shatter, distillates, concentrates, oils and waxes. If you are interested in exploring newer methods of consuming, they have broadened their

assortment to include a wide range of tinctures, oils, and delectable edibles.

The Atrium Apothecary will offer lines of bath products, balsam wellness products and cosmetics. They have curated an exciting array of beauty, wellness, and topical delivery products. From bath bombs to luxurious creams, oils, lotions, and more – the Atrium Apothecary is certain to help you unwind and

relax after a hard week.

The Atrium will celebrate its official grand opening on Tuesday, November 27. Ready to be part of the community, 10% of proceeds on that day will be donated to the LAPD Topanga Station and LAFD Fire



The new Atrium 21+ dispensary on Topanga, above. The high-tech interior, above left.

Station 84 in Woodland Hills.

Atrium is located at 5441 Topanga Canyon Boulevard, at Clarendon Street. There is a large, secured parking lot on Clarendon.

The dispensary hours are Monday to Saturday 9 am to 10 pm and Sunday 10 am to 8 pm. The dispensary is cash only but there is an ATM on site. Call (818) 810-7393 or visit their website at atriumtopanga.com.

You always make time for others. Make time for you.

Schedule your annual mammogram today.

Prioritize your health and book an appointment for your annual mammogram. Regular mammograms can detect early signs of breast cancer when treatment options have the greatest chances of success. Getting your mammogram at a Dignity Health facility is simple and quick. Take time for your health—you deserve it. Book your appointment today at dignityhealth.org/Northridge

Hello humankindness®



Dignity Health.
Northridge Hospital
Medical Center

Exhibit C



March 22, 2019

Court Appointed Receiver: Michael Essary

C/o Richardson C. Griswold, Esq.
Griswold Law, APC
444 S. Cedros Ave., Suite 250
Solana Beach, CA 92075
Via Email: rgriswold@griswoldlawsandiego.com

Re: Offer to Operate Cannabis Retail Facility

This best offer (“Offer”) responds to the notice received from Richardson Griswold dated March 16, 2019 requesting that operators to submit a best/final proposal to operate the Facility (defined below) on or before Friday March 22, 2019 at 3:30 pm.

This Offer sets forth general terms under which March and Ash, Inc., a California corporation (“M&A”), through an operating subsidiary, would manage and operate the marijuana retail outlet (medical and recreational) located at 8861 Ste. B and 8863 Ste. E Balboa Ave., San Diego, CA 92123 (the “Facility”).

I. Background

1. We understand the Facility is currently under the oversight of the above-named receiver (the “Receiver”) in connection with the following court matter: CASE NO.: 37-2018-00034229-CU-BC-CTL in the Superior Court of California for the County of San Diego (before the Hon. Judge Eddie C. Sturgeon).
2. This Offer is submitted to the Receiver to provide key terms under which M&A, through an operating subsidiary, is prepared to take-over the management and operation of the Facility under an operating agreement.
3. We understand that the above court matter presents complexities to all concerned parties, and for that reason the terms proposed are designed to approach the startup and operation of the Facility through a transparent and collaborative process that also protects each party’s respective interests.
4. M&A is an industry leading owner and operator (instore and delivery sales) of permitted and licensed cannabis retail outlets, with its flagship location in the City of San Diego located at 2835 Camino Del Rio South Suite 100, San Diego CA 92108. Attached as Exhibit A is further background on our company.
5. While financial performance of facilities varies based on location factors including size, accessibility, layout, and quality, M&A’s flagship Mission Valley retail outlet (instore and delivery operations), which opened in September of 2018, currently



generates gross monthly sales in excess of \$800,000.00. Under appropriate confidentiality arrangements, we will make available to the Receiver the actual financials for our flagship Mission Valley location as well as (a) other relevant records substantiating M&A's capabilities, systems, and performance and (b) references from community stakeholders validating M&A's approach to business and good reputation.

6. M&A also owns and manages the March and Ash brand including the web platform www.marchandash.com. With M&A as the operator of the Facility, the Facility would benefit from our ability to quickly adapt and extend this platform to the Facility, which represents a substantial benefit to operations.
7. M&A prides itself on operating to the highest standards in all aspects of its business, and has established systems, processes, and procedures that drive compliance with applicable laws and regulations and set best practices in an evolving and highly regulated industry (for example, M&A is currently partnering with San Diego City College on a cannabis specific curriculum and course). With M&A as the operator of the Facility, the Facility would benefit from having these same systems, processes, and procedures (already developed to City and State requirements) applied to the Facility's operations.
8. M&A has a reputation for transparency and strong performance and will work cooperatively with the Receiver, Facility ownership, and other stakeholders to develop a comprehensive plan for the prudent and prompt startup and operation of the Facility to the M&A standard.

