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11 **IN AND FOR THE SUPERIOR COURT OF CALIFORNIA**
12 **COUNTY OF LOS ANGELES – UNLIMITED JURISDICTION**

13 **19STCV45931**

14 **RIGHT BROTHERS MANAGEMENT, LLC,**
15 **a California limited liability company,**

16 **Plaintiff,**

17 **v.**

18 **BMI GROUP INC, a California corporation;**
19 **JOAO SILVERSTEIN, an individual;**
20 **MEHRAN AGAZARYAN aka MIKE**
21 **AGAZARYAN, an individual; NARINE**
22 **TADEVOSYAN, an individual; DAVO**
23 **AGAZARYAN aka DAVID AGAZARYAN, an**
24 **individual; ARA BALJIAN aka ERIC**
25 **BALJIAN, an individual; NATALIE BALJIAN,**
26 **an individual; OCEAN HYE, LLC, a California**
27 **limited liability company; and DOES 1 through**
28 **50, inclusive,**

Defendants.

CASE NO.:

COMPLAINT FOR

1. **BREACH OF CONTRACT**
2. **RELIANCE**
3. **INDEMNITY**
4. **CONVERSION**
5. **BREACH OF FIDUCIARY DUTY OF LOYALTY**
6. **FRAUDULENT INDUCEMENT TO CONTRACT (FALSE PROMISE)**
7. **INTENTIONAL MISREPRESENTATION**
8. **GOODS AND SERVICES RENDERED (QUANTUM MERUIT)**
9. **COMMON COUNT (GOODS AND SERVICES RENDERED)**
10. **UNFAIR COMPETITION**

PUNITIVE DAMAGES AND JURY TRIAL DEMANDED

1 **INTRODUCTION**

2 1. Since the transition of the California cannabis marketplace from an underground
3 market into a heavily regulated industry began in earnest in 2010, a growing number of activists
4 have risked their reputations, livelihoods, and freedom by choosing to farm cannabis within
5 California’s regulations. Their willingness to operate in the open has helped create a billion-dollar
6 industry.

7 2. As cannabis consumption becomes normalized in California, investors have begun to
8 feel safe subsidizing the burgeoning industry. Accordingly, the gap between typical cannabis
9 industry business practices and compliant activity has steadily expanded. Handshake deals, using
10 only personal reputation as consideration, are giving way to complex corporate transactions
11 embodied across hundreds of pages involving highly valuable state licenses for cannabis cultivation,
12 distribution, and retail dispensaries. This gap in business practices has allowed predatory
13 businesspeople, masquerading as friendly, experienced professionals, to pervade the field and take
14 advantage of successful farmers who are less knowledgeable about California contract and corporate
15 law. Defendant BMI Group Inc (“BMI Group”) is one such wolf dressed in sheep’s clothing.

16 3. The following tale of unfair competition is all too common in California’s nascent
17 legal cannabis industry: a state-licensed cannabis company, holding a lease permitting it to cultivate
18 cannabis (claiming to have an extensive distribution network and access to investment capital) but
19 lacking cannabis know-how and equipment, partners with experienced farmers who have made
20 cannabis cultivation their life’s work. Ostensibly, this business arrangement marries the companies’
21 two distinct sets of resources and primes the partnership for many years of financial success. In
22 actuality, such relationships between investors and unsuspecting cannabis professionals are
23 partnerships in name only. It is increasingly common to see exploitive cannabis investors getting
24 rich while the farmers who actually cultivate the cannabis suffer.

25 4. Plaintiff Right Brothers Management, LLC (“Right Brothers”) and BMI Group
26 formed a partnership to grow cannabis—legally—in Lompoc, California. The parties negotiated at
27 length through counsel and executed a written partnership agreement on June 19, 2018 (the
28 “Partnership Agreement”). A true and correct copy of the Partnership Agreement is attached hereto

1 as Exhibit 1 and is hereby incorporated by reference into this Complaint.

2 5. Pursuant to the Partnership Agreement, BMI Group agreed to provide the land,
3 security, infrastructure, and the requisite California cannabis cultivation license. Right Brothers
4 promised to develop the land and provide the skill, equipment, and labor necessary to successfully
5 plant and harvest a cannabis crop.

6 6. Despite written evidence showing a long back-and-forth exchange of terms between
7 the parties during the negotiation process, BMI Group's representative Ara Baljian claimed in
8 October 2018 that he never signed the Partnership Agreement. When evidence showed otherwise,
9 he argued through counsel that he was pressured into signing under duress. Finally, Ara Baljian
10 admitted to signing on behalf of BMI Group, but alleged that he thought it was only a draft.

11 7. BMI Group has since stopped paying rent as required under the lease and let the
12 Cultivation License lapse, thereby placing the entire operation in peril of both state and federal
13 prosecution, causing the venture to end prior to the one-year initial term, and nullifying the 2-year
14 option stated in the partnership agreement.

15 8. Despite the terms of the deal memorialized in the Partnership Agreement, on or
16 about September 28, 2018, BMI Group or its agents took possession of 223.6 pounds of cannabis
17 crop grown, harvested, and processed by Right Brothers. Instead of selling the 223.6 pounds of
18 cannabis crop as specified in the Partnership Agreement, BMI Group tried to renegotiate the terms
19 of the Partnership Agreement that the parties had entered into months before.

20 9. On or around January 27, 2019, BMI Group removed cannabis from the Premises
21 *again*, this time taking 1,530 pounds of harvested and dried cannabis crop and 806 pounds of frozen
22 cannabis that had been grown, harvested, and processed by Right Brothers. Once again, BMI Group
23 presented Right Brothers with a new contract to sign which would upend the covenants and
24 promises made in the Partnership Agreement that Right Brothers had relied on to its detriment.

25 10. Right Brothers strongly objected each time BMI Group removed cannabis from the
26 Premises without prior notice and without a purchase agreement in place whereby Right Brothers
27 could perform due diligence on the prospective buyer. Due diligence efforts on behalf of Right
28 Brothers would necessarily have included assessing the prospective buyer's credit, California license

1 and/or local permit to distribute, manufacture, or sell cannabis to California consumers, as well as
2 considering other offers.

3 11. On information and belief, Defendants wrongfully used the profits generated from
4 sale of the cannabis crops cultivated by Right Brothers to open Ocean Hye Club, a commercial
5 cannabis retail dispensary in Lompoc, California. It is one of only 15 state-licensed cannabis retail
6 locations servicing Lompoc residents.

7 12. Right Brothers fully performed its obligations under the Partnership Agreement. But
8 because BMI Group's breaches left Right Brothers strapped for cash, and because BMI Group let the
9 Cultivation License lapse and stopped paying rent, Right Brothers was unable to continue cultivation
10 operations. Right Brothers has invoiced BMI Group for the substantial costs it incurred in
11 cultivating and processing the cannabis crops related to labor, wear and tear on Right Brothers' own
12 equipment, and other associated costs. Those invoices remain unpaid.

13 13. BMI Group's conduct—or lack of conduct—hindered the prosperity and health of
14 the partnership, prevented Right Brothers from continuing to perform its obligations under the
15 Partnership Agreement, and effectively drove Right Brothers out of business. BMI Group still owes
16 Right Brothers \$20,000 under the loan, a percentage of the more than \$750,000 BMI Group received
17 for sales of Right Brother's product, and nearly \$475,000 for costs incurred by Right Brothers to
18 carry out its obligations under the Partnership Agreement.

19 **THE PARTIES**

20 14. Plaintiff Right Brothers Management, LLC is a California limited liability company
21 located at 301 N. Indian Hill Boulevard, Suite 140, Claremont, California 91711.

22 15. Defendant BMI Group Inc is a California corporation located at 11491 Amigo
23 Avenue, Porter Ranch, California 91326.

24 16. BMI Group leased the land located at 3333 Avena Road, Lompoc, California 93436
25 ("the Premises") from an ownership group comprised of Karin Hauenstein, acting as the managing
26 agent for Gary Hauenstein, the Gary Hauenstein Trust, and Gwen Hauenstein.

27 17. BMI Group also held multiple licenses, issued by the State of California, to cultivate
28 cannabis. These licenses were intermittently active between June 11, 2018 and April 10, 2019

1 (license numbers TML18-0004874; TML18-0004873; TML18-0004872; TML18-0004871; TML18-
2 0004870; TML18-0008069; TML18-0008068; TML18-0008067; TML18-0008066; TML18-
3 0008065; TML18-0008064; and TCA18-0007410) (collectively referred to as the “Cultivation
4 License”). These licenses permitted BMI Group to cultivate cannabis at the Premises for
5 commercial purposes.

6 18. Defendant Ocean Hye, LLC is a California limited liability company located at
7 11339 Quail Creek Road, Porter Ranch, California 91326.

