

FILED ALAMEDA COUNTY

AUG 0 2 2021

CLERK OF THE SUPERIOR COURT

By Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF ALAMEDA

CENTER FOR ENVIRONMENTAL HEALTH, a non-profit corporation,

Plaintiff,

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GT'S LIVING FOODS, LLC; MILLENNIUM PRODUCTS, INC.; ALBERTSON'S LLC; O ORGANICS LLC; LUCERNE FOODS INC.; SAFEWAY INC.; HUMM KOMBUCHA, LLC; INC.; and DOES 1 through 100, inclusive,

Defendants.

Case No. RG-19-047748

[PROPOSED] CONSENT JUDGMENT AS TO HEALTH-ADE, LLC

1. INTRODUCTION

- 1.1 The Parties to this Consent Judgment are the Center for Environmental Health, a California non-profit corporation ("CEH"), and Health-Ade, LLC ("Settling Defendant"). The Parties enter into this Consent Judgment to settle certain claims asserted by CEH against Settling Defendant as set forth in the operative complaint ("Complaint") in the above-captioned matter. This Consent Judgment covers Kombucha drinks sold by Settling Defendant that have been or will be sold or offered for sale to California consumers ("Covered Products").
- 1.2 On September 30, 2019, CEH provided a 60-day Notice of Violation under Proposition 65 to the California Attorney General, the District Attorneys of every county in California, the City Attorneys of every California city with a population greater than 750,000 and Settling Defendant, alleging that Settling Defendant violated Proposition 65 by exposing persons to ethyl alcohol in alcoholic beverages and alcoholic beverages (collectively, "Alcohol") contained in Covered Products without first providing a clear and reasonable Proposition 65 warning.
- 1.3 Settling Defendant is a corporation or other business entity that manufactures, distributes, sells or offers for sale Covered Products that are sold or offered for sale or has done so in the past.
- 1.4 On December 20, 2019, CEH filed the Complaint in the above-captioned matter. On October 28, 2020, CEH amended the complaint to add Settling Defendant as a defendant.
- 1.5 For purposes of this Consent Judgment only, CEH and Settling Defendant (the "Parties") stipulate that this Court has jurisdiction over the allegations of violations contained in the Complaint and personal jurisdiction over each Settling Defendant as to the acts alleged in the Complaint, that venue is proper in the County of Alameda, and that this Court has jurisdiction to enter this Consent Judgment as a full and final resolution of all claims which were or could have been raised in the Complaint based on the facts alleged therein with respect to Covered Products manufactured, distributed, and/or sold by Settling Defendant.
- 1.6 Nothing in this Consent Judgment is or shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law or violation of law, nor shall compliance

with the Consent Judgment constitute or be construed as an admission by the Parties of any fact, conclusion of law, issue of law, or violation of law. Nothing in this Consent Judgment shall prejudice, waive or impair any right, remedy, argument or defense the Parties may have in any other pending or future legal proceedings. This Consent Judgment is the product of negotiation and compromise and is accepted by the Parties solely for purposes of settling, compromising, and resolving issues disputed in this Action.

- The "Complaint" means the operative complaint in the above-captioned
- "Covered Products" means kombucha drinks manufactured, distributed or
- "Effective Date" means the date on which notice of entry of this Consent Judgment by the Court is served upon Settling Defendant.
- "Expiration Date" means the "Enjoy By" date stamped on the label of a
 - "Compliance Level" means 0.5% Alcohol by volume or less.
- "Type" means flavor. To the extent different flavors of Covered Products contain identical ingredients, such products will be treated as the same Type for purposes of this
 - "Reformulation Deadline" means July 1, 2021.

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- Reformulation of Covered Products. As of the Effective Date, Settling Defendant shall not sell or offer for sale a Covered Product that will be sold or offered to sale to California consumers that was manufactured on or after the Effective Date if that Covered Product contains more than 0.5% Alcohol by volume as measured at any time between the production date and the expiration date of the Covered Product.
- 3.2 **Testing.** In order to ensure that the Covered Products meet the Compliance Level, Settling Defendant shall conduct random testing of Covered Products from its

production facility and take the follow-up actions described in this section ("ABV Validation Testing").

