

1 Norman C. Keyt (4225)
2 Christopher M. Bistany (29623)
3 KEYTLaw, LLC
4 3001 E. Camelback Road, Suite 130
5 Phoenix, AZ 85016
6 Phone: 602.424.4158
7 nck@keytlaw.com
8 chris@keytlaw.com
9 Attorneys for Defendant

10 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**
11 **IN AND FOR THE COUNTY OF MARICOPA**

12 HOLISTIC PATIENT WELLNESS GROUP,
13 LLC, an Arizona Limited Liability Company,
14 Plaintiffs,

15 vs.

16 ZONED PROPERTIES, INC., a Nevada
17 Corporation; JAMES A. RAE FAMILY
18 TRUST; DUKE RODRIGUEZ, a single man;
19 MARC BRANNIGAN and JANE DOE
20 BRANNIGAN, husband and wife; THE CITY
21 OF TEMPE, an Arizona municipal corporation;
22 JOHN DOES and JANE DOES I-X; RED
23 LIMITED LIABILITY COMPANIES I-X;
24 BLACK CORPORATIONS I-X; and WHITE
25 PARTNERSHIPS I-X

26 Defendants.

Case No.:

27 **PLAINTIFF’S APPLICATION FOR**
28 **TEMPORARY RESTRAINING ORDER WITH**
NOTICE AND FOR ORDER TO SHOW
CAUSE WHY PRELIMINARY INJUNCTION
SHOULD BE ISSUED

(Assigned to)

29 Plaintiff, Holistic Health Patient Wellness Group, LLC (“HPWG”), by and through
30 undersigned counsel and pursuant to A.R.S. § 12-1801 and Ariz.R.Civ.P 65(d), hereby request
31 that this Court issue a preliminary injunction order against Zoned Properties, Inc. (“Zoned”),
32 Duke Rodriguez (“Rodriguez”) and Marc J. Brannigan (“Brannigan”) requiring them to cease
33 and desist all unlawful, illegal, and improper conduct, *pendent lite*. The exact scope and
34 language of the requested preliminary injunction is set forth herein.

35 This application is supported by the following Memorandum of Points and Authorities,
36 along with the Verified Complaint, all supporting documents and the testimony and evidence to
37 be presented at the various hearings that result from this request.
38

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. FACTUAL BACKGROUND**

3 On August 13, 2013, HPWG received a certificate indicating the State of Arizona's
4 approval of HPWG to operate a medical marijuana dispensary at 234 Chase Creek Road, Clifton,
5 Arizona 85533. (See Exhibit A) On September 19, 2013, HPWG received another certificate
6 indicating the State of Arizona's approval of HPWG to cultivate marijuana at 410 S. Madison
7 Drive, Suite 1, Tempe, AZ 85281. (See Exhibit B).

8 On August 24, 2012, Healing Healthcare 3, Inc. ("H3") entered into a standard
9 industrial/commercial lease with Maryland, LLC as trustee for the James A. Rae Family Trust.
10 The lease was for commercial space encompassing approximately 10,000 square feet of
11 office/warehouse space located at 410 South Madison Drive in Tempe, Arizona (hereinafter
12 "Tempe Lease"). The Tempe lease was executed on behalf of H3 by Rakesh Pahwa and Deepak
13 Narang in their capacity as directors. The purpose of the lease was to grow and cultivate legal
14 medical marijuana at real property located at 410 South Madison Drive ("Madison Property").

15 On February 19, 2014, H3, Maryland, LLC as trustee for the James A. Rae Family Trust
16 and HPWG executed an addendum to the Tempe Lease agreement, which allowed HPWG to
17 become a co-lessee of the Madison Property.

18 HPWG, pursuant to the authorization granted by the State of Arizona (See Exhibit B),
19 cultivated marijuana at the grow facility located at the Madison Property, and at all times
20 pertinent, complied with local and state regulations.

21 On March 7, 2012, Zoned purchased the Madison Property from Maryland, LLC as
22 trustee for the James A. Rae Family Trust. Zoned took title to the Madison Property from
23 Maryland, LLC as trustee for the James A. Rae Family Trust subject to the existing lease and
24 addendum entered into by Maryland, LLC as trustee for the James A. Rae Family Trust, H3 and
25 HPWG.