8 19. Defendant Joao Silverstein is an individual residing in Los Angeles County,
9 California.

10 20. Defendant Mehran “Mike” Agazaryan is an individual residing in Los Angeles
11 County, California.

12 21. Defendant Narine Tadevosyan is an individual residing in Los Angeles County,
13 California.

14 22. Defendant Davo “David” Agazaryan is an individual residing in Los Angeles
15 County, California.

16 23. Defendant Ara “Eric” Baljian is an individual residing in Los Angeles County,
17 California.

18 24. Defendant Natalie Baljian is an individual residing in Los Angeles County,
19 California.

20 25. Defendant Sargis “Sam” Agazaryan is an individual residing in Los Angeles County,
21 California.

22 26. Defendants Joao Silverstein, Mehran Agazaryan, Narine Tadevosyan, Davo
23 Agazaryan, Ara Baljian, Natalie Baljian, and Sargis Agazaryan are individuals who have acted in
24 concert with or on behalf of BMI Group.

25 27. Plaintiff Right Brothers does not know the true names and capacities of defendants
26 sued in this Complaint as Doe 1 through Doe 50, inclusive, and therefore sues these defendants by
27 fictitious names under Section 474 of the California Code of Civil Procedure. Right Brothers will
28 amend this Complaint to allege the true names and capacities of Doe 1 through Doe 50 when

1 ascertained. Right Brothers is informed and believes, and on that basis alleges, that each of the
2 defendants named herein as Doe 1 through Doe 50 is responsible in some manner for the occurrence,
3 injury, and other damages alleged in this Complaint.

4 28. On information and belief, all named defendants, including the fictitiously named
5 defendants Doe 1 through Doe 50, are and were at all relevant times acting as the duly authorized
6 agents or employees of each and every other defendant, and were acting within the course and scope
7 of such agency or employment. Each of the defendants' acts alleged herein was done with the
8 permission and consent of each other defendant. Each defendant knowingly conspired with each
9 other, aided and abetted, or acted as the alter ego of each other defendant.

10 29. At all times relevant hereto, BMI Group and Ocean Hye, LLC were the alter egos of
11 Ara Baljian, Mehran Agazaryan, Davo Agazaryan, Joao Silverstein, Narine Tadevosyan, Natalie
12 Baljian, and Sargis Agazaryan, and there exists, and at all times herein mentioned has existed, a
13 unity of interest and ownership between defendants such that any separateness between them has
14 ceased to exist in that the individual defendants completely controlled, dominated, managed, and
15 operated the entity defendants to suit the individual defendants' convenience.

16 30. On information and belief, at all times relevant hereto, the individuals defendants:
17 controlled the business and daily affairs of BMI Group and Ocean Hye, LLC, including any and all
18 of their affiliates; commingled funds and assets of the entities, and diverted funds and assets for their
19 own personal use; disregarded legal formalities and failed to maintain arm's length relationships
20 among the entities; inadequately capitalized the entities; used the same office or business location
21 and employed the same employees for the entities; used the entities as mere shells, instrumentalities
22 or conduits for themselves; used the entities to procure labor, services or merchandize for another
23 person or entities; manipulated the assets and liabilities between the entities so as to concentrate
24 assets in one and the liabilities in the other; used entities to conceal their ownership, management
25 and financial interests and/or personal business activities; and/or used the entities to shield against
26 personal obligations.

27 31. BMI Group, Ocean Hye, LLC, the individual named defendants, and Doe 1 through
28 Doe 50 will be collectively referred to as "Defendants."

1 **JURISDICTION AND VENUE**

2 32. Venue is proper because the Partnership Agreement that BMI Group breached
3 specifically provides that the Superior Court for the County of Los Angeles is the appropriate venue
4 for any action related to enforcement of the contract.

5 33. Personal jurisdiction is proper as all relevant conduct took place in California.

6 34. Unlimited jurisdiction is proper as over \$25,000.00 is in controversy.

7 35. This Court has jurisdiction to adjudicate a dispute concerning cannabis pursuant to
8 Civil Code section 1550.5(b), which instructs California Courts that “commercial activity relating to
9 medicinal cannabis or adult-use cannabis . . . shall be deemed to be all of the following: (1) A
10 lawful object of a contract. (2) Not contrary to, an express provision of law, any policy of express
11 law, or good morals. (3) Not against public policy.”

12 **GENERAL ALLEGATIONS**

13 **Right Brothers and BMI Group Negotiate a Business Relationship**

14 36. In early 2018, Right Brothers sought a permitted cultivation site for its operations. It
15 had previously expected to partner with a landowner with a suitable location in Salinas, California,
16 but the deal fell through.

17 37. As specialists in outdoor cannabis cultivation (as opposed to the more controllable
18 environment of an indoor operation which may be bifurcated from the changing seasons), Right
19 Brothers was short on time to find farmland before the start of the next grow season. Right
20 Brothers’ principals reached out to their network for leads on a new farm site, and ultimately met
21 Davo Agazaryan and Ara Baljian of BMI Group.

22 38. After a thorough six weeks of discussion, the negotiation had progressed far enough
23 for Right Brothers’ attorney, Eric Shevin, to produce an agreement for the parties memorializing
24 their deal.

25 39. BMI Group dragged its feet on executing the Partnership Agreement yet expected
26 Right Brothers to start performing immediately. Only upon Right Brothers threatening to walk away
27 from the deal did BMI Group agree to sign the agreement.

28 40. Finally, on or about June 19, 2018, Right Brothers and BMI Group executed the

1 Partnership Agreement. The Partnership Agreement explicitly states that it was formed for the
2 purpose of lawfully cultivating cannabis at the Premises and selling it in California's regulated
3 cannabis marketplace.

4 41. Right Brothers later learned that it is BMI Group's modus operandi to negotiate
5 business relationships orally but later refuse to memorialize the agreed-upon terms in writing. On
6 information and belief, BMI Group treated the cannabis farmers it worked with prior to Right
7 Brothers in exactly the same malicious manner as it treated Right Brothers. However, to BMI
8 Group's chagrin, those predecessor farmers wisely refused to perform without a written contract.

9 **The Partnership Agreement**

10 42. The Partnership Agreement identified, as part of consideration for Right Brothers'
11 efforts, that Right Brothers would receive a 20% interest in BMI Group's existing Cultivation
12 License for cannabis farming at the Premises. While it is not possible to transfer an interest in a
13 cannabis cultivation license, the language used in the Partnership Agreement reflects the standard
14 industry lingo and means that BMI Group was to give Right Brothers a 20% interest in a licensed
15 entity (i.e., BMI Group).

16 43. As of the date of this filing, Right Brothers holds no interest in BMI Group.

17 44. Acknowledging the uncertainty as to whether an interest, or shares, in a cannabis
18 cultivation license may be lawfully sold, Recital D of the Partnership Agreement provides that, if
19 necessary to give effect to the Partnership Agreement, BMI Group would create a new entity to hold
20 the Cultivation License. Shares of that new entity would then be divided between BMI Group and
21 Right Brothers.

22 45. As of the date of this filing, and to the best of Right Brothers' knowledge, no such
23 entity was ever formed. The Cultivation License remained in BMI Group's name, leaving Right
24 Brothers without the interest that BMI Group promised it.

25 46. The Partnership Agreement provides that BMI Group was solely responsible for
26 costs including, but not limited to, infrastructure, security, rent, utilities, fees, and other costs related
27 to maintaining a state issued cannabis license and a local permit. A necessary part of that obligation
28 was BMI Group supplying required documentation to state and county agencies.

1 47. Pursuant to Recital E of the Partnership Agreement, it was BMI Group’s
2 responsibility to keep the Cultivation License current. BMI Group used this obligation to justify its
3 40% share of the profits from the sales of cannabis crops cultivated by Right Brothers. The
4 Partnership Agreement also provided that 60% of the remaining revenue would go to Right Brothers
5 and that Right Brothers’ expenses would be borne by the partnership.

6 48. BMI Group failed to keep the Cultivation License in good standing. The Cultivation
7 License was reclassified to “inactive” status on or around October 9, 2018 until December 12, 2018.

8 49. On or around April 12, 2019, BMI Group let the Cultivation License expire without
9 any option for renewal. This alone made cultivating cannabis at the Premises illegal.

10 50. BMI Group was responsible for submitting required documentation to maintain
11 licensure with the California Water Board. A report documenting BMI Group’s compliance with
12 California’s water use regulations was due to the California Water Board on December 24, 2018.
13 Despite multiple claims by Davo Agazaryan that BMI Group had invested the time and money into
14 obtaining said documentation, the report was never submitted. His misrepresentation left the
15 Premises illegal for cannabis cultivation.

