SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Michael DiPirro ("DiPirro") and RHMT, LLC dba The Apothecarium ("Dispensary"), with DiPirro and Dispensary individually referred to as a "Party" and collectively as the "Parties." DiPirro is an individual residing in California who seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances contained in consumer products. Dispensary employs ten or more persons and is a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Health and Safety Code section 25249.6 *et seq.* ("Proposition 65").

1.2 General Allegations

DiPirro alleges that Dispensary sells or distributes for sale in the state of California, marijuana intended for smoking and paraphernalia for smoking marijuana, the consumption and use of which results in the chemical marijuana smoke, without first providing the clear and reasonable exposure warning required by Proposition 65. Marijuana smoke is listed pursuant to Proposition 65 as a chemical that is known to the state of California to cause cancer.

1.3 Product Description

The products covered by this Settlement Agreement are marijuana intended for smoking and paraphernalia for smoking marijuana that are sold or distributed for sale in California by Dispensary, including, but not limited to, unprocessed marijuana intended to be heated until combustion, then inhaled (specifically, flowers, leaves, and other organic parts of marijuana plants such as kief), and paraphernalia for smoking marijuana, including, but not limited to, bongs, pipes, papers, and vaporizers that do not have digital heat control and/or cannot be definitively set at a temperature below combustion point ("Products").

1.4 Notice of Violation

On or about April 21, 2015, DiPirro served Dispensary and certain requisite public enforcement agencies with a "60-Day Notice of Violation" ("Notice"), a document that informed the recipients of DiPirro's allegation that Dispensary violated Proposition 65 by failing to warn its customers and consumers in California that the Products expose users to marijuana smoke. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

Dispensary denies the material, factual, and legal allegations contained in the Notice. Dispensary contends that it provides medical marijuana to California residents in accordance with applicable state laws and requirements relating to medicinal use of marijuana. Nothing in this Settlement Agreement shall be construed as an admission by Dispensary of any fact, finding, conclusion of law, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Dispensary of any fact, finding, conclusion of law, issue of law, or violation of law, the same being specifically denied by Dispensary. This section shall not, however, diminish or otherwise affect Dispensary's obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean November 6, 2015.

2. INJUNCTIVE RELIEF: WARNINGS

Commencing on the January 1, 2016, Dispensary shall provide clear and reasonable warnings as set forth below, for all Products sold in California. Each warning shall be prominently placed with such conspicuousness as compared with other words, statements, designs, or devices as to render it likely to be read and understood by an ordinary individual under customary conditions before purchase or use.

(a) **Entry Door Warning**. On or in reasonably close proximity to all entry doors into any room in which a customer can purchase any Product from Dispensary, Dispensary shall post a sign bearing one of the specified warnings shown below, with the text in [brackets] being optional at the discretion of Dispensary. The warning sign shall be at least 8 1/2 inches by 11 inches, and posted at a height that will make it conspicuous and easy to read for the average person. The text of the warning shall be printed in black ink, in a font that is easy to read and legible, but in no case less than a size 36 font.

WARNING: Use of products sold here will expose you [and those in your immediate vicinity] to marijuana smoke, a chemical known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not consume products that produce marijuana smoke near pregnant women, children or pets.]

OR

WARNING: Smoke from cannabis contains chemicals known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not use near pregnant women, children or pets.]

OR

WARNING: Products sold here contain chemicals, including marijuana smoke, known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not use near pregnant women, children or pets.]

(b) **Warnings for Deliveries**. For all Products that are purchased via orders placed remotely (i.e., via telephonic communications or the Internet) to be delivered to the purchaser, Dispensary shall provide in, attached to, or with the delivery bag one of the specified warnings

shown below, on a sheet of paper that is at least three inches by five inches:

WARNING: Use of this product will expose you [and those in your immediate vicinity] to marijuana smoke, a chemical known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not consume products that produce marijuana smoke near pregnant women, children or pets.]

OR

WARNING: Smoke from cannabis contains chemicals known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not use near pregnant women, children or pets.]

OR

WARNING: This product contains chemicals, including marijuana smoke, known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not use near pregnant women, children or pets.]