26 On March 12, 2014, Zoned Properties, Inc., through its attorney, notified HPWG and
27 Healing Healthcare 3, Inc. that they were in default of the lease for the premises at 410 South
28 Madison Drive and demanded they immediately turn over the premises. (See Exhibit C)

Rodriguez, Brannigan and Zoned Trespassed Onto the Property and Premises Located at
410 South Madison Drive in Tempe, Arizona.

1 The same day Zoned became the legal record owner of the Madison Property, (March 7,
2 2014) Rodriguez (in an unknown capacity) and Brannigan (upon information and belief in his
3 role as Chief Executive Officer of Zoned Properties, Inc.) arrived at the Madison Property and
4 summoned City of Tempe Police.

5 Upon information and belief, City of Tempe Police Officers Coopersmith (#17023) and
6 Mitchell (#11642) reported to the Madison Property in response to Rodriguez and Brannigan's
7 request. Shortly thereafter, Kathy Sanchez (in her capacity as a member/manager of HPWG) and
8 Rakesh Pahwa (in his capacity as director of Healing Healthcare 3, Inc.) also arrived at the
9 Madison Property in response to a phone call from a security guard charged with securing the
10 premises at the Madison Property. The security guard indicated that Rodriguez and Brannigan
11 were attempting to change out the locks and keys to the entry door of the physical building
12 located at the premises at the Madison Property. Kathy Sanchez advised the Tempe Police
13 Officers that H3 and HPWG were on the lease and acknowledged that Rodriguez and Brannigan
14 were owners of the building, but that they served no notice to come into the building. Despite
15 Kathy Sanchez's objections, Tempe police allowed the locksmith to change the locks, so that
16 everybody could have a key.

17 After City of Tempe Police vacated the Madison Property, Rodriguez and Brannigan
18 entered into the Madison Property with the objective of gaining control of the marijuana crop
19 growing within. Both acted on behalf of themselves and Zoned. This is an unlawful purpose.
20 Rodriguez and Brannigan are not dispensary agents licensed by the State of Arizona to work or
21 gain entry into a medical marijuana growing facility. Their entry into the growing area without
22 the permission of HPWG was a violation of A.R.S. § 36-2806 and A.A.C § R9-17-310.
23 Rodriguez and Brannigan's violation subjected HPWG to revocation of HPWG's registry
24 identification cards under A.R.S. § 36-2815.

25 Rodriguez, Brannigan and Zoned Dismantled and Disabled the Video Security System at
26 the Cultivation Facility Located at the Madison Property.

27 When Defendants Rodriguez and Brannigan entered the Madison Property on March 7,
28 2014, they (through their agents and designees) disabled the video security system owned by
29 Plaintiff. Defendants hacked the system and redirected the video feed to their own use. As a
30 licensed grower of medical marijuana, plaintiff is required by A.R.S. § 36-2806 and A.C.C § R9-
31 17-318.G, to provide constant video surveillance of the growing area. Defendants changed the

1 video feed without the permission of the plaintiff. Chase Hoy, acting as Rodriguez's agent, then
2 entered the building and disabled the camera system.

3 Defendants' actions constituted a severe and willful trespass to the property rights of
4 Plaintiff. Furthermore, Defendants' trespass caused Plaintiffs' cultivation facility to no longer
5 comply with Arizona law and regulations, putting Plaintiffs at risk of losing any and all
6 certificates they had previously obtained related to their dispensary and cultivation site.

7 It should be noted that all of the conduct mentioned above was in direct violation and
8 breach of the Tempe Lease, resulting in breach of contract on the part of Defendants.

9 **II. ARGUMENT**

10 Legal Standard

11 "A party seeking a preliminary injunction is obligated to establish four equitable criteria:

- 12 1. A strong likelihood that [the moving party] will succeed at trial on the merits;
- 13 2. The possibility of irreparable injury to [the moving party] not remediable by damages
if the requested relief is no granted;
- 14 3. A balance of hardships favors [the moving party]; and
- 15 4. Public Policy favors injunction."