16 51. Right Brothers later learned that the Cultivation License had been denied on or by
17 August 19, 2018. Since then, the Water Board has deemed that any cultivation on the Premises prior
18 to complying with the requirements in the Water Board’s General Order is subject to prosecution.

19 52. Right Brothers also subsequently learned that on November 3, 2018, the California
20 Department of Food and Agriculture informed BMI Group, through Ara Baljian, that the Cultivation
21 License had been denied due to invalid or missing cultivation plans, water source documentation,
22 and water quality protection permit from the Water Board.

23 53. BMI Group’s failure to maintain the requisite licensing from the outset of the
24 partnership shows that BMI Group had no intention to continue operations at the Premises after
25 removing the cannabis crop—which Right Brothers grew pursuant to the Partnership Agreement—
26 despite the Partnership Agreement.

27 54. BMI Group removed the cannabis from the Premises on both September 28, 2018
28 and January 27, 2019 against the strong objections of all members of Right Brothers.

1 55. It is has become clear that BMI Group had always intended to use the profits
2 generated by of Right Brothers' hard work to finance Ocean Hye, LLC and other cannabis
3 businesses under its exclusive control.

4 **Right Brothers Performed Its Duties Under the Partnership Agreement**

5 56. The Partnership Agreement called for Right Brothers to loan \$20,000 to the
6 partnership, to be repaid by BMI Group.

7 57. Right Brothers invested \$30,000 in the build-out of the Premises right away (in or
8 around June 2018). Under threat of Right Brothers abandoning the deal if BMI Group did not
9 contribute financially towards infrastructure development, BMI Group wired \$10,000 to Right
10 Brothers in or around June 2018. After crediting that \$10,000, a \$20,000 balance remains the loan
11 owed to Right Brothers.

12 58. As promised, Right Brothers designed, built, and managed the entire commercial
13 cannabis cultivation effort at the Premises. Right Brothers invested in cannabis plants and high-
14 quality nutrient-rich soil, prepared the land for planting, cloned plants, planted in the developed
15 areas, hired and paid for labor, and managed the operation through harvest, curing and processing.

16 59. Right Brothers performed its duties to the best of its ability, including taking over
17 the cannabis plants in the existing six hoops (which function as greenhouses for cannabis
18 cultivation) that were malnourished and poorly maintained as cited by industry consultant Damian
19 Soloman of Plant Geek Consulting, Inc. when he visited the development on or about June 11, 2018.

20 **BMI Group Breached the Partnership Agreement**

21 60. BMI Group's breach of the Partnership Agreement—failing to fund infrastructure
22 build-out and failure to maintain requisite licensing—limited Right Brothers' ability to maximize the
23 square footage allowed by the Cultivation License and resulted in a loss of hundreds of pounds of
24 cannabis crop.

25 61. BMI Group did not apportion 20% of the Cultivation License to Right Brothers, nor
26 did it apportion any interest in BMI Group (the Cultivation License-holding entity), nor any other
27 entity, to Right Brothers as it had promised to do in Recital D of the Partnership Agreement. Recital
28 G and Section 1 of the Partnership Agreement dictate that the transfer of interest was to happen

1 within ten days of the Effective Date of the agreement, or as soon as possible thereafter. BMI Group
2 thus breached a material provision of the Partnership Agreement almost immediately.

3 62. In Recital E of the Partnership Agreement, BMI Group agreed to “be responsible for
4 all costs and expenses [] associated with: (1) maintaining the Premises and LICENSES in
5 compliance with All Applicable Laws at all times; and (2) the design, build-out, maintenance and
6 other necessary infrastructure expenses for the LICENSES including but not limited to: fence
7 construction, equipment, rent, utilities, State and local licensing fees, necessary property
8 improvements, modifications or upgrades and security (the “CARRYING COSTS”) relating to the
9 Venture...”

10 63. BMI Group failed to uphold its promise memorialized in Recital E in the following
11 ways:

12 a. Security Gate: BMI Group failed to install the security gate that the parties
13 had agreed was necessary as early as July 23, 2018.

14 b. Camera System: On August 13, 2018, Ara Baljian committed to installing
15 cameras at the Premises, but never did so. As proper security is required to maintain
16 compliance with California law, Right Brothers bought the necessary cameras and installed
17 them on or around September 22, 2018.

18 c. Secure Dry Room Storage: Ara Baljian committed to build the necessary
19 secure dry room storage facility on September 4, 2018 but never did so. The lack of a
20 secure dry room facility at the Premises placed the finished cannabis product at risk of theft.

21 d. Hoop Construction: BMI Group failed to pay for all construction of
22 additional “hoop houses” beyond the six hoops that already existed at the Premises. BMI
23 Group contributed some materials and the \$10,000 wired to Right Brothers, but its breach
24 left the project lacking ten to twelve of the hoops it had anticipated and lowered the amount
25 harvested from each crop by several hundred pounds.

26 e. Leasing Cost: On April 27, 2018, at the first face-to-face meeting between
27 BMI Group and Right Brothers, Davo Agazaryan represented that BMI Group’s rent for the
28 Premises was \$20,000 per month, plus \$0.20 per square foot for outdoor cultivation and an

1 additional \$1.00 per square foot for each hoop. Right Brothers later learned from the
2 Premises' landlord that BMI Group's rent was actually only \$10,000 per month at first, then
3 increased to \$11,000, and then increased again to \$12,500 per month. At no point did BMI
4 Group lease the Premises for \$20,000 per month as it represented to Right Brothers. BMI
5 Group was similarly dishonest during a face-to-face meeting on or around June 2, 2018.
6 Shockingly, BMI Group had gone so far as to actually cut a hole out of the lease agreement
7 to remove the section specifying the rental amount.

8 f. Panda Plastic: BMI Group was three weeks late in fulfilling its promise to
9 deliver to the Premises the requisite Panda Plastic, a blackout material used to induce
10 flowering before the plants become too large to flower inside the hoop houses. The delay
11 increased Right Brothers' labor cost due to the extra work needed to maintain the extra-
12 large plants (cannabis plants grown outdoors in sunlight may easily reach heights of 15
13 feet). The lack of Panda Plastic led to more moisture in the hoophouses, resulting in a
14 greater amount of mold than would be otherwise expected. Preventing mold growth is a
15 major challenge for cannabis cultivators.

16 g. Composting: On July 1, 2018, Right Brothers and BMI Group agreed that
17 BMI Group would build a composting facility to safely dispose of any moldy cannabis as
18 required by the California regulations. BMI Group never built the composting facility.

19 h. BMI Group Stole the Harvested Product: On September 28, 2018 and again
20 on January 27, 2019, and over Right Brothers' vehement protests, BMI Group and its agents
21 removed from the Premises all of the dried and finished cannabis product that Right
22 Brothers had cultivated at its own effort and expense. Each time, BMI Group agents had
23 asked for an inventory from Right Brothers mere days before removing the product.

24 i. BMI Failed to Produce Certificates of Analysis or Receipts of Sale:
25 Following each crop seizure, BMI Group agents promised to follow the proper regulatory
26 protocols to have the cannabis tested and obtain Certificates of Analysis showing the
27 cannabis was fit for human consumption, and so Right Brothers could use them to generate
28 sales. Neither BMI Group nor its distributors ever obtained or produced these required

1 certificates, a direct violation of the Partnership Agreement. Because cannabis cannot
2 legally be sold without a Certificate of Analysis, BMI Group’s failures foreclosed on Right
3 Brothers’ opportunity to profit from sales of the cannabis it produced.

4 j. Failure to Distribute: As an incentive for Right Brothers to enter in a contract
5 exclusively with BMI Group, BMI Group touted its distribution capabilities and how it
6 could obtain top price for the cannabis crop. In Recital I of the Partnership Agreement,
7 BMI Group committed to distribute “100 pounds per week at or above wholesale market
8 price.” But, to Right Brothers’ knowledge, BMI Group never made a sale through its
9 network of distributors until after Mehran Agazarian confirmed to Geordie Schuurman of
10 Right Brothers, during a face-to-face meeting on February 27, 2019, that BMI Group had
11 finally sold some material. Right Brothers was frustrated with BMI Group’s lack of sales of
12 the finished cannabis product, so it found several different distribution opportunities through
13 its own network of industry contacts, including sending its contacts to the distribution
14 facility where BMI Group brought the seized cannabis crops. All sales prior to February 11,
15 2019 were generated from Right Brothers’ contacts and network of distributors, pursuant to
16 Certificates of Analysis that Right Brothers obtained and paid for on its own. Product was
17 ready for sale beginning in September 2018, meaning BMI Group failed to make any sales
18 through its “vast” network of distributors for nearly six months. Clearly, BMI Group did
19 not have the distribution capabilities that it touted to Right Brothers in order to induce them
20 into entering into the Partnership Agreement.

