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December 2, 2020

VIA ELECTRONIC MAIL ONLY-cameron.kalunian@lewisbrisbois.com

Cameron M. Kalunian, Esq.
Lewis Brisbois Bisgaard & Smith, LLP
633 West 5th Street, Suite 4000
Los Angeles, CA 90071

Re: **PRIVILEGED SETTLEMENT NEGOTIATIONS**
JCJ Corporation v. City of Compton
LASC Case: BC670866

Dear Mr. Kalunian:

Under the contractual terms of my firm's fee arrangement with the plaintiffs in this case, as we get closer to trial my firm's attorney's fee increase. Thus, it is my practice to extend a settlement offer before this increase occurs.

Therefore, on behalf of my clients, JCJ Corporation ("JCJ"), Michael Fletcher and Zach Miller I hereby extend two settlement offers, Settlement Offer A and Settlement Offer B. With respect to both, the monetary cost of settlement increases by \$1,500,000 every seven days from the date of this correspondence.

Compton's Decision to Conduct No Discovery

As an initial matter, assumedly Compton had a strategic reason for conducting no discovery on behalf of itself or on behalf of Victor Orozco who is sued as an officer of Compton and individually.

The consequence of that reasoning is defendants cannot understand the precarious position Compton and Victor Orozco find themselves based upon the expert testimony JCJ's experts will provide at trial.

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To illustrate this precariousness plaintiffs have authorized me to disclose two areas our experts will provide trial testimony: 1) Compton's violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO") and 2) JCJ's pre-trial compensatory damages.

A portion of the evidentiary basis upon which our experts opinions are based is 1) Victor Orozco's promotion and retention as Compton's "interim" Chief Building Official ("CBO") and Compton's "interim" Director of Licensing ("DOL"), 2) Jose Paz's admissions in open court concerning the inspection warrant Compton used on June 5, 2017 and 3) Compton's previous CBO and DOL David Dent's determination JCJ was entitled to operate "Compton's only legal marijuana business."

Compton's RICO Violations: Victor Orozco's Promotion

The record in this matter establishes that on or about May 10, 2017 Compton promoted defendant Victor Orozco to the "interim" positions of CBO and DOL. Mr. Orozco's "interim" promotion replaced Compton's prior CBO and DOL, David Dent.

One of Orozco's first acts as "interim" CBO and DOL was to attempt to gain access into JCJ's storefront under the false pretense 1) he had "a court order," 2) JCJ's license had been "cancelled" and 3) JCJ's license had been "revoked."

Acting in his capacity as "interim" CBO and DOL Orozco next "condemned" JCJ's storefront under the false pretense JCJ did not have a certificate of occupancy.

Thereafter plaintiff Michael Fletcher and Zach Miller met with the FBI concerning the Michael Kimber bribery/extortion criminal proceeding. During this meeting, the FBI opined that Orozco and Compton City Attorney Craig Cornwell were part of "an ongoing criminal enterprise."

Following this meeting with the FBI, while again acting in his capacity as "interim" CBO and DOL, Orozco testified that in the prior year Compton raided approximately 100 marijuana businesses without ever 1) obtaining a search warrant or 2) providing inventories of seized marijuana and cash.

The continuity of this apparent ongoing criminal enterprise is reflected in Orozco's continued employment as Compton's "interim" CBO and DOL in direct violation of Compton's own policies and procedures. These policies and procedures mandate that in

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"all cases, the City Manager must ensure that the appointee meets the minimum qualifications for the position."

The minimum qualification for the positions of CBO and DOL require the applicant to possess a four-year college degree, preferably in engineering or a related field. Victor Orozco does not possess a four-year college degree.

These policies and procedures also expressly limit an interim appointment to no more than 90 days in a calendar year:

"[T]he City Manager may employ such persons as may be needed for the duration of such emergency, **but in no case to exceed 90 days in a calendar year.**"

As Compton's website confirms, despite Orozco having no college degree Orozco remains Compton's "interim" CBO some forty-three (43) months after his highly irregular appointment.

This continuing 43 month "interim" promotion of a party who does not have a college degree appears to have come with an annual raise of \$80,000.00, increased vacation, retirement, and other fringe benefits.

Thus, conservatively, Compton continues to pay and has paid Victor Orozco more than \$400,000.00 to fill a position he, as a matter of law, is unqualified to hold and legally prohibited from holding. And yet, for some reason, he continues to hold.

Based on the above, our expert will opine that he agrees with the FBI's opinion that Compton is operating an ongoing criminal enterprise involving Victor Orozco and the Compton City inspectors "who show up in the vans and take marijuana and cash without a search warrant."

Compton's RICO Violations: Jose Paz's Admission Compton's Use of The Fraudulent IW Can Be Characterized as Related to A Bribery Ring That Was Operating At Compton City Hall

Our expert will also opine that Compton's then City Attorney Craig Cornwell, who is now Compton's City Manager, had actual knowledge of the Compton City inspectors "who show up in the vans and take the marijuana and cash without search warrants" from marijuana businesses located in Compton.

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He will also opine that despite knowing about the Compton City inspectors, Cornwell did nothing to stop these warrantless searches and seizures.