16 *Shoen v. Shoen*, 167 Ariz. 58, 63, 804 P.2d 787, 792 (Ct. App. 1990). "The critical
17 element in this analysis is the relative hardship to the parties. To meet this burden, the moving
18 party may establish either 1) probable success on the merits and the possibility of irreparable
19 injury; or 2) the presence of serious questions and 'the balance of hardships tip sharply' in [the
20 moving party's] favor." *Id.* (citations omitted). As demonstrated below, HPWG can establish
21 each of the four equitable criteria required before injunctive relief may issue. *See Id.*

22 HPWG's Claims are Highly Likely to Succeed at Trial on the Merits.

23 As this Court will note from its review of the Verified Complaint, Zoned, Rodriguez and
24 Brannigan clearly trespassed onto the Madison Property and committed numerous violations of
25 law. Even though HPWG is confident that it will succeed on each and every one of its claims,
26 HPWG need only demonstrate that it is likely to succeed on one of its claims for relief against
27 Zoned, Rodriguez and Brannigan to satisfy the first criterion for injunctive relief. *See e.g.*
28 *Phoenix Orthopedic Surgeons, Ltd. V. Peairs*, 164 Ariz. 54, 58-59, 790 P.2d 752, 756-57 (Ct.
App. 1989) (disapproved of on other grounds) (court enjoined defendant on the probable success
of one claim by plaintiff eligible for injunctive relief): *see also Compass Bank v. Hartley*, 430
F.Supp.2d 973, 983 (D. Ariz. 2006) ("The Court need not address the validity of each and every

1 claim. Rather, for purposes of determining Plaintiffs' likelihood of success on the merits, it is
2 sufficient that the Court finds that Plaintiffs are likely to succeed" on one claim)

3 Even without engaging in discovery of any kind, it is blatant Zoned, Rodriguez and
4 Brannigan trespassed onto into the Madison Property, and proceeded to trespass further against
5 the video surveillance system monitoring the cultivation facility located at the Madison Property
6 resulting in breach of the Tempe Lease and any addendums that was assigned to Zoned upon
7 their purchase of the Madison Property. No permission or notice was provided to or by
8 Defendants for the unlawful entrance, and the use of City of Tempe Police compounds Zoned,
9 Rodriguez and Brannigan's liability as they induced another party to aid and abet in their tortious
10 and illegal conduct.

11 Zoned, Rodriguez and Brannigan Committed Multiple Tortious Acts of Trespass in
12 Direct Breach of the Lease Agreement.

13 There is no question that Zoned, Rodriguez and Brannigan entrance into the Madison
14 Property (without the permission of the leaseholders or the provision of legally sufficient notice
15 of entry) and the disabling, dismantling and destruction of the cultivation facilities video security
16 system are tortious acts of trespass. "A 'trespasser' is one who does an unlawful act or a lawful
17 act in an unlawful manner to the injury of the person or property of another." *MacNeil v.*
18 *Perkins*, 84 Ariz. 74, 82, 324 P.2d 211, 216 (1958). "A physical entry on the land is an essential
19 element of a trespass." *Brenteson Wholesale, Inc. v. Ariza. Pub. Serv. Co.*, 166 ARiz. 519, 523,
20 803 P.2d 930, 934 (App. Div. 1, 1990).

21 Zoned, Rodriguez and Brannigan were in blatant violation of Section 32 of the Lease, as
22 the Lease provides that the landlord may only enter without notice to the tenant in the case of an
23 emergency. There was no emergency. Therefore, Zoned, Rodriguez and Brannigan breached
24 the lease and trespassed onto the land of Plaintiffs. Accordingly, HPWG is entitled to a
25 temporary restraining order and a preliminary injunction that requires Zoned, Rodriguez and
26 Brannigan to refrain from entering or otherwise accessing the Madison Property, unless the
27 access is in accordance with the signed lease.

28 HPWG Will Be Irreparably Harmed If This Court Does Not Enjoin Zoned, Rodriguez
and Brannigan's From Entering the Madison Property in Violation of the Lease and the Arizona
Medical Marijuana Act.

HPWG has sustained and will continue to suffer irreparable harm due to Zoned,

1 Rodriguez and Brannigan’s unlawful actions. As explained above, HPWG has a valid leasehold
2 interest in the Madison Property to cultivate marijuana. Zoned, Rodriguez and Brannigan are
3 not allowed to enter the Madison Property, despite the fact they may have recently purchased the
4 Madison Property. Any unauthorized entrance by Zoned, Rodriguez and Brannigan is a
5 violation of A.R.S. § 36-2806 and A.A.C § R9-17-310.

