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FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF RIVERSIDE

DEC 27 2019

D. Elless

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**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**FOR THE COUNTY OF RIVERSIDE**

GOLDEN LADY, LLC

Plaintiffs,

PHARMLABS COACHELLA VALLEY, LLC, a California limited liability company; PERRY JOHNSON LABORATORY ACCREDITATION, INC., a Michigan corporation; PERRY JOHNSON REGISTRARS, INC., a Michigan corporation; GREG MAGDOFF, a California individual; and DOES 1 through 20, inclusive,

Defendants.

CASE NO. PSC1909437
*Assigned for All Purposes to:*
*Dept.*

Date Filed:
Trial Date:

**COMPLAINT FOR DAMAGES AND DEMAND FOR JURY TRIAL**

COMES NOW, Plaintiff GOLDEN LADY, LLC, who makes this Complaint for Damages and Demand for Jury Trial, as follows:

**GENERAL ALLEGATIONS**

1. Plaintiff, GOLDEN LADY, LLC (hereafter "GOLDEN LADY") is, and at all times herein mentioned was, a limited liability company organized and existing under the laws of the State of California.

2. Defendant, PHARMLABS COACHELLA VALLEY (hereafter "PHARMLABS") is, and at all times herein mentioned was, a California limited liability company doing business at 48220 Jackson Street, Coachella, California. Further, on information and belief, Defendant GREG MAGDOFF was the managing member of PHARMLABS and, further, has personal liability for his own civil wrongs as asserted hereafter in this Complaint.

3. Defendant, PERRY JOHNSON LABORATORY ACCREDITATION, INC. (hereafter PJLA) is, and at all times herein mentioned was, a corporation organized and existing under the laws of State of Michigan. Further, at all times herein mentioned, said Defendant conducted business in all 50 states.

4. Defendant, PERRY JOHNSON REGISTRARS, INC. (hereafter "PJR", is, and at all times herein mentioned was, a corporation organized and existing under the laws of State of Michigan. Further, at all times herein mentioned, said Defendant conducted business in all 50 states.

5. Plaintiff is not aware of the true names and/or capacities of those entities or individuals sued herein as DOES 1 through 20 Plaintiffs will insert their true names and/or capacities when the same are ascertained.

6. Unless otherwise specified herein, each DOE defendant was the agent and employee of the remaining defendants, and in doing the things hereinafter mentioned, were at all times acting within the course and scope of that agency and employment.

7. Plaintiff, GOLDEN LADY, is, and at all times herein mentioned was, a cannabis manufacturer licensed by the State of California.

8. On information and belief, Defendant PHARMLABS was an accredited testing laboratory licensed by the State of California and purportedly was qualified to detect all material, including, but not limited to, pesticides in cannabis material as identified in 16 Cal.Code Regulations, §§5715, et seq.

9. On further information and belief, Defendant PHARMLABS was accredited as a competent and reliable testing laboratory of cannabis products by Defendants PJLA and PJR. Also, in connection with the relationship between the named defendants, Defendants PJLA, PJR, and DOES 1 through 20 were required by contract and law to regularly investigate, monitor, and/or audit PHARMLABS' testing of cannabis products for its customers.

10. As a testing lab, Defendant PHARMLABS must obtain a certification from a Registrar as to the testing equipment used, the manner of testing, the calibration of the equipment on a daily basis, and the necessity of keeping daily records. On information and belief, Defendants PJAL, PJR, and DOES 1 through 20 did in fact certify, register and accredit Co-Defendant PHARMLABS as a testing laboratory purportedly qualifying to detect all material, including, but not limited to, pesticides in cannabis material as identified in 16 Cal.Code Regulations, §§5715, et seq.

11. Further, Defendants PJAL, PRA, and DOES 1 through 20, in the certification, accreditation, and registration process for testing laboratories such as PHARMLABS, were required to adhere to the standards of the International Organization of Standardization (ISO) and the International Electrotechnical Commission (IEC). In particular, as to PHARMLABS, ISO/IEC 17025:2017 (hereafter 'ISO 17025") specified the general requirements for competence, impartiality, and consistent operation of its laboratories— i.e. All laboratories, including, but not limited to PHARMLABS, were evaluated regardless of the number of personnel pursuant to the standards and work practices enunciated in ISO 17025.