II. Principal Terms

1. *Operating Contract.*

Subject to compliance with local permitting and State licensing requirements, M&A will take over the management and day-to-day operation of the Facility under an operating agreement. The term of the operating agreement would be flexible to allow the Receiver and/or Facility ownership the ability to terminate the operating agreement for convenience (e.g. for any reason such as in connection with a sale of the Facility or bringing in a new operator at the conclusion of the current litigation) upon providing M&A with ninety (90) days prior written notice.

2. *M&A Day-to Day Control and Reporting.*

M&A will provide the Receiver and Facility ownership with real time access to sales figures, as well as weekly and monthly performance and financials reports for the Facility.

3. *Permitting and Licensing.*



We understand that the City of San Diego Conditional Use Permit to operate a marijuana retail outlet at the Facility is currently set to expire in 2020.

In our licensing experience, the person with day to day control over and responsibility for the operation of the Facility is required to be the Facility licensee by the State Bureau of Cannabis Control.

Given the current litigation and receivership status of the Facility, there is regulatory uncertainty and risk that should be resolved in parallel with entering into an operating agreement and bringing the Facility into operations. M&A will require reasonable certainty that the concerned authorities (mainly the City of San Diego and the State Bureau of Cannabis Control) have approved M&A's takeover of Facility operations and will not undertake a negative action against M&A as a result of any prior activities at the Facility.

Specifically, M&A requires that the Receiver (or Court) and M&A have a direct engagement with the City of San Diego to understand and to agree on a process for approving and permitting M&A as the operator of the Facility either through an amendment to the existing CUP or an ancillary agreement to the CUP. In either case, the action from the City would reflect M&A's control and responsibility for operations at the Facility, the City's approval for M&A to do so (including M&A's submission of all information relating to our "responsible persons" for the Facility), and the process (if any) for extending the CUP prior to the current 2020 expiration. Clarity with the City is independently important; but also necessary for M&A to appropriately license itself to operate the Facility with the State Bureau of Cannabis Control.

There may ultimately need to be interface among M&A, the Receiver, the City, and the State Bureau of Cannabis Control to ensure regulatory alignment on M&A's takeover of operations.

M&A is prepared to provide whatever documentation and other information the Court, the City, and/or the State Bureau of Cannabis Control would require to engage in this process and reach an outcome that satisfies all stakeholders.

4. *Intellectual Property and Branding.*

M&A will provide the Facility with a license to use the March and Ash intellectual property; the term of which will be parallel with the term of the operating agreement.

In addition to the intellectual property license M&A's design and marketing team will apply our know-how and resources to develop a strategy to brand and market the Facility.



This would be a collaborative process with the Receiver and Facility ownership to ensure that we can extend the benefits of the March and Ash name and brand in the local and cannabis communities to the Facility operations (including, for example, our current marketing campaigns such as sponsorship at Pechanga Arena / San Diego Sports Arena) while applying the brand to the Facility in a way that is fit to the size and location of the Facility and allows for potential future separation in a clear and considered manner.

5. ***Systems.***

M&A's systems, processes, and procedures for security, quality control, inventory management, delivery, cash management, and human resources would be applied to the Facility with appropriate adjustment to fit Facility. This represents a substantial cost savings to startup for the Receiver and Facility ownership.

M&A will not operate a cannabis facility under any other person's systems, processes, and procedures.

6. ***Receivership Funding.***

M&A will make a real estate secured loan to the Facility in an amount up to \$550,000 (the "Receivership Loan") to pay amounts outstanding as reflected in the receivership budget set forth on Schedule 1. The terms of the Receivership Loan shall be as follows:

- a. Term – Three (3) Years
- b. Interest – 10% simple annual. Interest will accrue from closing on the Receivership Loan but will not have to be paid until the facility has been reopened for two (2) months.
- c. Amortization – Straight Line (e.g. Monthly Payments of \$17,746.95)
- d. Security – Second Deed of Trust and Assignment of Leases and Rents on each of the following properties comprising the Facility:
 - 8861 Balboa Ave. Suite B, San Diego, CA 92123
 - 8863 Balboa Ave. Suite E, San Diego, CA 92123
- e. Additional Security - Second Deed of Trust and Assignment of Leases and Rents on each of the following additional properties:
 - 8859 Balboa Ave. Suite A, San Diego, CA 92123
 - 8859 Balboa Ave. Suite B, San Diego, CA 92123