21 k. Failure to Maintain License: BMI Group, as the Cultivation License-holding
22 entity, had a duty to keep the Cultivation License in good standing. Instead, BMI Group
23 failed to satisfy the requirements for the Water Board’s General Order necessary for
24 licensing in August 2018 and the Cultivation License was deemed inactive from October 9,
25 2018 through December 12, 2019. These breaches were to Right Brothers’ significant
26 detriment because it is illegal for cannabis product cultivated by unlicensed operators to be
27 sold in California’s regulated marketplace, and because of the industry-wide price drop that
28 occurs with the increase in cannabis supply after harvest season. Although the Partnership

1 Agreement states that Right Brothers had a full year to cultivate at the Premises with an
2 additional two-year option, the Cultivation License lapse prevented Right Brothers from
3 replanting following the fall harvest in September 2018. Had the Cultivation License been
4 active, Right Brothers estimates that it would have yielded an additional 250 to 300 pounds
5 of finished product in October 2018. BMI Group allowed the Cultivation License to expire
6 on or around April 12, 2019, again rendering the property illegal for cannabis cultivation.

7 1. BMI Group Refused to Allow Right Brothers to Plant Again: Finally, BMI
8 Group breached the Partnership Agreement by refusing to allow Right Brothers to plant
9 another harvest, either outdoor during the fall and spring or in hoops during spring, despite
10 the terms in the Partnership Agreement affording Right Brothers the right to do so. BMI
11 Group based this decision on an agreement purportedly struck between Ara Baljian and
12 Dennis Bozanich, the Deputy CEO of the Santa Barbara County Executive Office. Agents
13 of BMI Group averred that under this agreement with Bozanich, BMI Group would
14 exchange the Cultivation License for an active license to operate a retail cannabis
15 dispensary in Santa Barbara County, at which point BMI Group would vacate the Premises.
16 Even though the Cultivation License was reinstated in December 2018, Ara Baljian told
17 Right Brothers not to replant until BMI Group applied for its conditional use permit. He
18 insisted it would be done in a timely manner, but it was never done. Right Brothers
19 estimates that an extra fall harvest and spring harvest at the Premises would have yielded an
20 additional 250 pounds of outdoor-grown cannabis and another 850 pounds of hoop-grown
21 cannabis by May 1, 2019. The market value for cannabis in May 2019 was over \$1,000 per
22 pound.

23 64. On information and belief, BMI Group never planned to uphold its end of the
24 bargain. BMI Group's failure to make Right Brothers 20% owner in the Cultivation License made
25 it impossible for Right Brothers to prevent the cannabis from being taken against their will by BMI
26 Group on September 28, 2018 and January 27, 2019. Additionally, BMI's failure to install the
27 security gate, camera system, and secure drying facility were strategic on BMI Group's part, as lack
28 of these safeguards enabled BMI Group and its agents to cite security concerns as one of the

1 reasons that they were removing the product each time.

2 65. Right Brothers installed a camera system at the Premises at its own expense on
3 September 22, 2018. Just days later, on September 26, 2018, the security cameras show that BMI
4 Group's agent Luis Montoya and a woman, identified as Liz (who is believed by Right Brothers to
5 have been Defendant Narine Tadevosyan's nanny), arrived at the Premises at 1:00 A.M. Montoya
6 noticed the security cameras and, on information and belief, contacted Ms. Tadevosyan, who then
7 texted Right Brothers' principals that "Luis and Liz are on site right now. Liz is there to help
8 oversee things with Luis. Wanted to let the group know no matter the time." This was the only text
9 message that Right Brothers ever received from Ms. Tadevosyan outside of normal business hours.

10 66. Two days later, knowing that the security cameras existed, BMI Group
11 representatives arrived at the Premises with two U-Haul trucks and took away the cannabis product
12 against the wishes of Right Brothers. Upon information and belief, BMI Group lied to Right
13 Brothers about their purpose in hauling away the product: BMI Group stated that they were
14 transferring the product legally to a friend's distribution company where Right Brothers would still
15 have access to the product in order to facilitate sales, but the principals of Right Brothers believe
16 that the product went directly to the Ocean Hye dispensary without proper documentation.

17 67. Right Brothers incurred over \$475,000 in costs to carry out its obligations under the
18 Partnership Agreement. In the aftermath of the seizure of the cannabis crop, BMI Group's failure
19 to maintain the Cultivation License, BMI Group's failure to apply for a conditional use permit, and
20 Right Brothers' inability to operate due to lack of funds, Right Brothers invoiced BMI Group for
21 the hard costs associated with the parties' failed venture. True and correct copies of the invoices
22 are attached hereto as Exhibit 2 and hereby incorporated by reference into this Complaint.

23 68. Save for a \$10,000 wire payment for infrastructure costs in June 2018 to Right
24 Brothers, a \$60,000 payment in April 2019, and \$78,541.69 in payments between October 2018 and
25 January 2019, BMI Group has refused to pay.

26 **BMI Group Launches the Ocean Hye Club with Funds from Sale of Right Brothers' Crops**

27 69. BMI Group did not compensate Right Brothers for its costs, nor did it share the
28 contracted portion of the revenue with Right Brothers from the sale of Right Brothers' cannabis

1 crops. At this time, Right Brothers is unable to invoice BMI Group for its share of the revenue
2 from the sales of the cannabis crops as it does not know the price that BMI Group received.
3 However, Right Brothers suspects that BMI Group received approximately \$791,989.50 based on
4 receipts provided by BMI Group through counsel.

5 70. In the months following the September 2018 and January 2019 crop seizures, while
6 Right Brothers was dealing with consequences of BMI Group's various breaches, many of BMI
7 Group's principals were busy opening a new dispensary in Lompoc, California called Ocean Hye
8 Club. That entity opened its doors for business at 1017 E. Ocean Avenue, #A, Lompoc, CA
9 93436, on or about May 10, 2019.

10 71. The California Secretary of State reflects that Ocean Hye, LLC is managed solely by
11 Mehran "Mike" Agazaryan. Ara Baljian's residence, located at 11339 Quail Creek Road in Porter
12 Ranch, California, is also the address for Ocean Hye, LLC in Secretary of State filings.

13 72. Upon information and belief, the principals of Ocean Hye, LLC are Mehran
14 Agazaryan, Davo Agazaryan, Ara Baljian, Joao Silverstein, and Akash Patel.

15 73. Those present for the seizure of the cannabis crops cultivated by Right Brothers
16 included Joao Silverstein, Armand Bobbyseed, Luis Montoya, Mehran Agazaryan, Narine
17 Tadevosyan, Davo Agazaryan, Ara Baljian, Sargis Agazaryan, and Sal (last name currently
18 unknown).

19 74. Upon information and belief, Ocean Hye, LLC is unfairly profiting from Right
20 Brothers' work and BMI Group's material breaches of the Partnership Agreement.

21 **BMI Group Knew the Cultivation License Would Not Be Renewed at the Premises**

22 75. Plaintiff Right Brothers learned in or around mid-September 2018, that Dennis
23 Bozanich had stated that BMI Group could apply for its Conditional Use Permit but that he would
24 see to it that the County of Santa Barbara would not renew or issue any cultivation licenses for
25 properties located in Cebada Canyon due to neighbor complaints. The Premises is located within
26 Cebada Canyon. In other words, BMI Group induced Right Brothers to enter into the Agreement
27 despite the knowledge that BMI Group could not fully perform based on local law and policy.

28 76. On or about January 12, 2019, Ara Baljian stated to Angus Schuurman and Geordie

1 Schuurman of Right Brothers that he was trading in the Cultivation License for a retail storefront
2 license, likely for Ocean Hye Clubs.

3 77. On information and belief, once BMI Group learned that it would be nearly
4 impossible to obtain a Conditional Use Permit for any property located in the Cebada Canyon—like
5 the Premises—Ara Baljian then commenced a competing business in the cannabis industry at a
6 property located near the Premises but in a different neighborhood.

7 **FIRST CAUSE OF ACTION**

8 **Breach of Contract**

9 (Against Defendant BMI Group Inc)

10 78. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
11 herein.

12 79. Plaintiff Right Brothers and Defendant BMI Group executed a Partnership
13 Agreement on June 19, 2018.

14 80. Plaintiff Right Brothers performed all, or substantially all, of its obligations under
15 the Partnership Agreement.

16 81. Defendant BMI Group breached the Partnership Agreement by: (a) failing to form a
17 separate entity needed to hold the Cultivation License and transfer a 20% interest in that Cultivation
18 License to Plaintiff Right Brothers; (b) failing to maintain the Cultivation License in active and
19 good standing; (c) failing to compensate Plaintiff Right Brothers for its costs incurred pursuant to
20 the Partnership Agreement; (d) failing to repay the entire loan amount owed to Right Brothers; and
21 (e) taking possession of 2,553.6 pounds of cannabis crop to Right Brothers' detriment.