12. As part of its activities in the certification, accreditation and registration of PHARMLABS as a competent and reliable testing laboratory for cannabis products,

Defendants PJAL, PRA, and DOES 1 through 20 were required to ensure compliance with ISO 17025 standards by retaining an auditor company or individual to, among other things, conduct rigorous checks of PHARMLABS' testing equipment, the calibration and keeping daily records of the testing equipment, and to help investigate customer complaints in compliance with California law and pertinent regulations. At the present time, Plaintiff is not aware of the true identity of the auditor(s) retained by PJAL/ PRA to audit the same in connection with their certification, accreditation, and registration of Defendant PHARMLABS.

13. Further, at all times herein mentioned, Defendants PHARMLABS/ MAGDOFF held themselves out to the public as a competent, reliable, and certified laboratory that, among other things, could and would detect the presence of pesticides in cannabis products ultimately sold to members of the general public. In fact, among other things, PHARMLABS advertised and marketed as follows: "ALWAYS ACCURATE, AFFORDABLE, AND FAST CANNABIS LAB TESTING AND ANALYSIS...PharmLabs provides the cannabis community and beyond with laboratory testing and analytic services to ensure access to safe cannabis products."

14. Plaintiff GOLDEN LADY relied on the advertising and marketing of PHARMLABS by providing its cannabis products for testing on at least four occasions within the past two years. More specifically, GOLDEN LADY provided PHARMLABS cannabis on or about January 26, 2018 (labeled Test Sample 1021) and, again, on or about March 24, 2018 (labeled Test Sample 1462). Prior to PHARMLABS' analysis of Test Sample 1021, GOLDEN LADY's supplier of the cannabis from which the 1462 sample was obtained had also utilized Defendant PHARMLABS testing facility and, on that prior occasion, the cannabis product from which the 1462 sample was derived also had been determined to be pesticide-free by Defendant PHARMLABS.

15. On or about February 1, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis showing no pesticides were detected in Test Sample 1021. On or about May 4, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis

showing no pesticides were detected in Sample 1462.

16. In reliance upon the testing and analysis provided by PHARMLABS for Test Sample 1021 and Test Sample 1462, GOLDEN LADY had the distillate approved as pesticide-free infused into its branded cartridge pens and ultimately provided them to a distributor to fulfill in excess of 2,000 preorders.

17. Because California law changed and required distributors to also test cannabis product for pesticide effective July 1, 2018, GOLDEN LADY's distributor also had the products tested by another laboratory and discovered that the results for both Test Samples 1021 and 1462 were vastly different in connection with the presence of prohibited pesticides. In particular, the test results by the distributor's laboratory on Certificate of Analysis 1021 detected excessive amounts of Chlordane, a Category I Residual Pesticide, which was not, as mentioned, detected by PHARMLABS. Additionally, the distributor's test detected excessive levels of three Category II Residual Pesticides for which PHARMLABS had not tested. Further, the test results by the distributor's laboratory on Certificate of Analysis 1462 detected excessive levels of Bifenthrin and Myclobutanil, both Category II Residual Pesticides that PHARMLABS tested for but failed to detect. With respect to Sample 1462, as previously mentioned herein, Defendant PHARMLABS had tested that cannabis for pesticides on two separate occasions— the first by Plaintiff's supplier (Mojave Jane) and the second on sample 1462 by Plaintiff.

18. By the time that GOLDEN LADY had received the failed test results of its distributor's laboratory, it was impossible for GOLDEN LADY to remediate the contaminated distillate because it had already been inserted into cartridges and/or the entire cannabis product had been contaminated. Had PHARMLABS detected the existence of pesticides in Test Samples 1021 and 1462, however, GOLDEN LADY would have had the opportunity to remediate the contaminated batches, retest for compliance, and then infuse its cartridges with code-compliant distillate that was safe for users in the general public; or, in the alternative, Plaintiff might have been able to obtain a refund from the supplier of the product. Instead, GOLDEN LADY was forced to destroy not only the contaminated batches

of cannabis material, but also had to destroy the branded cartridges it marketed for sale as well.

