

Exhibit No. 3
Proposed Operations and
Management Plan and House Rules

OCEAN RECOVERY NEWPORT BEACH, CA

FACILITY OPERATIONS AND MANAGEMENT PLAN

Note: In addition to the below, Ocean Recovery will comply with the terms and obligations of Ocean Recovery's ADP Licenses (License Nos _____, _____, and _____).

1 – Bed Caps

All occupancies at the Properties shall comply with the following:

- At 1601 West Balboa – 14 beds (including up to two house managers), women only.
- At 1115 West Balboa – 18 beds (including up to two house managers), men only.
- At 1217 West Bay – 6 beds (including up to one house manager), women only.

2 – Quiet Hours

Each facility manager shall enforce 9:00 p.m. to 8:00 a.m. Quiet Hours for each of the Properties. During these periods, no noise (including music, TVs, voices) shall be audible from beyond each Property's property line except during emergencies.

3 – Assembly Uses

Assembly uses (meetings, group counseling sessions, more) involving persons who do not reside at the Facility where the meeting is taking place are prohibited, except that house staff and family members of persons residing at the Facility may meet with residents provided such meetings preserve the quiet of the neighborhood.

4 – Client and Staff Transportation, Garages

Ocean Recovery's clients shall not have personal vehicles during their stay at the Properties. Garages shall be cleared and available for staff vehicle parking. Staff shall park in the garage whenever possible. Staff shall familiarize clients with local OCTA bus stops and routes, keeping a current route map and schedule in the facility at all times.

5 – Security & Safety

The entrances and exits of each facility shall be secured and monitored. Fire exits shall be marked in accordance with the California Building Code. Smoke detectors and fire extinguishers shall be kept in operable condition. Exitways shall be kept clear at all times.

6 – Clients Referred by Governmental Agencies

Ocean Recovery shall not provide any services to any client or house any client who has been referred or caused to be referred to Ocean Recovery's facility by any governmental agency, including, but not limited to, probationers or parolees, due to the limitations that California Building Code §509.9 places on Group I and R occupancies.

7 – Trash

Ocean Recovery shall abide by the City's regulations regarding trash disposal, including providing the proper amount of cans for the Property's use (so that cans do not overflow), placing the cans out no

earlier than 7:00 p.m. the evening prior to collection, and placing the cans back in the side yard (or other contained area) no later than 6:00 p.m. the day of collection.

8 – Recovery Program and Industry Practices

Ocean Recovery shall preserve and maintain its present (May 2009) recovery model, which provides State-licensed non-medical residential treatment for persons in recovery from alcohol and/or drug addiction. Ocean Recovery shall not operate its Facilities in a manner not compliant with its state license.

Ocean Recovery will use its industry's best practices to ensure that Ocean Recovery's clients or stay in recovery (including House Rules prohibiting the use of alcohol or drugs, the possession against items containing alcohol or drugs; providing for scheduled testing, random testing, counseling, etc.).

Ocean Recovery will ensure that any client or resident removed from the Ocean Recovery program has the resources necessary to return home. Ocean Recovery is responsible for its clients' or residents' arrival back at their home city or state.

9 – House Staffing

Ocean Recovery shall staff each Property with at least one qualified on-site manager, who shall be a certified addiction specialist and who shall be present at all times unless an emergency draws them elsewhere.

10 – Nuisances

Ocean Recovery's Properties shall not be unsafe, unsightly or poorly maintained. If Ocean Recovery receives a nuisance violation from the City, Ocean Recovery shall correct the violation within (7) seven days or contact the City directly to negotiate a mutually-agreeable timeline.

11 – Client or Staff Behavior

Ocean Recovery shall not tolerate lewd behavior or lewd speech at the Properties, nor shall Ocean Recovery tolerate profanity spoken or yelled by staff or clients at a level heard by neighboring residents. Ocean Recovery shall enforce house rules against lewd speech, lewd behavior, or profanity.

12 – California Building Code (CBC)

Each of the Properties is a Residential Group R-4 Occupancy Classification within the California Building Code. R-4 occupancies include buildings arranged for occupancy as residential care/assisted living facilities including more than six ambulatory clients, excluding staff, and include alcoholism or drug abuse recovery or treatment facilities.