- 3.2.1 <u>Covered Products To Be Tested.</u> Validation Testing shall be performed on a quarterly basis for each of the top three (3) selling Types of Covered Product based on prior 12-week period sales and three (3) additional Types of Covered Products ("Test Flavors") such that all Types of Covered Products are tested at least once within five (5) quarters of the Reformulation Deadline. Such Validation Testing shall be performed on samples retained from production lots of the Test Flavors. Two (2) samples of each of the Test Flavors shall be tested at the beginning and within 45 days of the end of the Covered Product's shelf-life, extending from a Covered Product's manufacturing date to its Expiration Date (the "Testing Period").
- 3.2.2 <u>Methods of Testing</u>. Settling Defendant shall conduct ABV Validation Testing pursuant to one of the following methods: (1) Ethanol Analysis by Headspace Gas Chromatography with Mass Spectroscopy Detection; (2) Ethanol Analysis by Headspace Gas Chromatography with Flame Ionization Detector (AOAC 2016.12), or any other testing method agreed upon by the Parties.
- 3.2.3 <u>Laboratories Conducting Validation Testing</u>. Any Validation Testing shall be performed by an independent, accredited third party laboratory or an in-house laboratory that has been certified by an independent third party or otherwise agreed to by the Parties.
- 3.2.4 <u>Duration of Testing.</u> In the event the Validation Testing demonstrates the Covered Products do not exceed the Compliance Level for six (6) continuous quarters in which the production of a Type of Covered Product has occurred, the Settling Defendant may send written notice to CEH and thereafter cease Validation Testing for that Type of Covered Product; provided however, if there is a material change in the product ingredients, formula or manufacturing process that is reasonably likely to cause the Alcohol by volume in the product to exceed the Compliance Level, then Settling Defendant shall arrange for testing for a minimum of three (3) consecutive production quarters after that change.
- 3.2.5 <u>Covered Products That Exceed Compliance Level</u>. If the Validation Testing result indicates that any of the tests for a Type of a Covered Product exceeds the

Compliance Level, Settling Defendant shall ensure that all Covered Products from the same production lot as those from which the sample of the Covered Product(s) that exceeded the Compliance Level were drawn will not be sold or offered for sale to California consumers. In addition, Settling Defendant will test samples of Covered Products from other lots of the same Type of Covered Product produced in the same calendar quarter. Should the samples of the additional testing exceed the Compliance Level, Settling Defendant shall ensure that all Covered Products from the same production lot as those from which the sample of the Covered Product(s) that exceeded the Compliance Level were drawn will not be sold or offered for sale to California consumers.

3.2.6 Records. The testing reports and results of the Validation Testing performed pursuant to this Consent Judgment shall be retained by Settling Defendant for three (3) year and made available to CEH upon reasonable request, but no more than twice per year.

4. ENFORCEMENT

4.1 CEH may, by motion or application for an order to show cause before the Superior Court of the County of Alameda, enforce the terms and conditions contained in this Consent Judgment. Any action to enforce alleged violations of Section 3 by Settling Defendant shall be brought exclusively pursuant to this Section 4, and subject to any applicable meet and confer requirements below.

4.2 Enforcement of Compliance Level

4.2.1 <u>Notice of Violation</u>. In the event that CEH purchases a Covered Product in California that was sold or offered for sale by Settling Defendant with a best-by or sell-by (or equivalent) date of more than one year after the Effective Date, and for which CEH has laboratory test results showing that the Covered Product exceeds the Compliance Level, CEH may issue a Notice of Violation pursuant to this Section.

4.2.2 Service of Notice of Violation and Supporting Documentation

4.2.2.1 The Notice of Violation shall be sent to the person(s) identified in Section 8.2 to receive notices for Settling Defendant, and must be served within sixty (60) days of the later of the date the Covered Product at issue was purchased or otherwise acquired by CEH,

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provided, however, that CEH may have up to an additional thirty (30) days to send the Notice of Violation if, notwithstanding CEH's good faith efforts, the test data required by Section 4.2.2.2 below cannot be obtained by CEH from the independent, accredited laboratory before expiration of the initial sixty (60) day period.

4.2.2.2 The Notice of Violation shall, at a minimum, set forth (a) the date the Covered Product was purchased, (b) the location at which the Covered Product was purchased, (c) a description of the Covered Product giving rise to the alleged violation, including its name, the name and address of the retail entity from which the sample was obtained, and pictures of the product packaging from all sides, which identifies the product lot (by means of Expiration Date), and (d) all test data obtained by CEH regarding the Covered Product and supporting documentation sufficient for validation of the test results, including any laboratory reports, quality assurance reports, and quality control reports associated with testing of the Covered Products.