However, it is the fact that Mr. Cornwell is the person who served an apparent fraudulently obtained Inspection Warrant ("IW") on Zach Miller that allowed Compton's city inspectors to seize more than \$100,000.00 in medicinal cannabis products and cash from JCJ that is most indicative of an ongoing criminal enterprise.

Mr. Cornwell's use of the fraudulently obtained IW establishes that Compton's current City Manager utilized a similar modus operandi as the Compton City inspectors who "show up in the vans and take the marijuana and cash without search warrants." By virtue of utilizing an IW that, on its face is unconstitutional, Cornwell engaged in ostensibly the same type of warrantless search and seizure of JCJ's business as utilized by Compton's city inspectors.

The fraudulent nature of the IW was confirmed by Compton Assistant City Attorney Jose Paz on January 16, 2019 when Paz admitted Compton's inability to produce a "conformed copy" of the IW "lends itself" to the "characterization" that Compton's use of the IW was connected to a bribery ring that operated out of Compton City Hall:

"And it's my understanding that this individual, I think his name was Michael Kimbrew, was prosecuted by the United States attorney for taking bribes in connection with trying to facilitate opening marijuana dispensaries in the city. So, I maintain that this document has nothing to do with that, but the fact that it is not conformed creates a problem for me, because it certainly lends itself to that characterization."

(January 16, 2019 Trans., pg. 10:12-20).

Mr. Paz's on the record admission "lends itself" to the "characterization" that Craig Cornwell's use of the IW was connected to the Michael Kimbrew bribery ring that operated out of Compton City Hall.

Jose Paz's admission also "lends itself" to the "characterization" that Craig Cornwell's use of the IW, in the capacity as Compton's City Attorney, is the titular head of the ongoing criminal enterprise involving the Compton City inspectors.

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As such, our expert agrees with the FBI's opinion that Compton is operating an ongoing criminal enterprise that is overseen by Craig Cornwell that involves the City inspectors "who show up in the vans and take marijuana and cash without a search warrant."

One additional point. In one of David Dent's last communications to my clients, Mr. Dent stated, "I'm not getting indicted for these people."

**David Dent's Determination JCJ Was Entitled
to Operate Compton's "Only Legal Marijuana Business."**

Like David Dent's last communication with my clients, one of David Dent's first conversations with my clients also involved Mr. Dent's knowledge of indictable conduct.

This indictable conduct existed amongst and between certain Compton employees and those Compton City inspectors "who show up in the vans and take marijuana and cash without a search warrant."

The reason David Dent exposed the Compton employees "who show up in the vans and take marijuana and cash without a search warrant" was in response to JCJ's January 7, 2017 email notifying Compton and David Dent that JCJ was going to the FBI to blow the whistle on an ongoing extortion ring operating out of Compton City Hall:

"Mr. Dent, in response to your inspectors showing up at our store and threatening our employees on January 3, January 4 and January 5, be advised that **our attorney will on Monday provide evidence to the FBI Public Corruption Unit detailing your and the City of Compton's attempt to extort our company and our employees and evidence that your inspectors have engaged in not only extortion but also theft wherein your office and inspectors have seized money and marijuana which we have documented for the FBI.**"

It is uncontroverted that in response to the January 7, 2017 email, on January 8, 2017 David Dent appeared, unannounced, at JCJ's storefront and notified Zach Miller and Michael Fletcher he could 1) stop the Compton City inspectors who "show up in the vans and take the marijuana and cash without search warrants" and 2) disclose the steps necessary to bring JCJ into "complete compliance" with JCJ's business license application thereby rendering JCJ as "Compton's only legal marijuana business."

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It is uncontroverted David Dent asked Michael Fletcher to meet Dent at Compton City Hall where Mr. Dent would disclose the steps necessary to bring JCJ into complete compliance with its business license application.

The meeting at Compton City Hall began with Mr. Dent conceding JCJ had disclosed it was operating as a medical marijuana collective in JCJ's business license application. David Dent then stated, "Compton would stand by the issuance of the business license allowing JCJ to operate a medical marijuana collective."

David Dent then advised that JCJ was not in compliance with its business license application. According to Compton's CBO, a retaining wall JCJ constructed AFTER Compton issued JCJ's business license was not depicted in the required architectural drawings JCJ submitted as a part of its business license application, thus JCJ was not in compliance with its license application.

David Dent instructed that once JCJ lowered the retaining wall to a height of 5'5" or lower, the wall would not have to be depicted in JCJ's architectural drawings that were submitted as a part of JCJ business license application. Thus, according to David Dent, once the wall was lowered JCJ would be in compliance with JCJ's business license application and would be "Compton's only legal marijuana business."

Dent then explained that once the wall was lowered, he could stop the inspectors who "show up in the vans and take the marijuana and cash without search warrants" because 1) JCJ disclosed that it was operating as medical marijuana collective and 2) JCJ was now in compliance with its license application.

David Dent then warned the inspectors would go to the Compton City Council to complain they were not allowed to conduct an "inspection" of JCJ's storefront.

