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Attorneys for Plaintiff Michael DiPirro

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF ALAMEDA

UNLIMITED CIVIL JURISDICTION

MICHAEL DIPIRRO,

Plaintiff,

v.

BAY PACIFIC NETWORKS, INC., dba SPARC; EAZE SOLUTIONS, INC., dba "EAZE"; et al.,

Defendants.

Case No.

[PROPOSED] CONSENT JUDGMENT

(Health & Safety Code § 25249.6 et seq.)

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1. <u>INTRODUCTION</u>

1.1 Parties

This Consent Judgment is entered into by and between plaintiff, MICHAEL DIPIRRO ("DiPirro"), and defendants, Bay Pacific Networks, Inc., dba SPARC ("BPN") and Eaze Solutions, Inc., dba "Eaze" ("Eaze") (and, together with BPN, the "Defendants"), with DiPirro and Defendants each individually referred to as a "Party" and collectively as the "Parties."

1.2 Plaintiff

DiPirro is an individual residing in California who seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products.

1.3 Defendants

Each Defendant 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 & Safety Code § 25249.6 et seq. ("Proposition 65"). Defendant BPN maintains that it runs a medical marijuana dispensary at 1256 Mission Street in San Francisco. Defendant Eaze maintains that it operates a website that checks patients' eligibility documentation to become a member of, and purchase medical marijuana from, BPN, and then enables BPN's members to submit orders for delivery by BPN or its Affiliates. For purposes of this Agreement, "Affiliate" means, with reference to a specified person or entity, (i) the specified person's or entity's subsidiaries or parent, (ii) any other person or entity that, directly or indirectly, controls, is controlled by, or is under common control with, the specified person or entity or the specified person's parent or its subsidiaries, or (iii) any person or entity that is an officer, director, partner or trustee of, or serves in a similar capacity with respect to, the specified person or entity, or for which the specified person or entity is an officer, partner or trustee, or serves in a similar capacity. For purposes of the foregoing definition, "control" (including the terms "controlled by" and "under common control") means the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of the person or entity, whether through the ownership of voting securities, control of

the such person's or entity's board of directors or other management body, as trustee or executor, by contract or otherwise.

1.4 General Allegations

DiPirro alleges that Defendant BPN sells in the state of California, marijuana intended for smoking and paraphernalia for smoking marijuana, the consumption and use of which results in the generation of 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.

1.5 Product Description

The products covered by this Consent Judgment are cannabis or marijuana¹ intended for smoking and paraphernalia for smoking marijuana, the consumption and use of which allegedly results in exposures to marijuana smoke, that are sold, in California by Defendants, 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, water bongs, smoking pipes, rolling papers, blunts, and vaporizers that do not have digital heat control/cannot be definitively set at a temperature below combustion point ("Products").

1.6 Notice of Violation

On or about April 21, 2015, DiPirro served Defendants and the requisite public enforcement agencies with a "60-Day Notice of Violation" ("Notice"), a document that informed the recipients of DiPirro's allegation that Defendants were in violation of Proposition 65 for failing to warn their customers and consumers in California that the Products expose users to marijuana smoke. To the

¹ The San Francisco Medical Marijuana Ordinance defines "Cannabis" as "marijuana and all parts of the plant Cannabis, whether growing or not; the seeds thereof; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds or resin. It includes marijuana infused in foodstuff. It does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seeds of the plant are incapable of germination." S.F. Health Code, Article 33: Medical Cannabis Act, Sec. 3301. Ord. 275-05, File No. 051250, 11/30/2005, as amended by Ord. 25-09, File No. 0811099, App. 2/13/2009.

best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.7 Complaint

On or about August 7, 2015, DiPirro filed the instant action against Defendants ("Complaint") for the alleged violations of Health & Safety Code § 25249.6 that are the subject of the Notice.

1.8 No Admission

Defendants deny the material, factual and legal allegations contained in the Notice and Complaint, and they maintain that all of the products that they have sold and distributed in California, including the Products, have been, and are, in compliance with all laws. Nothing in this Consent Judgment shall be construed as an admission of any fact, finding, conclusion of law, issue of law, or violation of law, nor shall compliance with this Consent Judgment constitute or be construed as an admission of any fact, finding, conclusion of law, issue of law, or violation of law. This Section shall not, however, diminish or otherwise affect Defendants' obligations, responsibilities, and duties under this Consent Judgment.

1.9 Consent to Jurisdiction

For purposes of this Consent Judgment only, the Parties stipulate that this Court has jurisdiction over Defendants as to the allegations in the Complaint, that venue is proper in Alameda County, and that this Court has jurisdiction to enter and enforce the provisions of this Consent Judgment.

1.10 Effective Date

For purposes of this Consent Judgment, the term "Effective Date" shall mean August 21, 2015.