19. In February 2019, GOLDEN LADY made a written demand to PHARMLABS/MAGDOFF to preserve and/or provide the following materials: (a) all data relating to certificates of analysis numbers 1021 and 1462, including chromatograms and data packets; (b) all equipment used to test the samples identified in certificates of analysis numbers 1021 and 1462; (c) all standard operating procedures in effect from January 2018 through March 2018; (d) all communications relating to GOLDEN LADY, LLC, and certificates of analysis 1021 and 1462; and, all investigations and complaint relating to false or inaccurate results produced by PHARMLABS and/or its affiliate companies.

20. Later in February, 2019, PHARMLABS responded to GOLDEN LADY's earlier demand as follows: it refused to provide its datapacks, chromataograms, and standard operating procedures unless GOLDEN LADY would provide the same from the distributor's laboratory.

21. On information and belief, PHARMLABS/ MAGDOFF violated the absolute requirement of the ISO 17025 standard by refusing to provide the data packs involved in its testing of Test Samples 1021 and 1462.

## FIRST CAUSE OF ACTION

**(Negligence— Brought By Plaintiff GOLDEN LADY, LLC Against Defendants PHARMLABS COACHELLA VALLEY LLC, GREG MAGDOFF, And DOES 1 Through 20, Inclusive)**

22. Plaintiff realleges and incorporates herein those matters contained in paragraphs 1 through 21 as though fully set forth.

23. At all times herein mentioned, the named Defendants in this cause of action held themselves out as a reliable, competent, certificated, and accredited testing facility for cannabis-infused products. Further, along with its certification and accreditation, these named Defendants publicly represented themselves as having and maintaining the

appropriate equipment and standard operating procedures for a facility that tests cannabis products meant for distribution, marketing, and sale to users in the general public. Further, these named Defendants, by the fact of doing business in California, expressly or impliedly represented that they were aware and knowledgeable of the pertinent California laws and regulations pertaining to the testing of cannabis products for harmful pesticides. Further, these named Defendants in effect expressly and impliedly represented or warranted they adhered to the laboratory standardization requirements of ISO 17025.

24. The obligations imposed by law on these named Defendants created a duty of due care to Plaintiff and also to members of the general public who would ultimately use Plaintiff's distributed cannabis-infused pens and cartridges.

25. These named Defendants in this cause of action negligently breached the aforesaid duty of due care to Plaintiff to issue accurate, lawful, and appropriate certificates of analysis as to the test samples submitted by Plaintiff to them as alleged hereinabove. This negligent breach of its duty caused Plaintiff the hereinafter described injuries and damages.

26. As a direct result of the aforesaid negligence by the named Defendants in this cause of action, Plaintiff has sustained, and will continue to sustain for a period of time in the future, compensatory damages in an amount according to proof at the trial of this action.

## SECOND CAUSE OF ACTION

**(Breach of the Implied Covenant of Good Faith and Fair Dealing— Brought By Plaintiff GOLDEN LADY, LLC Against Defendants PHARMLABS COACHELLA VALLEY LLC, GREG MAGDOFF, And DOES 1 Through 20, Inclusive)**

27. Plaintiff realleges and incorporates herein those matters contained in paragraphs 1 through 26 as though fully set forth.

28. Into every contract in the State of California, whether express or implied or oral or written, there exists an implied covenant of good faith and fair dealing in which all parties agree to deal with each other honestly, fairly, and in good faith, so as to not destroy

the right of the other party or parties to receive the benefits of the contract.

29. The named Defendants in this cause action breached the implied covenant of good faith and fair dealing as to their contract with Plaintiff in that, among other things, the following facts appear: (a) they did not have and/or use the appropriate testing equipment to determine the presence of pesticides in cannabis-infused products submitted to them for testing by their clients; (b) they did not properly calibrate their testing equipment on a regular basis as required by California law and/or ISO 17025 standardization requirements; (c) they did not maintain appropriate records of every test performed, the equipment used on each test, and the test results; (d) they did not have or utilize the appropriate trained personnel in conducting tests for pesticides in cannabis-infused products; (e) they did not have the appropriate controls in place to review complaints of "mal-testing" or deficient testing, such as those complaints registered by Plaintiff in this action; and/or (f) they were not fully knowledgeable of California law on laboratory testing and/or aware of California law on quality assurance regarding cannabis products ultimately marketed and sold to the public.