22 82. Plaintiff Right Brothers was harmed by Defendant BMI Group's conduct in an
23 amount in to be proven at trial, but easily in excess of the \$600,000.

24 83. Defendant BMI Group's conduct was a substantial factor in causing the harm
25 suffered by Plaintiff Right Brothers.

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1 **SECOND CAUSE OF ACTION**

2 **Indemnity**

3 (Against All Defendants)

4 84. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
5 herein.

6 85. Defendants failed to use reasonable care in the sale of cannabis products, and related
7 compliance requirements associated with California cannabis law and regulations.

8 86. On information and belief, Defendants' conduct was, or will be, a substantial factor
9 in causing harm to Plaintiff Right Brothers in the form of claims brought by third parties against
10 Plaintiff Right Brothers (associated with the cannabis crops seized and sold by Defendants).

11 87. Plaintiff Right Brothers was not negligent in its activity, or if it was, its negligence
12 did not contribute as a substantial factor to Defendants' conduct that resulted in the claims by third
13 parties against Plaintiff Right Brothers.

14 88. Defendants should be required to indemnify Plaintiff Right Brothers for damages
15 arising from the claims of third parties.

16 **THIRD CAUSE OF ACTION**

17 **Conversion**

18 (Against All Defendants)

19 89. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
20 herein.

21 90. Plaintiff Right Brothers has a right to possess the cannabis crops that it cultivated
22 pursuant to the Partnership Agreement. Additionally, as an agricultural producer, Plaintiff Right
23 Brothers has the exclusive legal right to possess the 2,553.6 pounds of cannabis product grown at
24 the Premises, or in the alternative, it has a right to a lien on those crops.

25 91. On information and belief, Defendants knowingly and/or intentionally interfered
26 with this right by taking possession of the 2,553.6 pounds of cannabis crops, removing said
27 products from the Premises, transporting the products to another location, and then refusing to
28 return the crops to Plaintiff Right Brothers once it demanded their return.

1 alone, while the Partnership Agreement envisioned a relationship between the parties for at least
2 another two years).

3 101. Defendant BMI Group's disregard for its fiduciary duty owed to Plaintiff Right
4 Brothers was a substantial factor in causing Plaintiff Right Brothers' harm.

5 102. Defendant BMI Group's actions constitute malice, oppression, and/or fraud, and
6 therefore the Court should impose punitive damages.

7 **FIFTH CAUSE OF ACTION**

8 **Fraudulent Inducement to Contract (False Promise)**

9 (Against Defendant BMI Group Inc)

10 103. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
11 herein.

12 104. Defendant BMI Group made a promise to Plaintiff Right Brothers that it would: (a)
13 transfer an interest in BMI Group, or another entity, to Right Brothers so that Right Brothers would
14 be a 20% interest holder in a California cannabis cultivation license; (b) to repay a \$30,000.00 loan
15 from Plaintiff Right Brothers; (c) reimburse Plaintiff Right Brothers for the costs incurred to
16 develop the Premises and cultivate the cannabis crops; and (d) share 60% of the profits from sales
17 of the cannabis crops in the regulated California marketplace.

18 105. Defendant BMI Group did not intend to perform these promises when it made them
19 in the Partnership Agreement.

20 106. Defendant BMI Group intended that Plaintiff Right Brothers rely on its promise.

21 107. Plaintiff Right Brothers reasonably relied on Defendant BMI Group's promise.

22 108. Defendant BMI Group did not perform the promised acts.

23 109. Plaintiff Right Brothers was harmed.

24 110. Plaintiff Right Brothers' reliance on Defendant BMI Group's promise was a
25 substantial factor in causing Plaintiff Right Brothers' harm.

26 111. Defendant BMI Group acted with malice, oppression or fraud, within the meaning of
27 section 3294 of the Civil Code, by inducing Plaintiff Right Brothers to enter into the Agreement
28 based on false promises.

1 112. Plaintiff Right Brothers prays for relief in an amount according to proof.

2 **SIXTH CAUSE OF ACTION**

3 **Intentional Misrepresentation**

4 (Against Defendant BMI Group Inc)

5 113. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
6 herein.

7 114. Plaintiff Right Brothers claims that Defendant BMI Group made a false
8 representation that harmed it.

9 115. Defendant BMI Group represented to Plaintiff Right Brothers that a fact was true. In
10 negotiations and the Agreement, Defendant BMI Group represented to Plaintiff Right Brothers that
11 it owned the Cultivation License, the Cultivation License was in active and good standing, and that
12 the Cultivation License could be renewed for the Premises in the immediate future.

13 116. Defendant BMI Group's representation was false.

14 117. Defendant BMI Group knew that the representation was false when it made it, or
15 that it made the representation recklessly and without regard for its truth.

16 118. Defendant BMI Group intended that Plaintiff Right Brothers rely on the
17 representation.

18 119. Plaintiff Right Brothers reasonably relied on Defendant BMI Group's representation.

19 120. Plaintiff Right Brothers was harmed.

20 121. Plaintiff Right Brothers' reliance on Defendant BMI Group's representation was a
21 substantial factor in causing Plaintiff Right Brothers' harm.

22 122. Defendant BMI Group acted with malice, oppression or fraud, within the meaning of
23 section 3294 of the Civil Code, by knowingly making a false representation to Right Brothers that
24 materially impacted the business.

25 123. Plaintiff Right Brothers prays for relief in an amount according to proof.

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1 **SEVENTH CAUSE OF ACTION**

2 **Reliance**

3 (Against Defendant BMI Group Inc)

4 124. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
5 herein.

6 125. Plaintiff Right Brothers began marketing their cultivation services to the larger
7 California commercial cannabis industry after Defendant BMI Group promised to grant them a 20%
8 interest in its license to cultivate cannabis at the Property.

9 126. Defendant BMI Group's false promise substantially influenced Plaintiff Right
10 Brothers' decision to spend more than \$6,000.00 to market its services to the industry.

11 127. If Defendant BMI Group had not falsely promised to grant Plaintiff Right Brothers a
12 20% interest in BMI Group's state license to cultivate cannabis at the Property, then Plaintiff Right
13 Brothers would not have incurred costs to market its services. This is because, without a colorable
14 claim to ownership of a state license to cultivate cannabis, Plaintiff Right Brothers would have been
15 violating the law if it grew cannabis for commercial purposes.

16 128. Plaintiff Right Brothers was harmed.

17 129. Plaintiff Right Brothers' reliance on Defendant BMI Group's promise was a
18 substantial factor in causing Plaintiff Right Brothers' harm.

19 **EIGHTH CAUSE OF ACTION**

20 **Goods and Services Rendered (Quantum Meruit)**

21 (Against All Defendants)

22 130. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
23 herein.

24 131. Defendants requested, by words and conduct, that Plaintiff Right Brothers perform
25 services to cultivate cannabis, which would result in the delivery of goods (cannabis products) for
26 distribution and sale.

27 132. Plaintiff Right Brothers performed the services and delivered goods as requested.

28 133. Defendants have not paid for the services and goods, even though the understanding

1 was that Right Brothers would be compensated for the services performed and the product
2 produced.

3 134. Plaintiff Right Brothers should be compensated for the reasonable value of the goods
4 and services provided.

5 **NINTH CAUSE OF ACTION**

6 **Common Counts (Goods and Services Rendered)**

7 (Against All Defendants)

8 135. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
9 herein.

10 136. Defendants requested, through both words and conduct, that Plaintiff Right Brothers
11 improve the Premises and cultivate cannabis there to be sold in California’s regulated commercial
12 cannabis marketplace for the benefit of Defendant BMI Group.

13 137. Plaintiff Right Brothers performed the services and produced the cannabis products
14 requested by Defendant BMI Group.

15 138. Defendants have not paid Plaintiff Right Brothers for its services or the goods it
16 produced.

17 139. The reasonable value of the services was provided by Plaintiff Right Brothers, and
18 the goods are now in the possession of Defendants.

19 140. Plaintiff Right Brothers prays for relief in an amount according to proof.

20 **TENTH CAUSE OF ACTION**

21 **Unfair Competition**

22 (Against All Defendants)

23 141. Plaintiff Right Brothers incorporates the above paragraphs as if set forth in full
24 herein.

25 142. California’s statutory unfair competition law, Business and Professions Code
26 sections 17200 et seq. (“the UCL”), prohibits and provides civil remedies for “unfair competition,”
27 defined as “any unlawful, unfair, or fraudulent business act or practice.” The UCL proscribes
28 “anything that can properly be called a business practice and that at the same time is forbidden by

1 law.” *Bank of the West v. Superior Court* (1992) 2 Cal.4th 1254, 1266-67.