2. <u>INJUNCTIVE RELIEF: WARNINGS</u>

Commencing on the Effective Date, Defendants and their respective Affiliates shall provide clear and reasonable warnings as set forth below, for all Products sold in California. All references to a Defendant below shall include its respective Affiliates. 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 and Lobby Warning.** On or adjacent to all entry doors into any room in which a customer can purchase any Product from Defendants, and in the Lobby/waiting area, Defendants shall post a sign with warning language as shown below, with the text in [brackets] being optional at the discretion of Defendants. 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.]

(b) Membership Agreement. Defendant BPN shall provide a warning in its

Membership Agreement as shown below, with the text in [brackets] being optional at the discretion
of Defendant BPN. The warning shall be printed in black ink, in a font that is easy to read and
legible, in at least a size 12 font, and set off from its surrounding text as an indented paragraph. The
warning shall be provided on either the first or last page of the Membership Agreement; OR if the
warning is on a page other than the first or last page, then each member shall initial the text of the
warning to show he or she read and understood the warning. If Defendant BPN, or another of
Eaze's dispensary clients, accepts Membership Agreements through a website, then each websiteregistered member must separately "click-through" to review and approve the warning transmitted
in or with the Membership Agreement.

WARNING: Marijuana smoke is a chemical known to the State of California to cause cancer. [Do not consume products that produce marijuana smoke near pregnant women, children or pets.]

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(c) Warnings for Deliveries. For all Products that are purchased via orders placed on a website, to be delivered directly to Defendant BPN's members by BPN or any of its Affiliates, or delivered by another of Eaze's clients directly to its members, the website from which the order is placed shall either, at their option: a) provide a warning as shown below on the receipt; b) include in the delivery bag a warning as shown below, on an insert that is at least three inches by five inches; OR c) provide a warning as shown below, on the webpage/receipt displayed to a purchaser during the checkout process. Neither Defendant shall accept orders over the telephone unless a warning is provided in compliance with this section. In either case, the warning shall be provided as shown below, with the text in [brackets] being optional at the discretion of Defendants, 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.

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.]

(d) Warning Sign at Festivals/Conferences. For all festivals, conferences, and other public events that take place in California, in which either Defendant operates a booth or other space from which it sells any of the Products, Defendants shall post a sign with warning language as shown below, with the text in [brackets] being optional at the discretion of Defendants. 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 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.]

- (e) **Additional Warnings**. In order to waive the second civil penalty under Section 3.2, Defendants shall provide at least one of the following two types of additional warnings as follows:
- (i) **Product Labeling**. Defendants shall affix a warning to the packaging, labeling, or directly on each Product sold in retail outlets in California by Defendants or any person selling the Products as shown below, with the text in [brackets] being optional at the discretion of Defendants. The warning text shall be printed in black ink, in a font that is easy to read and legible, in the same type size or larger than the Product's description text. Employees may not write over the text of the warning for any reason.

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. [Do not consume products that produce marijuana smoke near pregnant women, children or pets.]

(ii) **Point-of-Sale Warnings**. In order that customers will view the warning before making the decision to purchase the Products at the Dispensary, Defendants shall post a warning sign, in the form below, using one of the following point-of-sale warning options: a) at each cash register in the store; b) at each display case in the store and on all receipts; OR c) on a stanchion (crowd control post) message sign located at the front of the cash register entry line and on all receipts. The website warning provided pursuant to Section 2 (c), above, also shall be the point of sale warning provided to members who purchase the Products via a website for subsequent delivery. The warning text shall be in the same type size or larger than the Product's description text.

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

3. MONETARY PAYMENTS

3.1 Initial Civil Penalty Payment Pursuant to Health & Safety Code § 25249.7(b).

Defendants shall make an initial civil penalty payment of \$13,500, in accordance with this section, on or before the Effective Date. The penalty payments 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 December 15, 2015, Defendants shall pay a second civil penalty of \$24,000. As an incentive to significantly reduce the use of plastic in its dispensary location(s), however, the second civil penalty shall be waived in its entirety if an officer of each Defendant certifies in writing that as of December 15, 2015, Defendants will, for all of its Products sold and offered for sale in all of its California dispensary locations either:

Option 1) use only glass, cardboard or paper packaging (including, but not limited to, regular or reusable glass containers for dried marijuana bud, paper bags for each total purchase, cardboard packaging for pre-filled cartridges and/or straw coverings for pre-rolled cigarettes and pre-filled cartridges) **and** provide the Product Labeling Warnings as set forth in Section 2(3)(i); **-or-**

Option 2) provide the Point of Sale warnings as set forth in Section 2(e)(ii) above.

Such certification must be received by the Law Offices of David R. Bush on or before December 15, 2015. 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 \$10,125 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 \$3,375 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 \$64,500, as payment for attorneys' fees and costs pursuant to Section 4 below.