Dent then explained that he would be able to appease the City Council by explaining JCJ agreed to 1) change its signage from Compton Chronic to "Compton Clothing," 2) change JCJ's internet advertising from Compton Chronic to "CC" and 3) stop advertising our store as Compton's "only legal marijuana business."

On January 9, 2017 Michael Fletcher sent to David Dent a confirmatory email notifying Compton that plaintiffs had begun performance of the steps necessary to bring JCJ "into compliance" with JCJ's license application:

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"Hey David, **thanks for explaining to me yesterday the steps that are necessary to bring us into compliance.** The sign on Long Beach Blvd. is supposed to come down this afternoon, if the guy can get there. If not he said it will be removed by 6: a.m. on Tuesday. We are replacing the sign with one that says Compton Clothing. **The general contractor is going to get with me today as to when he can take the interior wall down to 5'5" but he thinks he should be able to start this week.** We switched the name on Weedmaps to CC last night and I have instructed our staff to no longer promote the store as the only legal collective. Finally, we are dedicating shelving that would be along Long Beach Blvd. with our clothing line. I will let you know when these all are completed."

David Dent's response stated:

"Thank you so much. These are the emails I like to see.

David Dent CBO."

Thereafter, on January 17, 2017 Michael Fletcher informed David Dent JCJ had completed the corrections Dent advised would allow JCJ to operate Compton's only legal marijuana business:

"David, we have now completed the 3 requested corrections you explained were necessary to bring us into compliance under our business license application. 1. We have changed the name on our Weedmaps ad from Compton Chronic to CC, 2) we have lowered the dividing wall inside our store to a height that is less than 5'5" and 3) we have changed both signs, the one located on Long Beach Blvd. and the one in front of the store, at considerable cost from Compton Chronic to Compton Clothing."

Under California law, a "promise which the promisor should reasonably expect to induce action or forbearance of a definite and substantial character on the part of the promisee and which does induce such action or forbearance is binding if injustice can be avoided only by enforcement of the promise." (Drennan v. Star Paving Co. (1958) 51 Cal.2d 409, 333 P.2d 757, quoting section 90 of the Restatement of Contracts).

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There are multiple additional email and text messages from and to David Dent that confirm Compton's CBO David Dent determined that JCJ was legally entitled to operate "Compton's only legal marijuana business."

Importantly, Compton's current "interim" CBO and DOL, Victor Orozco, testified under oath Compton's then CBO and DOL, David Dent had the legal authority to conclude JCJ was "properly licensed" and had the legal authority to conclude JCJ was authorized to operate "Compton's only legal marijuana business."

**JCJ's Damage Experts Will Opine JCJ Has
Suffered \$100,000,000 In Pre-Trial Compensatory Damages Alone**

Plaintiffs have retained two experts who will opine as to JCJ's damages. One expert is an investment banker and an equity participant in the cannabis industry who specializes in acquiring and developing commercial cannabis assets. His cannabis clients include California industry participants within Los Angeles County, Mendocino County, Humboldt County and Riverside County.

His trial testimony will be that Compton's refusal to allow JCJ to operate under the business license David Dent concluded authorized JCJ to legally operate as "Compton's only legal marijuana business" caused JCJ to incur significant losses.

Our expert's testimony will be JCJ would have reasonably generated, at minimum, monthly gross revenue from cultivation, manufacturing, and retail in the amount of \$2,500,000 for each of the forty-four (44) months from July 1, 2017 through March 1, 2021. Thus, JCJ suffered compensatory damages in the amount \$100,000,000.

Both of our damage experts will also provide expert testimony as to JCJ's future compensatory damages.

Given defendant Victor Orozco's deposition testimony wherein Orozco admits he condemned JCJ's storefront without affording my clients "notice and hearing" and the videotape excerpts from June 5, 2017, wherein L.A. County Sheriff deputies state the building was "condemned" based on orders from "the City," Compton's damages exposure is immense and likely.

Punitive Damages Against Victor Orozco

The greater damages threat to Compton are plaintiffs' multiple claims against Victor Orozco, who is sued as an officer of Compton but who is also sued individually.

The individual claims against Orozco include punitive damages which Compton must indemnify Orozco against because of Compton's rejection of my clients' previous offer to resolve their claims against Orozco for \$100,000.00.

Settlement Offer

Settlement Offer A is extended based upon my clients' preference this matter be settled by Compton allowing my clients to operate under the business license David Dent determined authorized JCJ to legally operate as "Compton's only legal marijuana business."

Therefore, my clients offer to resolve all claims against defendants in exchange for my clients being allowed to operate under the business license David Dent determined authorized JCJ to legally operate as "Compton's only legal marijuana business."

Settlement Offer B. In the event Compton does not choose to allow my clients to operate under the business license Compton issued to JCJ, my clients offer to resolve all claims against defendants in exchange for payment to my clients of their pre-trial compensatory damages of \$100 million.

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As stated above, with respect to both, the monetary cost of settlement increases by \$1,500,000 every seven days from the date of this correspondence.

Very truly yours,


Charles D. Cummings
SULLIVAN, WORKMAN & DEE, LLP

CDC/LL