2 143. Defendants’ conduct described herein constitutes violations of the following
3 California laws and statutes:

4 144. Violation of Section 532(a) of the California Penal Code – It is a crime for any
5 person to “knowingly and designedly, . . . defraud [] any other person of money, labor, or property,
6 whether real or personal.” Defendants knowingly and designedly defrauded Plaintiff Right
7 Brothers out of money, labor and property.

8 145. Breach of Fiduciary Duty of Loyalty – Defendant BMI Group breached the fiduciary
9 duty it owed to Plaintiff Right Brothers when it took and converted cannabis product belonging to
10 Plaintiff Right Brothers, when it permitted the Cultivation License to lapse (effectively preventing
11 Plaintiff Right Brothers from lawfully operating), and when it usurped Plaintiff Right Brothers’
12 business opportunities and started a competing commercial cannabis business (i.e., Ocean Hye,
13 LLC). On information and belief, once BMI Group learned that it would be nearly impossible to
14 obtain a Conditional Use Permit for any property located in the Cebada Canyon—like the
15 Premises—Ara Baljian then commenced a competing business in the cannabis industry at a
16 property located near the Premises but in a different neighborhood.

17 146. Violation of Section 26053 of the California Business and Professions Code (“the
18 B&P”) – Section 26053(a) mandates that “[a]ll commercial cannabis activity shall be conducted
19 between licensees.” Section 5032 of the California Code of Regulations, issued by the Bureau of
20 Cannabis Control, expressly prohibits any licensee from conducting “commercial cannabis
21 activities on behalf of, at the request of, or pursuant to a contract with any person who is not
22 licensed under the Act.” The violation could have been cured by BMI Group fulfilling its promise
23 to transfer 20% of the license or give a 20% interest in the licensed entity to Right Brothers. By
24 electing to enter into the Partnership Agreement with Plaintiff Right Brothers, an unlicensed
25 cannabis cultivation business, Defendant BMI Group violated these provisions of California law.
26 By electing to allow the Cultivation License to lapse whilst Plaintiff Right Brothers was growing
27 and harvesting cannabis at the Premises under that license, Defendant BMI Group again violated
28 these provisions of California law by conducting commercial cannabis activity without a valid

1 license. By choosing to seize Plaintiff Right Brothers' cannabis crops and sell them after the
2 Cultivation License lapsed, Defendants yet again engaged in commercial cannabis activity in
3 violation of this provision of law.

4 147. By reason of Defendants' fraudulent, deceptive, unfair and other unlawful conduct
5 described herein, Defendants have violated the UCL.

6 148. Section 26051 of the Business and Professions Code states that the UCL applies to
7 all commercial cannabis licensees.

8 149. Defendants' unlawful, unfair, or fraudulent conduct resulted in an unfair competitive
9 advantage to Defendants at Plaintiff Right Brothers' expense, and by those actions caused concrete
10 and particularized injury to Plaintiff Right Brothers.

11 150. Defendants' violations of the UCL entitle Plaintiff Right Brothers to restitution and
12 disgorgement of the profit and revenue obtained by Defendants as a result of such unfair business
13 conduct.

14 151. Plaintiff Right Brothers prays for relief in an amount according to proof.

15 152. Plaintiff Right Brothers is entitled to injunctive relief under the UCL. It lacks an
16 adequate remedy at law because of the irreparable and unquantifiable injury that results from unfair
17 competition. California law authorizes injunctive relief to protect businesses from unfair
18 competition.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff Right Brothers prays for judgment in its favor, and jointly and severally against Defendants, as follows:

1. For damages according to proof;
2. For exemplary damages as permitted by law, or statute;
3. For injunctive relief;
4. For disgorgement of profits, revenues, and compensation or other payments in an amount according to proof;
5. For prejudgment interest;
6. For reasonable attorneys' fees as permitted by law, or statute;
7. For recovery of costs incurred in prosecuting this action; and
8. For such other and further relief that this Court deems appropriate.

Dated: December 20, 2019

AD ASTRA LAW GROUP, LLP

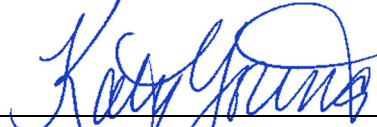
By  _____
Katy M. Young
Hannah M. Stiff
Attorneys for Plaintiff Right Brothers
Management, LLC

Exhibit 1

Binding Letter of Intent Re: Joint Venture for the operation of licensed commercial cannabis businesses in Lompoc, California

THIS LETTER OF INTENT ("LOI" or "Agreement") is made and entered into as of May 23, 2018 (the "Effective Date"), by and between Right Brothers, LLC ("RIGHT BROS."), BMI Group, Inc. ("LESSEE" or "BMI") regarding the Temporary Cannabis Cultivation Licenses issued for 3333 Avena Road set forth in Appendix A (the "LICENSES") concerning the development and operation of licensed commercial cannabis cultivation, manufacturing and distribution (the "Venture") located at 3333 Avena Road in Lompoc, California, 93436 (the "Premises"). RIGHT BROS, LESSEE and BMI may be referred to individually as "Party" or collectively as the "Parties".

RECITALS

A. Whereas LESSEE possesses 100% of the leasehold and possessory interests including the right to sublease the real property located at 3333 Avena Road, Lompoc, California for the portions of the property defined in Appendix A where the LICENSES engage in commercial cannabis cultivation relating to the Venture; and

B. Whereas RIGHT BROS. possess specialized skills as to the technical aspects of the design, build, management and operation of commercial cannabis cultivation facilities (the "MANAGEMENT RESPONSIBILITIES"), including, but not limited to possessing the financial ability to develop the commercial cannabis cultivation facilities, manufacturing and distribution for THC and CBD markets which form the basis of the Venture; and

C. Whereas RIGHT BROS. own 100% of the rights to all genetics, ideas, inventions, methods, standard operating procedures, trade secrets or otherwise pertaining to Left Field IP Holdings, LLC, ("LEFT FIELD") including but not limited to the cannabis strains African Queen and others; and

D. Whereas the Parties have agreed that subject to the required development of the property that forms the basis of the Venture as set forth in this LOI, that BMI shall provide RIGHT BROS. with a combined non-dilutable 20% ownership interest in the LICENSES and thereby a 20% ownership interest in the commercial cannabis cultivation licenses which form the basis of the Venture. The Parties agree and understand that in order to achieve the intent of the parties in this Agreement, that an additional entity (HOLDING ENTITY) may need to be formed whereby BMI would transfer and assign 100% of their rights to ownership and control to each of the LICENSES in order to facilitate the ownership percentages between the Parties as set forth in this LOI. As set forth more fully herein, once Accumulated BMI Revenue reaches the Accumulated BMI Revenue Target of \$4,000,000.00 from the Venture that forms the basis of this LOI, the RIGHT BROTHERS ownership interest in the LICENSES shall increase to 50%; and

E. Whereas BMI shall be responsible for all costs and expenses ("BMI CONTRIBUTION") associated with:

- 1) Maintaining the Premises and LICENSES in compliance with All Applicable Laws at all times; and

Commented [RC1]: If we do Hemp, that currently falls under Federal oversight through FDA and department of agriculture.

2) The design, build-out, maintenance and other necessary infrastructure expenses for the LICENSES, including but not limited to: fence construction, equipment, rent, utilities, State and local licensing fees, necessary property improvements, modifications or upgrades and security (the "CARRYING COSTS") relating to the Venture; and

F. Whereas RIGHT BROS. will loan up to \$20,000.00 to BMI for the construction of the hoop houses and for irrigation which shall be paid back to RIGHT BROS. out of BMI's Net Proceeds no later than the first harvest of cultivated cannabis. Prior to Accumulated BMI Revenue reaching \$4,000,000.00 from the Venture, 100% of BMI CONTRIBUTION shall NOT be recoupable to BMI at any time and shall not be calculated as Expenses for purposes of calculating Net Revenue of the Venture; and

G. Whereas no later than 10 days after the Effective Date, the Parties shall take all necessary action to reflect the RIGHT BROS. 20% ownership interest in the LICENSES at the earliest possible time following the Effective Date and the RIGHT BROS. 20% ownership interest in the LICENSES shall be reflected in any state license application for commercial cannabis activity as contemplated by the Venture; and

H. Whereas BMI guarantees the cultivation space at the Premises attached to the LICENSES shall be set aside and allocated for the Venture for at least one (1) year following the Effective Date. If at the end of 1 year, the Parties mutually agree to terminate the Venture, BMI shall provide RIGHT BROS. with a sub-lease at market value which shall include the existing cultivation footprint and all infrastructure in place up to that point; and

I. Whereas Performance metrics will be included for both parties. RIGHT BROS. commit to a minimum production of 90 pounds of trimmed flower per full cultivation cycle for each hoop house that measures 16' x 100' starting with the second full cycle of cultivation. BMI commits to distributing 100 pounds per week at or above wholesale market price, as established by market research resources in cannabisbenchmarks.com or New Frontier.

