

Eaze Faces Foreclosure Amid Ongoing Legal Challenges

Eaze—California’s largest cannabis delivery service, once valued at \$700 million and backed by Snoop Dogg—now faces foreclosure. The situation stems from a prolonged ownership battle in court that has dragged on for over a year.

Ownership Battle and Defaulted Loan

SFGate reports that the ownership dispute is a significant factor in the current foreclosure threat. According to WeedWeek, the company defaulted on a loan issued by tech investor Jim Clark. Clark, who founded Netscape and other entities, invested in Eaze and has been on the company’s board of directors since 2021. In August 2022, a shell company co-owned by Clark issued a \$36.9 million loan to Eaze, giving Clark the power to seize control of the company if it failed to meet specific monthly revenue requirements, as per a 2023 lawsuit filed by other Eaze investors.

Clark is now foreclosing on the company and demanding all collateral owned by Eaze, according to court filings. Cory Azzalino, Eaze’s CEO, told SFGate that the foreclosure is a result of a dispute among the company’s investors, who fear losing their equity rights.

Misrepresentation Allegations and Financial Health

In another lawsuit, Clark was accused of misrepresenting the company’s financial status to attract more investment. However, this lawsuit was dismissed by a San Francisco judge in November 2023. Azzalino clarified that the foreclosure would not affect the company’s immediate operations and assured that Eaze is still in a “healthy financial position.”

The Rise and Evolution of Eaze

San Francisco-based Eaze was launched in 2014 by Keith McCarty to deliver medical cannabis to patients across California. As the company grew, McCarty stepped down from his position as CEO two years later. Several spinoff companies, including EazeMD, Eaze Insights, and Eaze Wellness, were launched to provide various services such as medical cannabis recommendations, research, and CBD-infused products.

“As California’s largest legal cannabis marketplace, we bring enjoyment and convenience to our customers, break down barriers to access, and cultivate community in everything we do,” the company states. “With nearly 8 million cannabis deliveries to-date, we are committed to creating a more diverse and sustainable industry through our Momentum business accelerator, Social Equity Partners, and Eaze Compassion Programs.”

Challenges in the Cannabis Industry

Despite its mission, Eaze has faced significant challenges. In 2019, the company scaled back its ambitions after initially projecting \$1 billion in cannabis sales in 2020, reducing that figure to less than \$500 million in gross transaction value.

Strikes and Unionization Efforts

Unionization efforts have also clashed with Eaze leadership. According to a report 500 of the company's delivery drivers and depot employees in Los Angeles, Orange County, San Diego, and Northern California were ready to walk off the job after negotiations fell apart last March to secure the first labor contract between staffers and the San Francisco-based delivery company.

Last April, nearly 600 workers at 11 depot locations owned by Eaze threatened to strike over pay and conditions. The United Food and Commercial Workers (UFCW) applauded the strike after members rejected Eaze's final union contract offer. Former driver Ron Swallow and his co-workers unionized with near-unanimous support in March 2023.

"They cut our mileage rate. We'd been hired at 56 cents a mile and then they cut it to 42 cents," Swallow told *The Guardian*. "That cost drivers \$300 to \$700 a month on average, depending on how much you drive and that was pretty annoying. It was also the first time in my whole life I've ever come to a job and then been told I was going to get paid less."

Swallow explained other issues he encountered while working for the company. "They wanted to offer us 45 cents and we of course said no to that because it didn't get us back up to where we started out. We're very united," said Swallow. "When you join with a union, you just become the union, the people working become that and that is one of the coolest things that I've seen, drivers come together just being supportive of each other and our staff as well, because our staff is underpaid, too."

Eaze of Sacramento also joined the Teamsters, with delivery drivers voting unanimously to join Teamsters Local 150.

Broader Industry Impacts

California's cannabis industry as a whole has hit major hurdles. MedMen, the largest cannabis distributor in California once worth billions of dollars, declared bankruptcy last month. Additionally, dispensary chains have faced similar clashes with union members.

As Eaze navigates these legal challenges and foreclosure threats, the future of one of California's pioneering cannabis delivery services remains uncertain. The outcome of these disputes could have significant implications for the broader cannabis industry and its financial stability.

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