In each case, the warning shall be provided as shown above, with the text in [brackets] being optional at the discretion of Dispensary, with the warning text printed in black ink, in a font that is easy to read and legible, in a font size of at least 12, and set off from all other text. Any purchaser may return any Products purchased, as long as the products have not been consumed or partially consumed, for a full refund, if the reason for the return is the Proposition 65 warning.

(c) **Warning Sign at Festivals/Conferences**. For all festivals, conferences, and other public events that take place in California, in which Dispensary operates a booth or other space from which it sells any of the Products, and at which there is no entry sign or other warning provided to attendees by the conference organizer, Dispensary shall post a sign with warning language as shown below, with the text in [brackets] being optional at the discretion of Dispensary. The warning sign shall be at least 8 1/2 inches by 11 inches, and posted at a height

and location that will make it conspicuous and easy to read for the average person. The text of the warning shall be printed in black ink, in a font that is easy to read and legible, but in no case less than a size 36 font.

WARNING: Use of these products will expose you [and those in your immediate vicinity] to marijuana smoke, a chemical known to the State of California to cause cancer [and birth defects or other reproductive harm]. [Do not consume products that produce marijuana smoke near pregnant women, children or pets.]

(d) **Additional Warnings**. In order to waive the second civil penalty under Section 3.2, Dispensary shall provide a point of sale warning in order that customers will view the warning immediately before making the decision to purchase the Products. The point-of-sale warnings shall bear the following wording in the same type size or larger than the Products' description text and shall be posted or displayed either (1) in close proximity to each cash register where any of the Products may be purchased; or (2) at each display case in the store; (3) on a stanchion (crowd control post) located at the front of each line for cash registers; or (4) on all receipts.

WARNING: Marijuana smoke is a chemical known to the State of California to cause cancer.

3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE § 25249.7(b)

3.1 Initial Civil Penalty Payment Pursuant to Health & Safety Code § 25249.7(b). Dispensary shall make an initial civil penalty payment of $3,500, in accordance with this section, on or before the Effective Date. The penalty payment will be allocated in accordance with California Health & Safety Code § 25249.12(c)(1) & (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining

25% of the penalty remitted to DiPirro in accordance with Section 3.3 below. The penalty payment shall be delivered to the address listed in Section 3.3 below.

3.2 Second Civil Penalty Payment Pursuant to Health & Safety Code § 25249.7(b). On or before March 15, 2016, Dispensary shall pay a second civil penalty of $6,000. The second civil penalty shall be waived in its entirety if an officer of Dispensary certifies in writing that as of March 15, 2016, Dispensary will, for all of its Products sold and offered for sale in all of its California dispensary locations, provide the Point of Sale Warnings as set forth in Section 2(d). Such certification must be received by the Law Offices of David R. Bush on or before March 15, 2016. The second civil penalty payment shall be apportioned in accordance with California Health & Safety Code § 25249.12(c) & (d), with 75% of these funds remitted to OEHHA and the remaining 25% of the penalty remitted to DiPirro in accordance with Section 3.3.

3.3 Payments Held in Trust. Payments shall be delivered to the Law Offices of David R. Bush, 3270 Mendocino Avenue, Suite 2E, Santa Rosa, CA 95403, and shall be in the form of three checks for the following amounts made payable to:

(a) "Law Office of David R. Bush" in the amount of $2,625 for payment to OEHHA. Law Office of David R. Bush agrees to forward such funds to OEHHA in a timely manner.

(b) "Law Office of David R. Bush" in the amount of $875 as payment to Michael DiPirro. David R. Bush agrees to forward such funds in a timely manner; and

(c) "Law Offices of David R. Bush" in the amount of $19,000, as payment for attorneys' fees and costs pursuant to Section 4 below.

For any payment that is returned for insufficient funds, payment must be made by a cashier's check within ten (10) calendar days of notification of insufficient funds, plus a 10% service fee.

3.4 Issuance of 1099 Forms. Dispensary shall provide DiPirro's counsel with a separate 1099 form for each of its payments under this Agreement to:

(a) "Office of Environmental Health Hazard Assessment", P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486) for civil penalties paid;

(b) "Michael DiPirro," whose address and tax identification number shall be furnished upon request after this Agreement has been fully executed by the Parties for his portion of the civil penalties paid; and

(c) "Law Offices of David R. Bush," for fees and costs reimbursed pursuant to Section 4.