The Parties hereby wish to enter into a Partnership with regard to the Venture on the terms set forth in the LOI.

AGREEMENT

NOW THEREFORE, in consideration of the promises mutually exchanged in this LOI and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree as follows:

Definitions: otherwise explicitly defined at the time of use and for purposes of specificity, the following terms shall be understood to have the same meaning throughout the Agreement:

"All Applicable Laws", the "Law", "Rules", or "Laws and Rules" shall mean, capitally defined or not, any and all published statutes, laws, regulations, and rules determined by the State of California and any counties or local jurisdictions in which the Parties may operate, including specifically but not limited to the MAUCRSA, which may directly or indirectly guide the Parties to cooperate in the business and performance as

contemplated herein.

“Expenses” shall mean and include, maintenance and repairs, utilities, supplies, management fees, labor and personnel costs, short-term services or labor (i.e. plumbers, electricians, and related), raw materials (including but not limited to seeds, clones, and other vegetation; nutrients, fertilizers, pesticides, fungicides, herbicides, and related items); utilities, security costs, insurance, and taxes. For purposes of calculating Net Revenues, Expenses shall NOT include, equipment, rent, utilities, State and local licensing fees, necessary property improvements, compliance expenses, modifications or upgrades and security.

“Gross Revenue” shall mean the actual gross revenues realized from the sale of all cannabis, CBD or cannabis products or services derived from the Venture during a specific reporting period before any deductions or expenses are subtracted.

“Accumulated BMI Revenue” shall mean the total revenue allocated to BMI from the sale of all cannabis, CBD, cannabis products or services derived from the Venture beginning on the Effective Date. $\text{Accumulated BMI Revenue} = (\text{Gross Revenue LESS Cannabis taxes LESS RIGHT BROS. ADVANCED COSTS multiplied by .40}) \text{ minus the CARRYING COSTS.}$ For example: If Gross Revenue = \$10.00, Cannabis taxes = \$1.48, RIGHT BROS. ADVANCED COSTS = \$1.02 and CARRYING COSTS = \$1.00, Accumulated BMI Revenue = \$2.00. [$\$10.00 \text{ minus } \$1.48 \text{ minus } \$1.02 = \$7.50 (.40) = \$3.00 \text{ minus } \$1.00 = \2.00] The current market rate for leasing permitted outdoor and hoop space is \$6.00/sqft/year as a point of reference for expenses attributable to CARRYING COSTS

“Accumulated BMI Revenue Target” shall mean the net investments made into the property at 3333 Avena Road in Lompoc Rd. by end of calendar year 2018 to prepare the land to be licensed and utilized for commercial cannabis cultivation multiplied by 1.333. Initially the Accumulated BMI Revenue Target was set at \$4,000,000.00 by taking the estimated investments by BMI through the end of calendar year 2018 to be \$3,000,000 and then multiplying \$3,000,000 by 1.33 to arrive at \$4,000,000. Should the final amount invested in 3333 Avena Road be less than \$3,000,000 through an audited assessment of the invested amounts by end of calendar year 2018, the final Accumulated BMI Revenue Target will be adjusted to reflect the actual investment amount multiplied by 1.33.

“Net Revenue” shall mean the Gross Revenue minus all applicable Expenses, Fees and Taxes.

“Trade Secret” includes any and all confidential information, technical information, know-how, formulas, cannabis genetics, prototypes, specifications, directions, instructions, test protocols, procedures, results, studies, analyses, raw material sources, data, manufacturing data, formulation or production technology, conceptions, ideas, innovations, discoveries, inventions, processes, methods, materials, devices, formulae, equipment, enhancements, modifications, technological developments, techniques, systems, tools, designs, drawings, plans, software, documentation, data, programs, and other knowledge, information, skills, and materials controlled by RIGHT

BROS. or LEFT FIELD necessary for the rendering of services hereunder and any combinations, modifications, variations, derivative works, and improvements of or relating to any of the foregoing.

1. **Equity and Voting.** Within 10 days of the Effective Date, and prior to the BMI or the LICENSES applying for commercial cannabis state licenses, the Parties shall take all necessary action to reflect the RIGHT BROS. 20% ownership interest in the LICENSES. Additionally, the RIGHT BROS. 20% ownership interest shall be reflected in any future state license applications for any commercial cannabis activity contemplated by the Venture. Voting with regard to the LICENSES for all matters relating to the design, build and operation of all cannabis cultivation, including but not limited to all decisions regarding the actual cultivation and the use of any chemicals on the cultivation site shall be as follows: 100% to RIGHT BROS. and the Parties shall take all necessary action to reflect such voting control in the LICENSES.

The following decisions shall require a unanimous vote of the Parties: 1) Decisions relating to the sale or transfer of any portion of any of the LICENSES that form the basis of the Venture; 2) Decisions relating to the sale or transfer of any equity in the LICENSES that form the basis of the Venture; 3) Decisions relating to any action that would result in the dilution of any equity interest to any of the Parties with regard to the Venture; 4) Decisions relating to the salary or compensation to any Party; and 5) Decisions relating to any future expansion of the Venture to additional licensed cannabis operations that are not included in this binding LOI

2. **Distributions of Proceeds.** No distributions of Revenues to any party shall be made until such time as RIGHT BROS. recoup 100% of their ADVANCED COSTS. Following recoupment of RIGHT BROS.' ADVANCED COSTS, RIGHT BROS. shall be entitled to 60% of the remaining Revenues from the Venture without offset or deduction. Following recoupment of RIGHT BROS.' ADVANCED COSTS, BMI shall be entitled to 40% of remaining Revenues. In the event that ADVANCED COSTS on the part of the RIGHT BROS. are not required, RIGHT BROS. shall be entitled to a management fee for their MANAGEMENT RESPONSIBILITIES equal to 35% of Net Revenues with regard to any of the LICENSES, however once the Equity Transfer set forth in Section 3 below occurs, Net Revenues from the Venture will be distributed equally (50/50) between the Parties, with all expenses being shared equally by the Parties.

3. **Equity Transfer.** Once Accumulated BMI Revenue reaches \$4,000,000.00 from the Venture, the RIGHT BROTHERS ownership interest in the LICENSES shall increase to 50% and all Expenses and CARRYING COSTS shall be split equally between the Parties prior to any distribution of Net Revenues.

4. **Intellectual Property.** All ideas, inventions, methods, trademarks or otherwise, belonging to or relating in any way to RIGHT BROS or LEFT FIELD shall remain at all times the sole property of RIGHT BROS. or LEFT FIELD to the fullest extent permitted under California law. LESSEE shall not be allowed to use such ideas, inventions, products, trade secrets or trademarks without prior written consent of RIGHT BROS. or LEFT FIELD.

5. **Protection of Trade Secrets.** As described herein, BMI agrees to maintain the strict confidences of any Trade Secret, as defined herein, which it may come to know or possess by virtue of this agreement. BMI hereby acknowledges and agrees that all Confidential

Information concerning the Services rendered under this agreement, and any future and proposed products of RIGHT BROS. or its Related Parties constitutes among other things, an exceptionally valuable trade secret of RIGHT BROS. and LEFT FIELD.

6. **Non-Exclusive License.** At all times during the term of the Venture envisioned by this LOI, BMI agrees and understands that they are receiving a non-exclusive license to use the protected IP belonging to Left Field for use in marketing and selling products produced pursuant to the Venture. This non-exclusive license shall be at no cost to BMI.

7. **Indemnification.** The Parties agree to indemnify and hold each other free and harmless from any obligations, costs, claims, judgments, attorneys' fees, and attachments arising from, growing out of, or in any way connected with any incident, event, contract, obligation or occurrence that pertains to any matter prior to the Effective Date.

8. **Termination.**

8.1 **Termination on Occurrence of Stated Events.** This Agreement shall terminate automatically on the occurrence of any of the following events:

- (a) Bankruptcy or insolvency of either Party;
- (b) Dissolution of the corporate entity of either Party; or
- (c) Assignment of Agreement by either Party without consent of the other Party.