30. As a direct result of the aforesaid breach of the implied covenant of good faith and fair dealing in connection with the contract in place with Plaintiff, which breach was committed as stated aforesaid in this Complaint, Plaintiff has sustained, and will continue to sustain for a period of time in the future, compensatory damages in an amount according to proof at the trial of this action.

## THIRD CAUSE OF ACTION

**(Fraud— Intentional Misrepresentation of Material Fact— Brought By Plaintiff GOLDEN LADY, LLC Against Defendants PHARMLABS COACHELLA VALLEY LLC, GREG MAGDOFF, And DOES 1 Through 20, Inclusive)**

31. Plaintiff realleges and incorporates herein those matters contained in paragraphs 1 through 30 as though fully set forth.

32. At all times herein mentioned, Defendants PHARMLABS/ MAGDOFF

intentionally held themselves out to the public as a competent, reliable, and certified laboratory that, among other things, could and would detect the presence of pesticides in cannabis products ultimately sold to members of the general public. In fact, among other things, PHARMLABS advertised and marketed as follows: "ALWAYS ACCURATE, AFFORDABLE, AND FAST CANNABIS LAB TESTING AND ANALYSIS...PharmLabs provides the cannabis community and beyond with laboratory testing and analytic services to ensure access to safe cannabis products."

33. These representations of material fact were in fact false and were known to be false when made. In fact, PHARMLABS/ MAGDOFF knew that their testing equipment was not effective in detecting pesticides in cannabis product, and/ or knew that the testing equipment was not sufficiently calibrated on a regular basis so as to detect pesticides in cannabis product in compliance with state law. On information and belief, PHARMLABS/ MAGDOFF also knew that its affiliate companies, which used the same testing equipment as in its Coachella facility, had similar complaints as Plaintiff from its customers in the cannabis business, and had issues with the State of California in connection with their licenses to operate a testing facility to determine the presence or absence of banned pesticide substances in testing samples.

34. Plaintiff GOLDEN LADY relied on the advertising and marketing of PHARMLABS by providing its cannabis products for testing on at least four occasions within the past two years. More specifically, GOLDEN LADY provided PHARMLABS cannabis on or about January 26, 2018 (labeled Test Sample 1021) and, again, on or about March 24, 2018 (labeled Test Sample 1462).

35. On or about February 1, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis showing no pesticides were detected in Test Sample 1021. On or about May 4, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis showing no pesticides were detected in Sample 1462.

36. In justifiable reliance on the aforesaid representations of material fact by the named Defendants in this cause of action, and upon the testing and analysis provided by

PHARMLABS for Test Sample 1021 and Test Sample 1462, GOLDEN LADY infused the PHARMLABS distillate into its branded cartridge pens and provided them to a distributor to fulfill in excess of 2,000 preorders.

37. GOLDEN LADY's distributor, however, had the products tested by another laboratory and discovered that the results for both Test Samples 1021 and 1462 were vastly different in connection with the presence of prohibited pesticides. In particular, the test results by the other laboratory on Certificate of Analysis 1021 detected excessive amounts of Chlor dane, a Category I Residual Pesticide, which was not, as mentioned, detected by PHARMLABS. Additionally, the new test detected excessive levels of three Category II Residual Pesticides for which PHARMLABS had no tested. Further, the test results by the other laboratory on Certificate of Analysis 1462 detected excessive levels of Bifenthrin and Myclobutanil, both Category II Residual Pesticides that PHARMLABS tested for but failed to detect.

38. By the time that GOLDEN LADY had received the failed test results of its distributor's laboratory, it was impossible for GOLDEN LADY to remediate the contaminated distillate because it had already been inserted into cartridges. Had PHARMLABS detected the existence of pesticides in Test Samples 1021 and 1462, however, GOLDEN LADY would have had the opportunity to remediate the contaminated batches, retest for compliance, and then infuse its cartridges with code-compliant distillate that was safe for users in the general public. Instead, GOLDEN LADY was forced to destroy not only the contaminated batches of cannabis material, but also had to destroy the branded cartridges it marketed for sale as well.