4. REIMBURSEMENT OF FEES AND COSTS

The parties acknowledge that DiPirro and his counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to them, thereby leaving this fee issue to be resolved after the material terms of the agreement had been settled. Dispensary then expressed a desire to resolve the fee and cost issue shortly after the other settlement terms had been finalized. The parties then attempted to (and did) reach an accord on the compensation due to DiPirro and his counsel under general contract principles and the private attorney general doctrine codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. Dispensary shall pay $19,000 for fees and costs incurred as a result of investigating, bringing this matter to Dispensary's attention, and negotiating a settlement in the public interest. Dispensary shall issue a separate 1099 for fees and costs (EIN: 94-3171522), shall make the check payable to "David R. Bush, Attorney at Law" and shall deliver payment on or before the Effective Date to the address listed in Section 3.3 above.

5. CLAIMS COVERED AND RELEASED

5.1 DiPirro's Release of Dispensary

This Settlement Agreement is a full, final, and binding resolution between DiPirro and Dispensary of any violation of Proposition 65 that was or could have been asserted by DiPirro, on behalf of himself, or on behalf of his past and current agents, representatives, attorneys, successors, and assignees, against Dispensary, its parents, subsidiaries, affiliated entities under

common ownership, directors, officers, employees, attorneys, and each entity to whom Dispensary directly or indirectly distributes or sells the Products, including, without limitation, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees ("Releasees"), for unwarned exposures to marijuana smoke from the Products sold or distributed for sale in California by Dispensary prior to the Effective Date.

In further consideration of the promises and agreements herein contained, DiPirro, on his own behalf and on behalf of his past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action, and releases all claims that he may have against Dispensary and Releasees, including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses, including, without limitation, investigation fees, expert fees, and attorneys' fees arising under Proposition 65 for exposures to marijuana smoke from Products sold, or distributed for sale in California by Dispensary prior to the Effective Date.

5.2 Dispensary's Release of DiPirro

Dispensary, on its own behalf and on behalf of its past and current agents, representatives, attorneys, successors, and assignees, hereby waives any and all claims that it may have against DiPirro and his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by DiPirro and his attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining provisions shall not be adversely affected.

7. GOVERNING LAW

The terms of this Settlement Agreement shall be governed by the laws of the state of California and apply within the state of California. In the event that Proposition 65 is repealed or is otherwise rendered inapplicable by reason of law generally, or as to the Products, then Dispensary may provide written notice to DiPirro of any asserted change in the law, and have no further obligations pursuant to this Settlement Agreement, with respect to, and to the extent that, the Products are so affected.

If the California Office of Environmental Health Hazard Assessment or other governmental body with authority promulgates regulations setting forth warning text and/or other methods of transmission required or permitted to be used under Proposition 65 for exposures to marijuana smoke in the Products, then at its sole discretion Dispensary may use such other warning text and/or method of transmission without being deemed in breach of this Agreement, provided that it sends written notice of this decision to DiPirro within 30 days of the date on which it implements any such changes.

8. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and sent by: (i) personal delivery; (ii) first-class, registered or certified mail, return receipt requested; or (iii) a recognized overnight courier on any party by the other party at the following addresses:

For Dispensary:

The address listed under Defendant's signature at the end of this Agreement.

With a copy to:

Henry G. Wykowski
Henry G. Wykowski & Associates
235 Montgomery Street, Suite 657
San Francisco, CA 94104
415.788.4545

For DiPirro:

Bush & Henry
3270 Mendocino Avenue, Suite 2E
Santa Rosa, CA 95403

Any party may, from time to time, specify in writing to the other party a change of address to which all notices and other communications shall be sent.

9. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts, and by facsimile or portable document format (PDF) signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

10. POST-EXECUTION ACTIVITIES

DiPirro agrees to comply with the reporting form requirements referenced in Health and Safety Code section 25249.7(f).

11. MODIFICATION

This Settlement Agreement may be modified only by a written agreement of the Parties.

///

///

///

///

///

///

///

//////

///

12. AUTHORIZATION

The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

Date: 11/6/15

By: _____
Michael DiPirro

AGREED TO:

Date: 11/4/2015

By: _____
RHMT, LLC dba The Apothecarium
Print Name: Ryan Hussen
Title: Executive Director
Mailing Address: 2095 Market St
San Francisco, CA 94114