- 8859 Balboa Ave. Suite C, San Diego, CA 92123
 - 8859 Balboa Ave. Suite D, San Diego, CA 92123
 - 8859 Balboa Ave. Suite E, San Diego, CA 92123
- f. Acceleration – The full amount of the Receivership Loan will become due and payable immediately upon:
- i. Failure of the Facility to open within 90 days of an agreed scheduled date for opening for reasons that are not due to M&A’s failure to perform; or
 - ii. A default under the Existing First Loan (as defined below); or
 - iii. A permit or license required to operate the Facility as a cannabis dispensary is lost (suspended and not promptly reinstated, revoked, or not renewed) where such loss is not caused by a failure of M&A; or
 - iv. The operating agreement with M&A is terminated (without cause by the ownership / Receiver or for cause by M&A) or otherwise expires.
- g. Option to Prepay First Loan and Take First Position Deed and Assignment – We would want a written agreement from the first lender that at any time we have the right to prepay the first loan (in full including the principal and all interest thereon) and to release the first deed related thereto (this is the May 11, 2017 Principal and Interest Note in the principal sum of \$500,000.00 and related deed and assignment of leases and rents (the “Existing First Loan”).
- h. Participation Right – If the ownership / Receiver determines to solicit offers for the purchase of the Facility, then the ownership / Receiver will give M&A an opportunity to submit an offer provided M&A shall receive no preference but only equal right to make an offer with other bidders.
- i. We note that our team at March and Ash has strong relationships with most or all of the vendors that are included in the receivership budget at Schedule 1. *M&A has had preliminary discussions with certain of those vendors and is **confident** that based on our relationship with them, those vendors will work with M&A and the Receiver to structure the repayment of those outstanding amounts to a date subsequent to restarting operations at the Facility so that they can be paid from operating cash-flow. M&A would work with those vendors and the Receiver to optimize the use of proceeds of the Receivership Loan on that basis without reducing the principal amount*

available to the Receiver to deal with historical liabilities and ongoing administration costs.

7. Improvements Prior to Startup (Re-Opening).

M&A, working collaboratively with the Receiver, ownership, and other concerned stakeholders, will assess:

- a. Any improvements to the Facility required to “go” operational to the M&A standard and regulatory requirements (including assessment of the point of sale, security, and inventory management systems);
- b. Design and marketing;
- c. Soft costs required to “go” operational including hiring employees; and
- d. Costs required for initial inventory.

Through this process we will establish an agreed “Startup Budget.”

M&A anticipate based on current information that the Startup Budget will be approximately \$200,000.00 given M&A’s ability to avoid substantial costs by overlaying its existing systems, processes, and procedures to the Facility and to leverage relationships with vendors to optimize payment terms. M&A anticipates that substantially all of the Startup Budget will relate to Facility improvements and initial inventory.

M&A will fund the Startup Budget with a loan at 10% simple annual with a 3-year term with straight-line amortization of principal and interest (the “Startup Loan”). Monthly payments where the principal amount is \$200,000.00 would be \$6,453.44.

Interest will accrue from closing on the Startup Loan, but no payments will be due until the facility has been reopened for two (2) months. The full amount of the Startup Loan will become due and payable immediately upon:

- a. Failure of the Facility to open within 90 days of an agreed scheduled date for opening for reasons that are not due to M&A’s failure to perform; or
- b. A default under the Existing First Loan; or
- c. A permit or license required to operate the Facility as a cannabis dispensary is lost (e.g. suspended and not promptly reinstated, revoked, or not renewed) where such loss is not caused by a failure of M&A; or
- d. The operating agreement with M&A is terminated (without cause by the ownership / Receiver or for cause by M&A) or otherwise expires.

M&A will work to leverage its knowledge and relationships in the industry (including with key product vendors) to optimize the startup costs (e.g. working for example to get net-30+ with vendors that M&A has a strong relationship with).

8. *Operating Budget.*

M&A, working collaboratively with the Receiver, ownership, and other concerned stakeholders, will develop an operating budget based on M&A's actual experience in Mission Valley (including actual financials) and assessment of application of that experience to the Facility and its needs. M&A would work in good faith to operate the Facility against the agreed operating budget with provisions that allow deviation for appropriate changes and events.

Actual operating costs (not inclusive of cost of goods) will include the following line items:

Item	Note
1. Management Overhead	This includes management salaries and application of M&A's overhead functions such as HR, legal, bookkeeping and compliance.
2. Staff Salaries and Payroll Tax	This represents the largest operating cost.
3. Workman's Comp and Other Insurance Coverages	Note that all shop employees and drivers will be characterized as employees and payroll tax will be paid / is factored in.
4. Marketing	Include online and offline. M&A will work to achieve economy of scale for the Facility through M&A's existing and other marketing activities. This includes establishing the website presence for the Facility.
5. Utilities	
6. Maintenance	
7. Office Supplies	
8. Security Guards	
9. Misc.	

The above are collectively referred to as the "Actual Operating Costs."

M&A anticipates the total Actual Operating Costs for the Facility will not exceed \$150,000.00 per month. M&A will work to optimize this amount.

Actual Operating Costs will be budgeted in consultation with ownership / Receiver and M&A's accounting professionals to comply with current State and federal tax laws including optimizing deductibility of appropriate items against the cost of goods sold.