6 Pursuant to A.R.S. § 36-2815, the State of Arizona’s approval of HPWG to operate a
7 medical marijuana dispensary at 234 Chase Creek Road, Clifton, Arizona 85533, could be
8 revoked due Defendants’ unauthorized and unaccompanied entrance into the Madison Property,
9 as their entrance is a violation of A.R.S. § 36-2806 and A.A.C § R9-17-310.

10 A.R.S. § 36-2815(D) states:

11 The department may revoke the registry identification card of any
12 cardholder who knowingly violates this chapter, and the cardholder
13 shall be subject to other penalties for the applicable offense.

14 As noted previously, HPWG received a certificate indicating the State of Arizona’s approval of
15 HPWG to operate a medical marijuana dispensary at 234 Chase Creek Road, Clifton, Arizona
16 85533 and on September 19, 2013, received another certificate indicating the State of Arizona’s
17 approval of HPWG to cultivate marijuana at 410 S. Madison Drive, Suite 1, Tempe, AZ 85281.
18 These certificates owned and maintained by HPWG are legitimate, valid and significant interest
19 in need of protection.

20 Arizona law is clear that “[o]nce a protectable interest is established, irreparable injury is
21 presumed to follow if the interest is not protected.” *Peairs*, 164 Ariz. At 59, 790 P.2d at 757.
22 Because Plaintiffs demonstrated they have protectable interests that are exposed to critical risk if
23 Zoned, Rodriguez and Brannigan are not enjoined, this Court may presume irreparable harm.
24 *See Id.* As such, HPWG urges this Court to issue a preliminary injunction prohibiting HPWG
25 from, among other things, further accessing or otherwise entering the Madison Property and
26 enjoin Zoned from initiating any eviction proceedings related to the Madison Property, which
27 Zoned alleges are a result of breaches of the Lease by Healing Healthcare 3, Inc. and HPWG.

28 The Balance of Hardships Heavily Favors HPWG.

Arizona law states that the “critical element in [an analysis of requested injunctive relief]
is the relative hardship to the parties. To meet this burden, the moving party may establish either
1) probable success on the merits and the possibility of irreparable injury; or 2) the presence of

1 serious questions and ‘the balance of hardships tip sharply’ in [its] favor.” *Shoen*, 167 Ariz. at
2 63, 804 P. 2d at 792. As demonstrated above HPWG is highly likely to succeed on the merits at
3 trial on several, if not all, of their claims, and will suffer irreparable harm, in the form of loss of
4 their approval to operate a medical marijuana dispensary and corresponding cultivation site if
5 Zoned, Rodriguez and Brannigan are allowed access to the Madison Property and enter the
6 facility in violation of numerous provisions of the Arizona Medical Marijuana Act. A loss of the
7 above-mentioned licenses could and would result in the loss of millions of dollars of future
8 revenue, and would also result in the nullity of any capital expenditures made by HPWG to
9 procure the dispensary and cultivation facility.

10 Even though Arizona case law does not require it in order to obtain relief, HPWG also
11 can establish that the “balance of hardships tips sharply” in its favor. See *Id.* The relief
12 requested herein is narrow (HPWG seeks a preliminary injunction prohibiting Zoned, Rodriguez
13 and Brannigan from among other things, entering or otherwise accessing the Madison Property
14 and tampering with security measures, in violation of Arizona Law, as well as, the Tempe Lease.
15 Zoned, Rodriguez and Brannigan cannot reasonable argue that it would be a hardship for them to
16 comply with an order requiring them to act in compliance with the Tempe Lease and Arizona
17 law.

18 On the other hand, if this Court does not issue a preliminary injunction, HPWG will
19 suffer immense hardship and could very well lose (due to revocation by the State of Arizona
20 through the Arizona Department of Health Services) its Certificate of Approval to operate a
21 medical marijuana dispensary and the Certificate of Approval to cultivate marijuana at an offsite
22 location.