Ocean Recovery agrees to work with the City's Fire Marshal to improve the fire safety of the Properties, if necessary and in a reasonable and cost-effective manner.

13 – Smoking & Cigarette Litter

Per NBMC Section 20.91A.050(A), no clients, guests, or any other users of the Properties may smoke in an area from which the secondhand smoke may be detected on any parcel other than the parcel upon which each Property is located. Ocean Recovery will use an enclosed area with an air filter to minimize or eliminate second hand smoke on its Property.

Ocean Recovery will enforce house rules against litter, including prohibiting allow clients, staff, or residents from littering cigarette butts on the ground, sidewalk, gutter or street.

14 – Deliveries

Business and food or supply deliveries shall only be made during normal business hours, which are between 8:00 a.m. and 5:00 p.m. on weekdays.

15 – Contact Information

Ocean Recovery will provide its neighbors and the City with the contact name, phone number, and e-mail address of the on-site manager or a higher level position to assist residents and the City with problems or concerns arising from the Properties. E-Mails or messages left with Ocean Recovery's contact name shall be returned in a prompt manner.

16 – House Rules

Ocean Recovery shall post and enforce the House Rules as shown in Exhibit A to this Operations and Management Plan.

Exhibit A

OCEAN RECOVERY HOUSE RULES

NOTE: IT IS IMPERATIVE THAT ALL CLIENTS UNDERSTAND AND ABIDE BY THESE RULES. VIOLATION OF ANY OF THESE RULES SHALL SUBJECT THE CLIENT TO REMOVAL FROM THE PROGRAM.

Clients are not allowed to use drugs or alcohol here or during their stay. Clients may not possess items containing alcohol or drugs.

Clients are reminded that this facility is in a residential neighborhood with families including children in close proximity. Clients are to respect the quality of life and neighborhood character of the community and treat all neighbors with respect.

Profanity and lewd speech is strictly prohibited. Profanity spoken or yelled at a level heard by neighboring residents will not be tolerated. Violation of this rule shall subject the client to dismissal from the program.

Loud music is prohibited. Stereos can only be played at a reasonable level so as not to disturb roommates or neighbors. After 9:00 p.m. headphones must be used. TV's will be turned off between the hours of 8:00 a.m. and 5:00 p.m.

No personal TV's or radios are allowed without permission of the house manager.

Curfew hours are 10:00 p.m. Sunday through Thursday, and 11:00 p.m. Friday and Saturday. Special arrangements can be made with the house manager in advance for special circumstances.

Lights out at 11:00 p.m. Sunday through Thursday and midnight Friday and Saturday.

Quiet time (meaning that televisions, music, and talking cannot be heard off the facility) is observed from 9:00 p.m. to 8:00 a.m. daily.

Loitering in alleyways and gathering outside the facility in a manner disruptive to our neighbors is strictly prohibited.

Clients should refrain from engaging neighboring residents in conversation unless the conversation is initiated by the neighboring resident.

Clients should refrain from all times from any verbal altercations with neighboring residents.

Musical instruments are not allowed on the premises unless special arrangements are made with, and approved by, the House Manager. Drums are not allowed on the premises. In no event shall musical instruments be played after 9:00 p.m.

No smoking on the sidewalks, streets or alleys surrounding Ocean Recovery. Smoking is only permitted inside an enclosed area in the back of the facility, with an air filter.

Clients recognize that cigarette butts are unsightly litter and will be disposed of properly. In no circumstances will clients leave cigarette butts on the ground, floor, deck, sidewalk, gutter, or street.

Clients recognize and respect the City's prohibition against smoking on beaches, the ocean front walk and other public places.

Friends may only visit the house with the permission of the house manager. Visitors are confined to the designated visiting area and are not permitted in the apartments. No visitors after 9:00 p.m. All visitors must check in with and be approved by the manager.

No overnight visitors. Visitors are not allowed to participate in recreations or workshops that are held during visiting hours. Visiting must not conflict with scheduled group times. Clients are responsible for directing and ensuring that visitors abide by all of the rules contained herein.

Clients are not allowed cars, motorcycles, or any other motorized form of transportation.

Clients are strictly prohibited from attending Saturday 9:30 a.m. NA Beach meetings.

Clients are strictly prohibited from attending Sunday 9:30 a.m. AA Beach meetings.