- **3.4 Issuance of 1099 Forms**. Defendants shall provide DiPirro's counsel with a separate 1099 forms 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. Defendants 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. Defendants shall pay \$64,500 for fees and costs incurred as a result of investigating, bringing this matter to Defendants' attention, and negotiating a settlement in the public interest. Defendants 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. <u>CLAIMS COVERED AND RELEASED</u>

5.1 DiPirro's Public Release of Proposition 65 Claims

DiPirro, acting on his own behalf and in the public interest, releases Defendants and their Affiliates, together with their respective officers, directors, attorneys, representatives, shareholders, members, divisions, predecessors, successors, subdivisions, manufacturers, distributors, in-store retailers, online retailers and delivery retailers ("Releasees") from all claims for violations of

Proposition 65 up through the Effective Date based on exposures to marijuana smoke from the Products, as set forth in the Notice and the Complaint. Compliance with the terms of this Consent Judgment constitutes compliance with Proposition 65 with respect to exposures to marijuana smoke from the Products sold by or through Defendants after the Effective Date.

5.2 DiPirro's Individual Release of Claims

DiPirro, in his individual capacity only and *not* in his representative capacity, also provides a release herein to Defendants and Releasees which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands of DiPirro of any nature, character or kind, whether known or unknown, suspected or unsuspected, arising out of alleged or actual exposures to marijuana smoke in the Products grown, cultivated, processed or sold by or through Defendants before the Effective Date.

5.3 Defendants' Release of DiPirro

Each Defendant, on behalf of itself and on behalf of its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims 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.

5.4 California Civil Code Section 1542

It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Products will develop or be discovered. DiPirro on behalf of himself only, on one hand, and each Defendant, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims up through the Effective Date, including all rights of action therefor. DiPirro and the Defendants acknowledge that the claims released in Sections 5.2 and 5.3 above may include unknown claims, and nevertheless waive California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE

CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

DiPirro and the Defendants each acknowledge acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

6. <u>COURT APPROVAL</u>

This Consent Judgment is not effective until it is approved and entered by the Court and shall be null and void if, for any reason, it is not approved and entered by the Court within one year after it has been fully executed by all Parties.

7. <u>SEVERABILITY</u>

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

8. GOVERNING LAW

The terms of this Consent Judgment 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, preempted, or is otherwise rendered inapplicable by reason of law generally, or as to the Products, then Defendants may provide written notice to DiPirro of any asserted change in the law, and shall have no further obligations pursuant to this Consent Judgment with respect to, and to the extent that, the Products are so affected. Nothing in this Consent Judgment shall be interpreted to relieve Defendants from any obligation to comply with any pertinent state or federal toxics control laws. This Consent Judgment shall be interpreted in accordance with the fair meaning of the terms herein, without regard to which Party may have drafted any specific provision.

9. <u>NOTICES</u>

Unless specified herein, all correspondence and notices required by this Consent Judgment 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 to the following addresses:

1	For Defendants:				
2	Jon L. Benjamin, Esq.				
3	Farella Braun + Martel LLP 235 Montgomery Street				
4	San Francisco, CA 94104				
5	For DiPirro:				
6	Law Offices of David R. Bush 3270 Mendocino Ave. #2E				
7	Santa Rosa, CA 95403				
8	Any Party may, from time to time, specify in writing to the other Party a change of address to which				
9	all notices and other communications shall be sent.				
10	10. <u>COUNTERPARTS; FACSIMILE SIGNATURES</u>				
11	This Consent Judgment may be executed in counterparts and by facsimile or portable				
12	document format (PDF) signature, each of which shall be deemed an original, and all of which,				
13	when taken together, shall constitute one and the same document.				
14	11. POST EXECUTION ACTIVITIES				
15	DiPirro agrees to comply with the reporting form requirements referenced in Health & Safet				
16	Code § 25249.7(f). The Parties further acknowledge that, pursuant to Health & Safety Code				
17	§ 25249.7(f), a noticed motion is required to obtain judicial approval of the settlement. In				
18	furtherance of obtaining such approval, DiPirro and Defendants agree to mutually employ their bes				
19	efforts, and that of their counsel, to support the entry of this agreement as a Consent Judgment, and				
20	to obtain judicial approval of the settlement in a timely manner.				
21	12. <u>MODIFICATION</u>				
22	This Consent Judgment may be modified only by: (i) a written agreement of the Parties and				
23	upon entry of a modified consent judgment by the Court thereon; or (ii) upon a successful motion o				
24	application of any Party and the entry of a modified consent judgment by the Court.				
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1	13.	<u>AUTHORIZATION</u>				
2		The undersigned are authorized to execute this Consent Judgment and have read, understoo				
3	and a	and agree to all of the terms and conditions contained herein.				
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8	By: MICHAEL DIPIRRO		By:			
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15			Keith McCarty, CEO, EAZE SOLUTIONS, INC., dba "EAZE"			
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3	and agree to all of the terms and conditions contained herein.					
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5	AGREED TO:	AGREED TO:				
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9	MICHAEL DIPIRRO	BAY PACIFIC NETWORKS, INC., dba				
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	[PROP	12 OSED] CONSENT JUDGMENT				

13. Date: By:

13. **AUTHORIZATION**

The undersigned are authorized to execute this Consent Judgment and have read, understood, and agree to all of the terms and conditions contained herein.

Date:

EAZE SOLUTIONS, INC., dba "EAZE"