23 Public Policy Favors This Court Enjoining Zoned, Rodriguez and Brannigan’s Improper
24 and Unlawful Conduct.

25 Arizona public policy favors the issuance of a preliminary injunction against Zoned,
26 Rodriguez and Brannigan. The public policy of this State is served when parties act according to
27 law and do not intrude onto the established, legitimate property rights of others. Here, and as
28 demonstrated above, Zoned, Rodriguez and Brannigan have trespassed in multiple tortious forms
and breached valid and enforceable contracts in an attempt to gain control over a crop of
medicinal marijuana they are not entitled to. Their efforts have put HPWG at extreme risk of the
loss of their limited and valuable licenses to operate in the Arizona Medical Marijuana industry.

1 Behavior like Zoned, Rodriguez and Brannigan, if allowed to continue, would encourage similar
2 illegal, fraudulent, and improper trespasses and breaches like those which Zoned, Rodriguez and
3 Brannigan have already committed and will continue to commit if allowed in the future. Public
4 Policy therefore requires that Zoned, Rodriguez and Brannigan be enjoined from acting in a
5 manner that is improper and illegal and puts the legitimate business and other proprietary interest
6 of others at risk

7 Finally, in, light of the clear and convincing evidence substantiating Zoned, Rodriguez
8 and Brannigan's egregious misconduct that jeopardized the existence of HPWG licenses required
9 to operate a medical marijuana dispensary and cultivation site, this Court should set no bond or a
10 modest cost of defense bond in order to issue a preliminary injunction.

11 **III. CONCLUSION**

12 Having established each and every element required by law for a preliminary
13 injunction, Plaintiff respectfully requests that this Court issue a preliminary injunction requiring
14 the following:

15 A. Enter judgment for HPWG and against Zoned, Rodriguez and Brannigan for
16 compensatory damages in an amount to be proven at trial;

17 B. Award HPWG punitive damages as a result of Zoned, Rodriguez and Brannigan's
18 illegal, fraudulent and improper conduct in an amount sufficient to punish Zoned, Rodriguez and
19 Brannigan and to deter others from engaging in such conduct in the future;

20 C. Enter temporary, preliminary, and permanent injunctive relief as follows:

- 21 i. Order Zoned, Rodriguez and Brannigan (or their agents and designees)
22 to refrain from entering or otherwise accessing the cultivation facility
23 within the Madison Property in any way.
- 24 ii. Order Zoned, Rodriguez and Brannigan to provide a detailed
25 accounting of the steps and procedures they, or their agents and
26 designees took to disable the video security system located at the
27 cultivation site at the Madison Property.
- 28 iii. Order Zoned, Rodriguez and Brannigan to abide by all terms of the
Tempe Lease, including Section 32 of the Tempe Lease.

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EXHIBIT A

**Arizona
Department of
Health Services**

**Holistic Patient Wellness Group
234 Chase Creek Road, Clifton, Arizona 85533**

APPROVAL TO OPERATE

THIS CERTIFICATE IS NOT TRANSFERABLE

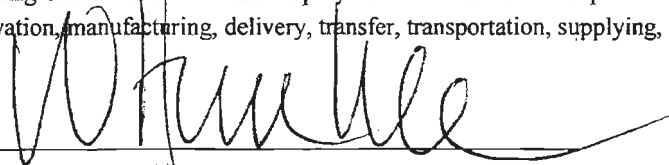
Registration Certificate Identification Number: 00000019DCGM00234427

Issue Date: August 13, 2013

Expiration Date: August 7, 2014

**This dispensary has been approved to cultivate medical marijuana at an offsite location in Arizona
(see copy of cultivation site's Approval to Operate on file).**

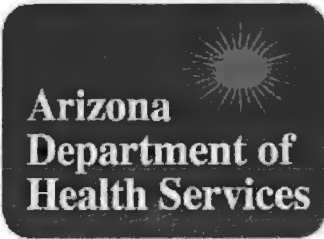
A Certificate for Approval to Operate a dispensary and, if applicable, a dispensary's cultivation site, issued by the Arizona Department of Health Services pursuant to A.R.S. Title 36, Chapter 28.1 and A.C.C. Title 9, Chapter 17 does not protect the holder from legal action by local, city, state, or federal authorities, including possible criminal prosecution for violations of federal law for the sale, manufacture, distribution, use, dispensing, possession, etc. of marijuana. The acquisition, possession, cultivation, manufacturing, delivery, transfer, transportation, supplying, selling, distributing, or dispensing medical marijuana under state law is lawful only if done in strict compliance with the requirements of the State Medical Marijuana Act ("Act"), A.R.S Title 36, Chapter 28.1 and A.A.C. Title 9, Chapter 17. Any failure to comply with the Act may result in revocation of the Registration Certificate issued by the Arizona Department of Health Services, and possible arrest, prosecution, imprisonment, and fines for violation of state drug laws. The State of Arizona, including but not limited to the employees of the Arizona Department of Health Services, is not facilitating or participating in any way with my acquisition, possession, cultivation, manufacturing, delivery, transfer, transportation, supplying, selling, distributing, or dispensing medical marijuana.