8.2 **Termination by Default.** If either party defaults in the performance of this Agreement or materially breaches any of its provisions, the non-breaching party may terminate this Agreement by giving written notification to the breaching party. Termination will take effect immediately on receipt of notice, or five days after mailing of notice, whichever occurs first. For the purposes of this paragraph, material breach of this Agreement includes, but is not limited to the following: BMI's failure to pay RIGHT BROS. any compensation due within thirty (30) days after written demand for payment, and RIGHT BROS.' failure to perform MANAGEMENT RESPONSIBILITIES as set forth in this Agreement.

8.3 **Effect of Termination.** In the event of termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except: (i) as set forth in Recital H of this Agreement and (ii) nothing herein shall relieve any party hereto from liability for any intentional breach of any provision of this Agreement which results in a Termination for Default.

9. **Insurance.** The Parties agree to cooperate in obtaining a comprehensive general liability policy of insurance and shall name all Parties as additional insureds.

10. **Disputes.** In the event of any controversy or claim arising out of or relating to this LOI, or a breach thereof, the Parties hereto shall first attempt to settle the dispute by mediation, administered by the American Arbitration Association under its Mediation Rules, or as otherwise agreed to in writing by both parties. If settlement is not reached within sixty (60) days after service of a written demand for mediation, the Parties agree any dispute, controversy or claim arising out of or relating in any way to the agreement including without limitation any

dispute concerning the construction, validity, interpretation, enforceability or breach of the agreement, shall be exclusively resolved by binding arbitration upon a Party's submission of the dispute to arbitration. The arbitration shall be conducted in accordance with the then existing Commercial Rules of the American Arbitration Association. In such an event, the number of arbitrators shall be one (1) and the place of arbitration shall be Los Angeles County, California and shall be governed under the laws of the State of California. It is specifically understood and agreed that any party may enforce any award rendered by bringing suit in any court of competent jurisdiction. The parties agree that the arbitrator shall have authority to grant injunctive relief, specific performance or other forms of equitable relief to any party. Except as may be required by law, neither a party nor its representatives may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. The cost of arbitration shall be borne by the prevailing party to the arbitration on a comparative fault basis.

11. Compliance. The Parties confirm that they are in compliance with All Applicable Laws representing that they will undertake all efforts to be in compliance at all times.

12. Fees. If any legal action is brought to enforce or interpret the provisions of this binding LOI, the prevailing party will be entitled to reasonable attorneys' fees and reimbursement of arbitration costs, which may be set in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

13. Entire Agreement. This LOI supersedes any and all agreements, either oral or written, between the parties and contains all of the representations, covenants, and agreements between the parties with respect to the rendering of the Venture. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not contained in this Agreement, and that no other agreement, statement, or promise not contained in this Agreement will be valid or binding.

14. Invalidity. If any provision of this Agreement is held to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

15. Definitive Agreements. Upon mutual execution of this LOI, the Parties shall acknowledge that this Agreement shall become the binding Definitive Partnership Agreement between the parties with regard to the Venture.

16. Notices. Any and all notices to be given pursuant to or under this LOI shall be provided to the party to whom the notice is addressed via Federal Express or U.S. Mail to each party's respective counsel at the following address:

If to RIGHT BROTHERS, LLC:

With a copy to:

Eric Shevin Via email: eric@shevinlaw.com

If to BMI GROUP, INC:

17. **Counterparts.** This Agreement may be executed in any number of counterparts each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument. In order to expedite the execution of this LOI, electronic signatures shall be binding and have the same effect as the original signature.

W

IN WITNESS WHEREOF, the Parties represent and warrant that they have carefully reviewed this BINDING LOI and that each and every term hereof is understood and that the terms of this LOI are BINDING and contractual and not a mere recital.


RIGHT BROTHERS, LLC

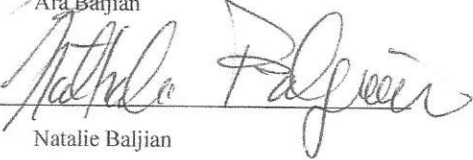
By: _____
Angus Schuurman

By: _____
Geordie Schuurman

By:  6/20/18
Robert Clark

BMI GROUP, INC.

By: 
Ara Baljian

By: 
Natalie Baljian

APPENDIX A

Parcel numbers and/or designation of specific cultivation canopy allocated to each of the LICENSES.

Exhibit 2

5125674600
 robbie.clark@gmail.com

BILL TO
BMI Group

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
10	02/15/2019	\$399,520.26	02/15/2019	Due on receipt	

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
02/15/2019	Expenses	Cultivation Tax	1	28,267.08	28,267.08
02/15/2019	Expenses	Contract Labor	1	259,637.80	259,637.80
02/15/2019	Expenses	Travel	1	517.14	517.14
02/15/2019	Expenses	Accommodation	1	2,989.44	2,989.44
02/15/2019	Expenses	Climate Control	1	190.63	190.63
02/15/2019	Expenses	Cuttings	1	294.61	294.61
02/15/2019	Expenses	Fertilizer	1	35,373.73	35,373.73
02/15/2019	Expenses	Growing Supplies	1	9,514.44	9,514.44
02/15/2019	Expenses	Lighting	1	134.53	134.53
02/15/2019	Expenses	Plants	1	29,050.00	29,050.00
02/15/2019	Expenses	Soil	1	100,196.76	100,196.76
02/15/2019	Expenses	Pest Control	1	2,582.76	2,582.76
02/15/2019	Expenses	Packaging	1	618.62	618.62
02/15/2019	Expenses	Processing	1	10.21	10.21
02/15/2019	Expenses	Trash	1	202.39	202.39
02/15/2019	Expenses	Equipment Rental	1	8,230.66	8,230.66
02/15/2019	Expenses	Lab Fees	1	7,030.00	7,030.00
02/15/2019	Expenses	Security	1	1,389.83	1,389.83
02/15/2019	Expenses	Track and Trace Equipment	1	3,930.23	3,930.23
02/15/2019	Expenses	Track and Trace Software Service	1	2,920.00	2,920.00
02/15/2019	Expenses	Misc Supply; Tools	1	5,024.21	5,024.21
02/15/2019	Expenses	Equipment Maintenance Repair	1	629.97	629.97
02/15/2019	Expenses	Staff Meals	1	342.35	342.35
02/15/2019	Expenses	Freight & delivery	1	6,096.09	6,096.09
02/15/2019	Expenses	Other Costs	1	330.55	330.55
02/15/2019	Expenses	Consulting	1	825.00	825.00

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
02/15/2019	Sales	Adjustment for Sales Collected	-1	106,808.77	-106,808.77

BALANCE DUE

\$399,520.26

Right Brothers Management, LLC

Invoice

5125674600

robbie.clark@gmail.com

BILL TO
BMI Group

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
11	02/15/2019	\$20,000.00	02/15/2019	Due on receipt	

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
02/15/2019	Expenses	Irrigation	1	8,369.53	8,369.53
02/15/2019	Expenses	Contract Labor	1	11,734.96	11,734.96
02/15/2019	Expenses	Infrastructure	1	9,516.33	9,516.33
02/15/2019	Expenses	Greenhouse Repairs	1	379.18	379.18

PAYMENT 10,000.00
BALANCE DUE **\$20,000.00**

Right Brothers Management, LLC

Invoice

5125674600

robbie.clark@gmail.com

BILL TO
BMI Group

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
12	02/15/2019	\$0.00	02/15/2019	Due on receipt	

DATE	ACTIVITY	DESCRIPTION	QTY	RATE	AMOUNT
02/15/2019	Expenses	Business Licenses; Fees; Taxes	1	750.00	750.00
02/15/2019	Expenses	Legal & Professional Fees	1	14,257.50	14,257.50
02/15/2019	Expenses	Accounting	1	809.97	809.97
02/15/2019	Expenses	Conferences; Seminars	1	206.99	206.99
02/15/2019	Expenses	Travel	1	1,049.77	1,049.77
02/15/2019	Expenses	Meals	1	63.00	63.00
02/15/2019	Expenses	Gas; Parking; Tolls ...	1	38.48	38.48
02/15/2019	Expenses	Transportation	1	46.73	46.73
02/15/2019	Expenses	Office Supplies	1	64.62	64.62
02/15/2019	Expenses	Dues; Subscriptions; Memberships	1	5.33	5.33
02/15/2019	Expenses	Shipping & Postage Expense	1	52.98	52.98
02/15/2019	Expenses	Bank Charges	1	115.00	115.00
02/15/2019	Expenses	Other Miscellaneous	1	6.45	6.45
02/15/2019	Expenses	Contract Labor: Geordie Schuurman	1	66,581.25	66,581.25
02/15/2019	Expenses	Contract Labor: Angus Schuurman	1	117,206.25	117,206.25
02/15/2019	Expenses	Adjustment for expenses adsorbed by Right Brothers Management LLC	-1	201,254.32	-201,254.32

BALANCE DUE

\$0.00