9. *Cost and Fee Structure.*

M&A is prepared to operate the Facility under a cost / plus model wherein M&A recovers the actual agreed costs of operation (cost reimbursable component) and the ownership (or Receiver) and M&A split the Net-Profit (as defined below) generated by the Facility 50/50.

M&A is prepared to commit to a guaranteed monthly rent paid to the ownership / Receiver of \$25,000.00 (the "Guaranteed Rent").

Payments under the Existing First Loan shall be made from the Guaranteed Rent. M&A shall have the right to pay amounts due under the Existing First Loan that are overdue directly to the lender under the Existing First Loan and to deduct those payments from the Guaranteed Rent.

The Guaranteed Rent will be deducted from distributions of Net Profit to the ownership / Receiver as illustrated below:

If the Net Profit in any month is less than \$50,000.00 the ownership / Receiver would still receive the Guaranteed Rent payment of \$25,000.00, and if the Net Profit in any month is more than \$50,000.00 then ownership would receive \$25,000.00 *plus* \$0.50 of each dollar of Net Profit above \$50,000.00).

"Net Profit" means: net profit available for distribution 50/50 to the ownership / Receiver, on the one hand, and M&A, on the other hand, after each of the following has been paid:

- a. Cost of goods; and
- b. Actual Operating Costs (e.g. \$150,000 per month); and
- c. Payments under the Receivership Loan (e.g. \$17,746.95 per month); and
- d. Payments under the Startup Loan (e.g. \$6,453.44 per month).

10. *Upside Participation.*

Through negotiation the parties will need to develop a mechanism whereby M&A receives an appropriate participation or exit fee where M&A successfully develops and operates the Facility and the operating agreement is terminated for convenience

after the Facility has been successfully “stood up” by M&A but prior to a length of term wherein M&A has received appropriate and reasonable remuneration for such value delivered through the profit sharing mechanism.

M&A’s concern would be that the Facility greatly benefits, in value, from the application of M&A’s experience, systems, and operations but the ownership and/or Receiver for reasons that have no relation to poor performance of M&A determine to terminate the operating agreement to either sell the Facility or to self-operate.

Under different circumstances M&A would obtain this protection through an option to purchase the Facility or right of first refusal on the sale of the Facility and is open to those structures in this case. However, we surmise that under the current circumstances the Receiver and/or ownership may not want to give up the flexibility to sell and/or self-operate the Facility in the near-term.

M&A believes a reasonable alternative mechanism for ensuring M&A is appropriately compensated where it successfully and quickly starts up and operates the Facility and then quickly exits without fault can be agreed through good faith negotiation. Before the matter is removed from the Receiver and Court jurisdiction the parties will agree to an equitable division of proceeds of any future sale that are allocated to the additional value in the asset generated by M&A’s performance in standing up and operating the asset to the M&A standard.

11. *Key Persons.*

M&A’s executive team would be directly involved in overseeing the startup and operation of the Facility. This team has deep experience in the cannabis industry as well as other highly regulated industries. Attached as Exhibit B are backgrounds on M&A’s CEO (Blake Marchand) and CFO & General Counsel (Breton Peace).

12. *Labor.*

The key to our operational success is our hiring and training of the County’s top retail workforce. M&A will assign experienced managers (front of house, floor, inventory and delivery) from its flagship Mission Valley store to support the startup of the Facility. This will include hiring employees that are specific to the Facility. All employees will be provided with wages and benefits (including healthcare) that are consistent with M&A’s current practices.

M&A prides itself on investing in its employees and was one of the first operators in the State to enter into a Labor Peace Agreement, which it signed with the UFCW local. M&A’s operation of the Facility will fall under the scope of that Labor Peace Agreement. All Facility personnel including in-store and delivery workers will be characterized as employees and not as independent contractors (provided security personnel will be contracted through a third-party licensed security firm).



While M&A has multiple sites to which it can assign employees the operating agreement must include a provision whereby on termination of the contract the employees are protected (e.g. severance) in the event M&A is not able in good faith to reassign them to one of its other facilities and they are not retained at the Facility.

III. Misc.

This Offer is not intended to describe in detail all of the terms and conditions of a relationship and is intended to document key parameters that would support good faith negotiation and finalization of a definitive operating agreement based on the terms set forth in this Offer.

We thank you for the opportunity to present this Offer and are available at your convenience to meet to discuss the terms set forth herein and a process for exploring whether M&A would be a good fit to operate the Facility under its current circumstances. You are of course welcome any time to visit our Mission Valley facility.

Sincerely,

March and Ash, Inc.

S/BRETON PEACE

Name: Breton Peace
Title: General Counsel

Mob. (619) 504-2424
2835 Camino Del Rio S Suite 110
San Diego, CA 92108



EXHIBIT A

ABOUT MARCH AND ASH

I. MARCH AND ASH PRINCIPLES

A. Our Company

We develop customer-focused licensed cannabis retail outlets (medical and recreational marijuana dispensaries) in Southern California under the March and Ash brand.