39. In February 2019, GOLDEN LADY made a written demand to PHARMLABS/MAGDOFF to preserve and/or provide the following materials: (a) all data relating to certificates of analysis numbers 1021 and 1462, including chromatograms and data packets; (b) all equipment used to test the samples identified in certificates of analysis numbers 1021 and 1462; (c) all standard operating procedures in effect from January 2018 through March 2018; (d) all communications relating to GOLDEN LADY, LLC, and

certificates of analysis 1021 and 1462; and, all investigations and complaint relating to false or inaccurate results produced by PHARMLABS and/or its affiliate companies.

40. Later in February, 2019, PHARMLABS responded to GOLDEN LADY's earlier demand as follows: it refused to provide its datapacks, chromataograms, and standard operating procedures unless GOLDEN LADY would provide the same from the distrubutor's laboratory.

41. On information and belief, PHARMLABS/ MAGDOFF violated the absolute requirement of the ISO 17025 standard by refusing to provide the data packs involved in its testing of Test Samples 1021 and 1462.

42. As a direct result of the aforesaid misrepresentations of material fact by the named Defendants in this cause of action, Plaintiff justifiably relied to its detriment in having the same cannabis product tested in Samples 1021 and 1462 infused into its cartridges and pens for distribution, marketing, and sale to its customers who had already contracted with Plaintiff. Plaintiff, however, did not discover that the named Defendants in this cause of action had intentionally misrepresented the nature and extent of their testing capabilities insofar as exposing the existence of banned pesticides until it was too late to remediate the cannabis product and cartridges and pens. Further, Plaintiff was essentially a start-up company in the time period of 2017-2018 and, as a result of the failed orders described herein, lost customers and seed money investment, all to their detriment of loss profits in an amount according to proof at the trial of this action.

43. The aforesaid conduct of the named Defendants in this cause of action was intentional, unlawful, malicious, oppressive, and despicable, and was designed to injure Plaintiff and, perhaps, unknowing consumers of Plaintiff's cannabis-infused products. Plaintiff MAGDOFF was the primary policy-making individual manager who was individually responsible for the aforesaid false representations of accuracy, competency, and reliability of PHARMLABS, and therefore both PHARMLABS and MAGDOFF should pay punitive damages to Plaintiff in an amount according to proof at the trial of this action.

**FOURTH CAUSE OF ACTION**

**(Fraud— Concealment— Brought By Plaintiff GOLDEN LADY, LLC Against Defendants PHARMLABS COACHELLA VALLEY LLC, GREG MAGDOFF, And DOES 1 Through 20, Inclusive)**

44. Plaintiff realleges and incorporates herein those matters contained in paragraphs 1 through 43 as though fully set forth.

45. At all times herein mentioned, Defendants PHARMLABS/ MAGDOFF intentionally held themselves out to the public as a competent, reliable, and certified laboratory that, among other things, could and would detect the presence of pesticides in cannabis products ultimately sold to members of the general public. In fact, among other things, PHARMLABS advertised and marketed as follows: "ALWAYS ACCURATE, AFFORDABLE, AND FAST CANNABIS LAB TESTING AND ANALYSIS...PharmLabs provides the cannabis community and beyond with laboratory testing and analytic services to ensure access to safe cannabis products."

46. These representations of material fact were in fact false and were known to be false when made. In fact, PHARMLABS/ MAGDOFF knew that their testing equipment was not effective in detecting pesticides in cannabis product, and/ or knew that the testing equipment was not sufficiently calibrated on a regular basis so as to detect pesticides in cannabis product in compliance with state law. On information and belief, PHARMLABS/ MAGDOFF also knew that its affiliate companies, which used the same testing equipment as in its Coachella facility, had similar complaints as Plaintiff from its customers in the cannabis business, and had issues with the State of California in connection with their licenses to operate a testing facility to determine the presence or absence of banned pesticide substances in testing samples. At all times herein mentioned, the named Defendants in this cause of actions intentionally concealed these facts from Plaintiff before Plaintiff submitted samples 1021 and 1462 for testing.