Will Humble, Director

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EXHIBIT B



Cultivation Site

Holistic Patient Wellness Group

410 S Madison Drive, Suite 1, Tempe, Arizona 85281

APPROVAL TO OPERATE

THIS CERTIFICATE IS NOT TRANSFERABLE

Registration Certificate Identification Number: 00000019DCGM00234427

Issue Date: September 19, 2013

Expiration Date: August 7, 2014

This cultivation site has been approved to cultivate medical marijuana at this location for the above named dispensary located at 234 Chase Creek Road, Clifton, Arizona 85533.

A Certificate for Approval to Operate a dispensary and, if applicable, a dispensary's cultivation site, issued by the Arizona Department of Health Services pursuant to A.R.S. Title 36, Chapter 28.1 and A.C.C. Title 9, Chapter 17 does not protect the holder from legal action by local, city, state, or federal authorities, including possible criminal prosecution for violations of federal law for the sale, manufacture, distribution, use, dispensing, possession, etc. of marijuana. The acquisition, possession, cultivation, manufacturing, delivery, transfer, transportation, supplying, selling, distributing, or dispensing medical marijuana under state law is lawful only if done in strict compliance with the requirements of the State Medical Marijuana Act ("Act"), A.R.S Title 36, Chapter 28.1 and A.A.C. Title 9, Chapter 17. Any failure to comply with the Act may result in revocation of the Registration Certificate issued by the Arizona Department of Health Services, and possible arrest, prosecution, imprisonment, and fines for violation of state drug laws. The State of Arizona, including but not limited to the employees of the Arizona Department of Health Services, is not facilitating or participating in any way with my acquisition, possession, cultivation, manufacturing, delivery, transfer, transportation, supplying, selling, distributing, or dispensing medical marijuana.

A handwritten signature in black ink, appearing to read "Will Humble", written over a horizontal line.

Will Humble, Director

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EXHIBIT C

Paul E. Steen
psteen@rrulaw.com
Direct Phone: 602.707.1382
Direct Fax: 602.385.6717

3200 North Central Avenue, Suite 1600
Phoenix, Arizona 85012-2424
PHONE 602.280.1000 FAX 602.265.1495

March 12, 2014

Healing Healthcare 3, Inc.
Attention: Rakesh Pahwa
410 S. Madison Dr., Suite 1
Tempe, AZ 85281

Holistic Patient Wellness Group, LLC
Attention: Kathy Sanchez
c/o Why Hire a Lawyer
3415 South McClintock, # 112
Tempe, AZ 85282

RE: Default Notice – 410 S. Madison Dr., Suite 1, Tempe, AZ, 85281

Dear Mr. Pahwa and Ms. Sanchez:

Please be advised that this law firm represents Zoned Properties, Inc. (“Zoned”).

We understand that Healing Healthcare 3, Inc. entered into an Air Commercial Real Estate Association Standard Industrial/Commercial Multi-Tenant Lease – Gross (“lease”) dated August 24, 2012, with Maryland, LLC, as trustee for the James A. Rae Family Trust for the referenced premises. A copy of the lease is attached hereto.

We further understand that Healing Healthcare 3, Inc.’s “agreed use” was a “medical marijuana cultivation facility in accordance with all City of Tempe and State of Arizona laws and regulations.”¹

¹ Marijuana is a Schedule I controlled substance under the Controlled Substances Act (“CSA”) and, therefore, the cultivation facility is operating in violation of federal law, and persons and entities who operate or facilitate the operation of such cultivation facilities are subject to criminal prosecution and civil enforcement actions. Additionally, property involved in such operations, including real property, is subject to seizure by and forfeiture to the United States. These penalties and remedies apply regardless of the purported purpose of the cultivation facility or the uses for which marijuana is purportedly grown for. Specifically, Title 21, United States Code, Section 856(a) provides:

It shall be unlawful to knowingly and intentionally rent, lease, or make available for use, with or without compensation, (a) building, room, or enclosure for the purpose of unlawfully manufacturing, storing, distributing, or using a controlled substance.