Consumers deserve a comfortable and confident cannabis experience and we prioritize customer education, safety and satisfaction at our dispensaries. Cannabis, for all its curative and positive potential, is too often characterized as part of society's counterculture. We want to challenge that presumption.

Cannabis helps millions of Americans lead happier, healthier, and more productive lives. Teachers, doctors, lawyers, engineers, artists, mothers, grandfathers, patients, and yes, even man's best friend, are leading better lives by using cannabis responsibly.

We believe that with proper education and respect, cannabis can serve its positive and productive purpose: to improve everyday lives.

March, in the Roman calendar, is the first month of the year. This is because it comes when Spring brings us a new season of life. March signifies the beginning in life. Ash is what remains of a life once lived, used to fertilize new beginnings.

March and Ash represents a respect for the span of our lives, and the role cannabis plays to improve and renew it.

As an early mover in the cannabis industry we strive to be a trusted community partner. We make significant investments in training and caring for our employees, as well as, engage community stakeholders in areas ranging from security and regulation to the development of local programs to support a qualified local workforce.

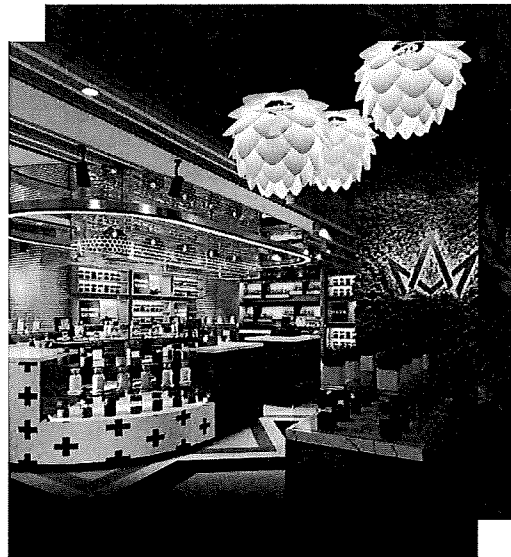


Image: M&A Mission Valley Store

We are experienced and local marijuana dispensary operators committed to these principles:

1. Transparency
2. Local Values
3. Local Investment
4. Safety

5. Quality

B. Our Mission

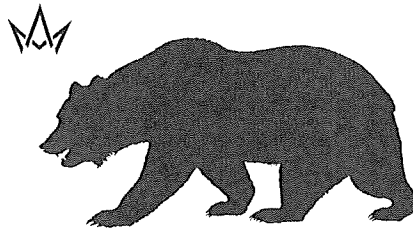
To educate our customers on the variety of cannabis applications and help them find the product that is right for them.

To provide a selection of top-quality cannabis products at varying price levels so as to cater to both high-spending and budgeted shoppers.

To create a comfortable space and qualified workforce to ensure our customers have reliable and convenient access to safe, compliant, lab-tested cannabis products.

C. Balboa Vision

To establish a first-class March and Ash marijuana retail outlet, while extending the benefits of March and Ash's industry leading platform, know-how and brand to the business.



CANNABIS REFINED



EXHIBIT B

KEY EXECUTIVES

BLAKE MARCHAND, Chief Executive Officer

Prior to starting March and Ash, Blake founded, owned and operated a successful local real estate brokerage operating throughout San Diego County.

With a Bachelor Degree in Business Administration from San Diego State University, Blake has applied his background in real estate to diverse local business ventures.

In each of these ventures, Blake's success is rooted in dedication to fostering positive relationships with clients and other business owners. Blake has a particular passion for engaging with fellow entrepreneurs who share his vision that pride of business ownership is rooted in shared industry values. This is particularly true in cannabis where Blake has consistently set the industry standard for the matters that will ensure long-term success for the industry, the community and the business.

These matters include transparent community engagement, treating our employees well, never cutting corners and declining to push boundaries or cut corners in an industry that must be led as much by the community around us as the businesses in it.

Blake is passionate about providing customers with educated access to legal cannabis. Currently a licensed retail operator in the City of San Diego and the City of Imperial, Blake has developed a team of subject matter experts who are paving the way for the retail dispensary experience.

This includes a commitment to CBD products for pets (see <https://marchandash.com/cbd-for-pets/>). Blake is known as a leading advocate in the area of CBD products for animals and carries the County's largest line of products. He's appeared on numerous local news programs to help educate pet owners on access to and safe use of CBD products for their pets, and March and Ash has numerous partnerships including with local animal shelter and rescue groups including "The Animal Pad" which rescues and relocates dogs on both sides of the border.