47. Plaintiff GOLDEN LADY relied on the advertising and marketing of PHARMLABS by providing its cannabis products for testing on at least four occasions

within the past two years. More specifically, GOLDEN LADY provided PHARMLABS cannabis on or about January 26, 2018 (labeled Test Sample 1021) and, again, on or about March 24, 2018 (labeled Test Sample 1462).

48. On or about February 1, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis showing no pesticides were detected in Test Sample 1021. On or about May 4, 2018, PHARMLABS provided GOLDEN LADY with a Certificate of Analysis showing no pesticides were detected in Sample 1462.

49. In justifiable reliance on the aforesaid representations of material fact by the named Defendants in this cause of action, and upon the testing and analysis provided by PHARMLABS for Test Sample 1021 and Test Sample 1462, GOLDEN LADY infused the PHARMLABS distillate into its branded cartridge pens and provided them to a distributor to fulfill in excess of 2,000 preorders.

50. GOLDEN LADY's distributor, however, had the products tested by another laboratory and discovered that the results for both Test Samples 1021 and 1462 were vastly different in connection with the presence of prohibited pesticides. In particular, the test results by the other laboratory on Certificate of Analysis 1021 detected excessive amounts of Chlordane, a Category I Residual Pesticide, which was not, as mentioned, detected by PHARMLABS. Additionally, the new test detected excessive levels of three Category II Residual Pesticides for which PHARMLABS had no tested. Further, the test results by the other laboratory on Certificate of Analysis 1462 detected excessive levels of Bifenthrin and Myclobutanil, both Category II Residual Pesticides that PHARMLABS tested for but failed to detect.

51. By the time that GOLDEN LADY had received the failed test results of its distributor's laboratory, it was impossible for GOLDEN LADY to remediate the contaminated distillate because it had already been inserted into cartridges. Had PHARMLABS detected the existence of pesticides in Test Samples 1021 and 1462, however, GOLDEN LADY would have had the opportunity to remediate the contaminated batches, retest for compliance, and then infuse its cartridges with code-compliant distillate that was

safe for users in the general public. Instead, GOLDEN LADY was forced to destroy not only the contaminated batches of cannabis material, but also had to destroy the branded cartridges it marketed for sale as well.

52. In February 2019, GOLDEN LADY made a written demand to PHARMLABS/MAGDOFF to preserve and/or provide the following materials: (a) all data relating to certificates of analysis numbers 1021 and 1462, including chromatograms and data packets; (b) all equipment used to test the samples identified in certificates of analysis numbers 1021 and 1462; (c) all standard operating procedures in effect from January 2018 through March 2018; (d) all communications relating to GOLDEN LADY, LLC, and certificates of analysis 1021 and 1462; and, all investigations and complaint relating to false or inaccurate results produced by PHARMLABS and/or its affiliate companies.

53. Later in February, 2019, PHARMLABS responded to GOLDEN LADY's earlier demand as follows: it refused to provide its datapacks, chromataograms, and standard operating procedures unless GOLDEN LADY would provide the same from the distrubutor's laboratory.

54. On information and belief, PHARMLABS/ MAGDOFF violated the absolute requirement of the ISO 17025 standard by refusing to provide the data packs involved in its testing of Test Samples 1021 and 1462.

55. As a direct result of the aforesaid misrepresentations of material fact by the named Defendants in this cause of action, Plaintiff justifiably relied to its detriment in having the same cannabis product tested in Samples 1021 and 1462 infused into its cartridges and pens for distribution, marketing, and sale to its customers who had already contracted with Plaintiff. Plaintiff, however, did not discover that the named Defendants in this cause of action had intentionally misrepresented the nature and extent of their testing capabilities insofar as exposing the existence of banned pesticides until it was too late to remediate the cannabis product and cartridges and pens. Further, Plaintiff was essentially a start-up company in the time period of 2017-2018 and, as a result of the failed orders described herein, lost customers and seed money investment, all to their detriment of loss profits in an

amount according to proof at the trial of this action.