Section 881(a)(7) of Title 21 provides:

Section 13 of the lease in part provides:

13.1 Default; Breach. A “Default” is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A “Breach is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period.

* * *

(c) The failure of Lessee to allow Lessor and/or its agents access to the premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

Further, R-17-318 in part provides as follows:

G. To prevent unauthorized access to medical marijuana at the dispensary and, if applicable, the dispensary’s cultivation site, the dispensary shall have the following:

- a. **Devices or a series of devices to detect unauthorized intrusion, which may include a signal system interconnected with a radio frequency method, such as cellular, private radio signals, or other mechanical or electronic device,**
- b. **Exterior lighting to facilitate surveillance;**
- c. **Electronic monitoring including:**
 - i. **At least one 19-inch or greater call-up monitor,**
 - ii. **A video printer capable of immediately producing a**

The following shall be subject to forfeiture to the United States and no property right shall exist in them: All real property, including any right, title, and interest (including leasehold interest) in the Whole of any lot or tract of land which is used in any manner or part, to commit, or to facilitate the commission of, a violation of this sub-chapter.

Furthermore, the Department of Justice (“DOJ”) indicated Congress determined that marijuana is a dangerous drug and the illegal distribution and sale of marijuana is a serious crime that provides a significant source of revenue to **large-scale criminal enterprises, gangs, and cartels**. The DOJ has also indicated that it is committed to enforcement of the CSA consistent with those determinations. In a memorandum for all United State Attorneys, Deputy Attorney General James M. Cole outlined eight enforcement priorities, which included, in part:

- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Prevention state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity.

- clear still photo from any video camera image,
- iii. Video cameras:
- (1) Providing coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building, capable of identifying any activity occurring in or adjacent to the building; and
- (2) Having a recording resolution of at least 704 x 480 or the equivalent;
- iv. A video camera at each point of sale location allowing for the identification of any qualifying patient or designated caregiver purchasing medical marijuana,
- v. A video camera in each grow room capable of identifying any activity occurring with the grow room in low light conditions,
- vi. Storage of video recordings from the video cameras for at least 30 calendar days,
- vii. A failure notification system that provides an audible and Visual notification of any failure in the electronic monitoring system, and
- viii. Sufficient battery backup for video cameras and recording equipment to support at least five minutes of recording in the event of a power outage; and
- d. Panic buttons in the interior of each building.

Zoned is aware of events occurring at or relating to the premises in derivation of the lease:²


- Failure to remove mechanics lien, recorded at Item No. 200140099844 in the records of Maricopa County Recorder.
- Cultivation of marijuana without a license;
- Disconnection of the 24/7 camera monitoring security system;
- Removal and/or diversion of marijuana from the locked safe;
- Employment of individuals without proper dispensary agent registration cards;
- An arrest on the evening of March 7, 2014;
- Execution of a guaranty with Thomas S. Waldron, Sr., a convicted felon and judgment debtor for \$57,138,466.25;
- Allegations of the presence of cocaine on Friday March 7, 2014.

² Certain events conflict with DOJ guidelines and will increase the likelihood of criminal prosecution and federal forfeiture under Title 21, United States Code, Section 881(a)(7) and Section 856(a) respectively because of the violations of both state *and* federal law. Zoned believes these events are not subject to remedy by Healing Healthcare 3, Inc. By allowing a guaranty on the lease by a convicted felon with an outstanding judgment against him from the United States government coupled with the allegation that another controlled substance, cocaine, being present on the property, the risk of prosecution is substantial.

Healing Healthcare 3, Inc.
March 12, 2014
Page 4

For the foregoing reasons, this letter is default notice pursuant to Section 13 of the lease warranting immediate turnover of the premises.

Very truly yours,


Paul E. Steen
For the firm

PES/mlg

cc: Chad Hester, Via Email and First-Class Mail