Most recently, in awarding March and Ash the only marijuana dispensary permit in the City of Imperial, the City leadership permitted March and Ash to pursue a cannabis research facility at the same location. Blake has partnered with VETCBD (<https://vetcbd.com/>) at its founder Veterinarian Dr. Tim Shu to develop an animal CBD research facility in the permitted space. Blake and Dr. Shu have previously appeared together on a number of programs including San Diego's KUSI.¹

It's these local partnerships that Blake seeks out, establishes and drives that make March and Ash an industry leader and engine for community-based growth.

¹ Link to video available here: <https://www.kusi.com/cbd-oil-benefits-for-dogs/>



BRET PEACE, Chief Financial Officer, General Counsel

Bret has substantial experience representing governments and businesses in highly regulated industries, both domestically and internationally.

Bret acts as general counsel for March and Ash, Inc. for both regulatory and corporate affairs. Bret has worked closely with the California Bureau of Cannabis Control in all aspects of licensing, including enforcement. Bret recently coordinated with the Bureau and the Los Angeles Police Department and Los Angeles Sheriff's Department in connection with the fraudulent use of State cannabis licenses by criminals to steal cannabis products from licensed distributors.

Bret also currently acts as counsel for a public-private partnership in California's Mojave Desert that includes the United States Department of the Interior, the United States Navy, private cattle ranchers and environmental conservation groups. The project represents the largest public-private conservation project in the United States spanning more than 300,000 acres of public and private land. In this capacity he understands and furthers the shared interests and requirements of the various public and private partners within a complex regulatory framework.

Bret also provide legal and strategic advice to the Emirate of Abu Dhabi, United Arab Emirates on matters pertaining to its nuclear power program. From 2010-2015 Bret lived in the UAE working as lead counsel for the joint-venture and financing transactions underlying the Barakah nuclear power project, which was successfully financed and backed by the Governments of the UAE, the United States and the Republic of Korea. Construction of the first three (3) 1400 MW units of the project is complete.

Bret has worked on all aspects of the Barakah project from its inception through construction, including acting as lead counsel in negotiations with the United States Export Import Bank and the Federal Authority for Nuclear Regulation in the UAE for the licensing of the joint ownership arrangements for the project as well as licenses related to the financing and export of nuclear technologies. Bret has deep experience in complex systems for tracking sensitive materials including application of international, national and local requirements.

Other relevant prior experience includes Bret's prior work for the Joint Labor Management Committee, which was a consortium of labor unions and grocers. In his work for the JLMC Bret supported defining and delivering joint initiatives between the unions and business interests working with State and municipal government leaders.

Bret previously practiced at the international law firm of Latham & Watkins in its global finance and corporate practices with a focus on highly regulated industries including energy and telecommunications.

Bret attended Valhalla High School in El Cajon, CA where he was a classmate of Blake Marchand. Bret has spent his legal career working on the development of first of a kind projects in highly regulated industries. It's this aspect of March and Ash that led Bret to partner with Blake as he entered the new cannabis industry, and it's Bret's role in March and Ash to oversee March and Ash's engagement with the regulatory overlay as it unfolds.



and to ensure that March and Ash is firmly planted as a trusted and capable partner for our community stakeholders as we work and learn together how best to regulate this industry.

Bret received his BA from Stanford University in religious studies and his JD from the University of Michigan. Bret was the recipient of the University of Michigan Law School's most prestigious academic scholarship, the Clarence Darrow Award, and graduated cum laude with special honors for the top marks in civil procedure and corporate crime.

He lives in Jamul, CA (San Diego County) with his wife, his daughter, and his two sons.