56. The aforesaid conduct of the named Defendants in this cause of action was intentional, unlawful, malicious, oppressive, and despicable, and was designed to injure Plaintiff and, perhaps, unknowing consumers of Plaintiff's cannabis-infused products. Plaintiff MAGDOFF was the primary policy-making individual manager who was individually responsible for the aforesaid false representations of accuracy, competency, and reliability of PHARMLABS, as well as their intentional concealment of the true facts, and therefore both PHARMLABS and MAGDOFF should pay punitive damages to Plaintiff in an amount according to proof at the trial of this action.

## FIFTH CAUSE OF ACTION

**(Negligent Hiring/ Supervision— Brought By Plaintiff GOLDEN LADY, LLC Against Defendants PERRY JOHNSON LABORATORY ACCREDITATION, INC., a Michigan corporation; PERRY JOHNSON REGISTRARS, INC., a Michigan corporation, and DOES 1 Through 20, Inclusive)**

57. Plaintiff realleges and incorporates herein those matters contained in paragraphs 1 through 21 of the General Allegations, and paragraphs 23 through 26 of the First Cause of Action, as though fully set forth herein.

58. On information and belief, Co-Defendant MAGDOFF organized PHARMLABS into a California limited liability company in 2014. Among other things, PHARMLABS was organized for the purpose of providing testing services for cannabis-infused products to its customers.

59. On November 8, 2016, California voters approved Ballot Proposition 64, otherwise known as The Adult Use of Marijuana Act. Prior to the passage of Proposition 64, California voters had approved Proposition 2015 in 1996, otherwise known as "The Compassionate Use" Act for medical marijuana.

60. On information and belief, on an unknown date, the named Defendants in this

cause of action certified, registered, and accredited PHARMLABS as a competent and reliable testing facility for cannabis products. As part of the certification/ accreditation process, the named Defendants in this cause of action were required to monitor PHARMLABS through an auditing process on a regular basis. On further information and belief, the named Defendants in this action did hire an auditing company to, among other things, regularly monitor PHARMLABS testing equipment and testing processes, regularly monitor the keeping and maintenance of PHARMLAB's equipment calibration and the keeping of daily records, the preservation of data packs and testing results, and to conduct investigation audits for customer complaints and by the Bureau of Cannabis Control in the State of California. The identity of the auditing company so retained by the named Defendants in this cause of action is currently unknown to Plaintiff.

61. At all times herein mentioned, the named Defendants in this cause of action had a duty to Co-Defendants PHARMLABS/ MAGDOFF, to the customers of these co-defendants (such as Plaintiff herein), and to members of the general public to exercise due care in their selection of the auditing company, in the training of the auditing company selected, and in the supervision of the auditing company selected, to ensure that its certification and accreditation of said co-defendants was in compliance with California law and ISO 17025 requirements.

62. Further, based on the other allegations in this Complaint incorporated herein, the named Defendants in this cause of action negligently breached this duty of due care in the selection, training, monitoring, and supervision of the auditing company that was required to perform regular audits of the testing facilities, testing equipment, testing practices, and record-keeping requirements of Co-Defendants PHARMLABS/ MAGDOFF.

63. As a direct result of the aforesaid negligence, Plaintiff has sustained, and will continue to sustain for a period of time in the future, compensatory damages in an amount according to proof at the trial of this action.

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WHEREFORE, Plaintiff prays for the following relief:

1. For compensatory damages in an amount according to proof on the First, Second, and Fifth causes of action.

2. For lost profits in the Third and Fourth causes of action.

3. For punitive damages in the Third and Fourth causes of action.

4. For costs of the suit herein incurred.

5. For such other and further relief as this court may deem proper and just.

Dated: December 27, 2019

LAW OFFICES OF JOEL W. BARUCH, PC

By 

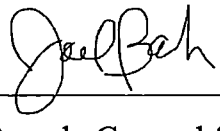
Joel W. Baruch, Counsel for Plaintiff

**DEMAND FOR JURY TRIAL**

1. Plaintiff herein demands a trial by jury.

Dated: December 27, 2019

LAW OFFICES OF JOEL W. BARUCH, PC

By 

Joel W. Baruch, Counsel for Plaintiff