SCHEDULE 1

RECEIVERSHIP BUDGET

Razuki vs Malan Receivership – Unpaid Bills

	Vendor Name	Location	Amount Due	Cumulative Balance	Description
1	Inzone Insurance	Balboa	\$697.39	\$697.39	Final payment on liability policy - workers comp being renewed
2	Griswold Law	Balboa/Mira Este	\$44,728.20	\$45,425.59	Billing through February 2019
3	Brinig Taylor Zimmer - Accountants	Balboa/Mira Este	\$80,002.94	\$125,428.53	Billing through February 2019
4	Alexandra Clark	Balboa	\$580.50	\$126,009.03	Previous Treehouse employee - unpaid sick hours
5	Treaz	Balboa	\$10,794.00	\$136,803.03	Treehouse Point Of Sale system provider
6	Organabrand	Balboa	\$3,484.40	\$140,287.43	Treehouse supplier
7	Outco	Balboa	\$1,190.40	\$141,477.83	Treehouse supplier
8	Northern Emeralds	Balboa	\$3,521.64	\$144,999.47	Treehouse supplier
9	Henry's	Balboa	\$2,492.07	\$147,491.54	Treehouse supplier
10	420SOFT	Balboa	\$300.00	\$147,791.54	Treehouse software service
11	3KEYMEDIA	Balboa	\$1,711.47	\$149,503.01	Treehouse data management
12	Sparkletts Water	Balboa	\$234.25	\$149,737.26	Treehouse drinking water supplier
13	THC Design	Balboa	\$7,837.34	\$157,574.60	Treehouse supplier
14	Edward Executive Security	Balboa	\$6,912.00	\$164,586.60	Treehouse armed security
15	Greenfield Organics	Balboa	\$6,510.05	\$171,096.65	Treehouse supplier
16	FWB Distro	Balboa	\$16,655.05	\$187,751.70	Treehouse supplier
17	ECD Inc	Balboa	\$3,521.64	\$191,273.34	Treehouse supplier
18	Cura	Balboa	\$5,208.00	\$196,481.34	Treehouse supplier
19	San Diego City Cannabis Business Tax	Balboa	\$7,713.79	\$204,195.13	Taxes due for October 2018
20	CalVape	Balboa	\$229.40	\$204,424.53	Treehouse supplier
21	State of California	Mira Este	\$0.00	\$204,424.53	Approx. state taxes due to revive CCG Corp - \$2500 -Synergy check received
22	Michael Essary, Receiver	Balboa/Mira Este	\$52,823.70	\$257,248.23	Billing through February 2019
23	State of California	Balboa	\$173,772.86	\$431,021.09	Unpaid state Sales and Use tax for 7/1/17 to 6/30/18
24	Delinquent mortgages thru 2/28/19	Balboa Dispensary+1	\$31,081.82	\$462,102.91	Defaulted mortgage delinquency for Balboa dispensary and additional vacant unit.
25	Delinquent mortgages thru 2/28/19	Balboa 5 rental units	\$82,179.34	\$544,282.25	Defaulted mortgage delinquency for Balboa 5 rental units.

Exhibit D

VIA EMAIL & CONFIDENTIAL

March 21, 2019

Mike Essary
Court Appointed Receiver

Re: Proposed Terms & Conditions

To Whom It May Concern:

Pursuant to our ongoing discussions, this non-binding Letter of Intent (“LOI”) sets out the principal terms and conditions proposed by MJIC Regulated, Inc. in connection with the transactions more fully described herein. This LOI is subject to the good-faith negotiation and execution by and between the Parties (as defined herein) of long-form definitive agreements that are reasonably customary to the nature of the transactions more fully described herein (“Definitive Agreements”). In particular, the terms more fully described herein are subject to further refinement and/or revision in accordance with the preparation of the Definitive Agreements.

MJIC: MJIC Regulated, Inc., with a principal place of business located at 5800 South Eastern Avenue, Suite 300, Los Angeles, California 90040, or an assignee thereof (“MJIC”).

Company: Balboa Avenue Cooperative (“Company”), with its principal place of business located at 8863 Balboa Avenue, Suite E, San Diego, California 92123 (the “Property”).

The Parties: For the avoidance of doubt, each of MJIC and Company may hereinafter be referred to individually as a “Party” and collectively as “the Parties,” as the context may require. Each of the Parties shall be construed herein to include any parents, affiliates, successors in title, assigns, and subsidiaries thereof (collectively “Affiliated Parties”), as well as any owners, shareholders, managers, directors, officers, employees, agents, and representatives of the Parties and their respective Affiliated Parties.

Description of MJIC: MJIC provides an integrated and end-to-end suite of business services and solutions to legally operating cannabis companies, with a focus on distribution, retail, delivery and compliance.

Description of the Property:

The "Property" shall be defined herein as the two 1,000 square foot retail condominiums located at 8863 Balboa Avenue, San Diego, California 92123 at which Company has carried out legal cannabis retail dispensary operations (the "Business") in accordance with certain state and local licenses, permit, and approvals (the "Cannabis Licenses") issued by the City of San Diego ("City"), the State of California ("State"), and any other applicable government agencies (collectively, the "Government Agencies").

Operational Agreement:

MJIC and the applicable parties, including, without limitation, Company and/or the entity holding title to the Property (the "Property Company"), shall enter into a Commercial Lease, Management Agreement, and/or other agreements as the context may require (each of which individually, and which collectively, are defined as the "Operational Agreement") in accordance with the following terms and conditions:

1. The Operational Agreement shall have a minimum term of 12 months (the "Operational Term").
2. During the Operational Term, MJIC will pay to the applicable party a monthly fee of \$20,000 (the "Monthly Fee"). Upon commencement of the Operational Term, MJIC will prepay the initial 12 installments of the Monthly Fee in the aggregate amount of \$240,000.
3. During the Operational Term, MJIC shall be responsible for carrying out the operations of the Business.
4. During the Operational Term, MJIC shall be responsible for all financial obligations associated with the Business and shall be entitled to all profits generated by the Business.

Definitive Agreements:

The Parties acknowledge that the final structure, terms, and conditions of the Definitive Agreements, and the actions required to be taken by the parties thereto in accordance therewith, shall be negotiated by the parties thereto in good faith in order to effectuate the transactions more fully described herein and ensure the continued operation of the Business and effectiveness of the Cannabis Licenses.

The Definitive Agreements shall provide for Company to indemnify, protect, defend with counsel satisfactory to MJIC, and hold harmless MJIC from and against any and all claims (including administrative violation claims), damages, liabilities, allegations, actions, suits, obligations, settlements, judgments, losses, penalties, forfeitures, costs and expenses (including reasonable attorney's fees) arising out of: (i) any enforcement actions, including forfeiture actions, by the Government Agencies against MJIC resulting from and/or in connection with Company's non-compliance with any local and State laws and regulations

applicable to the Business, including, without limitation, the Medicinal and Adult-Use Cannabis Regulation and Safety Act (“MAUCRSA”); and (ii) any current or future litigation in connection with Company, the Business, and/or the Property.

The execution of the Definitive Agreement shall be subject to the satisfaction of the following conditions: (i) written confirmation from the Government Agencies that the Cannabis Licenses are valid and in good standing as of the commencement of the Operational Term; and (ii) the modification of the Cannabis License issued by the State as required in order to disclose MJIC as a non-equity “Owner” (as such term is defined under MAUCRSA) in connection with such Cannabis License.

Exclusivity:

In consideration of the expenses that the Parties have incurred and will incur in connection with the transactions more fully described herein, the Parties agree as follows: (i) during the 30 days following the date of this LOI, the Parties shall conduct due diligence to determine the financial and business viability of completing the transactions to be contemplated by the Definitive Agreements (the “Due Diligence”); and (ii) in the events both Parties are satisfied with the results of the Due Diligence, the Parties shall instruct their respective legal counsel to prepare the Definitive Agreements with the expectation that the Definitive Agreements would be executed and the Definitive Agreements executed no later than 45 days from the date of this LOI. Company agrees that from the date of acceptance of this LOI, continuing through Due Diligence and terminating upon either the termination of this LOI or the execution of the Definitive Agreements (the “Exclusivity Period”), Company shall not initiate, solicit, entertain, negotiate, accept, or discuss, directly or indirectly, any proposal or offer from any person or group of persons other than MJIC, to engage in any transaction or transactions that would impact Company, the Business, and/or the Property.

Non-Binding LOI:

The terms and conditions of this LOI are not binding upon the Parties and no binding agreement shall exist between the Parties with respect to the subject matter hereof unless and until the Definitive Agreements have been duly executed and delivered by the Parties, except with respect to the sections hereof titled “*Exclusivity*” and “*Confidentiality*”, which shall be binding obligations of the Parties.

As soon as practicable following the mutual acceptance and approval of this LOI by the Parties, the Parties shall enter into good-faith negotiations with the objective of drafting, finalizing, and executing the Definitive Agreements.

This LOI will automatically terminate and be of no further force and effect upon the earlier of (i) mutual execution of all Definitive Agreements by the Parties or (ii) the decision of either Party to notify the other Party of its decision to not enter

into the Definitive Agreements, which it may do so in its respective discretion without any penalty or sums due the other Party.

The Definitive Agreements shall contain customary representations, warranties and covenants associated transactions such as that contemplated herein, as well as other legal and business matters customarily contained in such documentation.

Governing Law: This LOI shall be governed by the internal laws of the State of California, excluding any conflicts of law principles.

Confidentiality: This LOI, the matters contemplated herein, and all information provided by one Party to the other in connection herewith are confidential and shall be governed by a customary non-disclosure agreement to be executed by the Parties.

Transactional Costs: Each of the Parties shall bear its respective costs, charges, and expenses for the business review, preparation, and negotiation of the Definitive Agreements or otherwise incurred in connection with the transactions contemplated by this LOI, including, but not limited to, fees of their respective legal counsel, accountants, and any other advisors or consultants.

Due Diligence: Each Party shall provide the other with any and all information reasonably required thereby for the purposes of conducting the Due Diligence, as is customary with respect to transactions similar to those contemplated herein.

Supersession: The terms and conditions hereof shall supersede any verbal and/or written understanding of the Parties established prior to the date hereof. Any version of this LOI entered into by and between the Parties as of any date prior to the date hereof shall be deemed by the Parties to be null and void.

If you are in agreement with the terms and conditions set forth above and wish to proceed with negotiating the Definitive Agreements, please sign this Letter of Intent in the space provided below and return an executed copy to the attention of Pierre Rouleau.

Sincerely,

By: Pierre Rouleau
Pierre Rouleau
President
MJIC Regulated, Inc.

ACCEPTED & AGREED:

BALBOA AVENUE COOPERATIVE

By: _____

Title: _____