4.2.3 Meet and Confer. If the Settling Defendant disputes a Notice of Violation, CEH and Settling Defendant shall meet and confer to attempt to resolve their dispute informally. CEH shall consider the following factors in determining whether to pursue the Notice of Violation: (1) whether Settling Defendant can demonstrate with test data that the alcohol by volume in the Type of noticed Covered Product did not exceed the Compliance Level at the time of bottling; (2) whether the alleged exceedance in the noticed Covered Product was the result of circumstances out of Settling Defendant's control, including but not limited to temperature abuse occurring after the Covered Product left the Settling Defendant's facility; (3) whether the alleged exceedance is the result of an unexpected deviation from the Settling Defendant's standard operating procedures; and (4) any remedial measures undertaken by Settling Defendant to address a deviation from Settling Defendant's standard operating procedures At any time and for any reason, CEH may withdraw a Notice of Violation, in which case the result shall be as if CEH never issued any such Notice of Violation. CEH may not unreasonably withhold time to meet and confer under this section.

4.2.3.1 Upon receipt of a Notice of Violation, Settling Defendant may provide CEH with test data showing Alcohol measured in the same Type of Covered Product manufactured in the same calendar quarter that corresponds to the Expiration Date shown on the

Violation. In no case shall Settling Defendant be obligated to pay more than \$75,000 for all Notices of Violation in any calendar year irrespective of the total number of Notices of Violation issued.

- 4.2.5 Payments. Any payments under Section 4.2 shall be made by check payable to the "Lexington Law Group" and shall be paid within thirty (30) days of service of a Notice of Election triggering a payment and shall be used as reimbursement for costs for investigating, preparing, sending, and prosecuting Notices of Violation, and to reimburse attorneys' fees and costs incurred in connection with these activities. Any remainder shall be allocated between a civil penalty and an additional settlement payment ("Additional Settlement Payment" or "ASP") as follows: 57% to civil penalties and 43% to ASP.
- 4.2.6 Should such attempts at meeting and conferring fail, CEH may file its enforcement motion or application. In ruling on any motion to enforce the terms of this section, the Court may, in addition to ordering compliance with the terms of this Judgment, employ such remedies as necessary to ensure compliance with Proposition 65 including, but not limited to, requiring Settling Defendant to provide warnings. Should CEH prevail on any motion, application for an order to show cause, or other proceeding to enforce a violation of this Consent Judgment, CEH shall be entitled to its reasonable attorneys' fees and costs incurred as a result of such motion or application. Should Settling Defendant prevail on any motion application for an order to show cause, or other proceeding, Settling Defendant may be awarded its reasonable attorneys' fees and costs as a result of such motion or application upon a finding by the Court that CEH's prosecution of the motion or application lacked substantial justification. For purposes of this Consent Judgment, the term substantial justification shall carry the same meaning as used in the Civil Discovery Act of 1986, Code of Civil Procedure §§ 2016, et seq.

5. PAYMENTS

- 5.1 **Payments by Settling Defendant.** Settling Defendant shall pay the total sum of \$115,000 as a settlement payment as further set forth in this Section. The payments are payable in accordance with the payment schedule set forth as Exhibit A attached hereto.
- 5.2 **Allocation of Payments.** The total settlement amount for Settling

 Defendant shall be paid in accordance with the terms set forth on Exhibit A. Any failure by Settling

intends to place these funds in CEH's Toxics in Food Fund, which is used to support CEH programs

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and activities that seek to educate the public about alcohol and other toxic chemicals in food, to work with the food industry and agriculture interests to reduce exposure to alcohol and other toxic chemicals in food, and to thereby reduce the public health impacts and risks of exposure to acrylamide and other toxic chemicals in food sold in California. CEH shall obtain and maintain adequate records to document that ASPs are spent on these activities and CEH agrees to provide such documentation to the Attorney General within thirty (30) days of any request from the Attorney General. The payment pursuant to this Section shall be made payable to the Center for Environmental Health and associated with taxpayer identification number 94-3251981. This payment shall be delivered to Lexington Law Group, 503 Divisadero Street, San Francisco, CA 94117.

- 5.2.3 \$87,689 as a reimbursement of a portion of CEH's reasonable attorneys' fees and costs. The attorneys' fees and cost reimbursement shall be made in two separate checks as follows: (a) \$73,833 payable to the Lexington Law Group and associated with taxpayer identification number 94-3317175; and (b) \$13,856 payable to the Center for Environmental Health and associated with taxpayer identification number 94-3251981. Both of these payments shall be delivered to Lexington Law Group, 503 Divisadero Street, San Francisco, CA 94117.
- 5.2.4 Notwithstanding the provisions of the Enforcement of Judgments Law and Code of Civil Procedure § 780.160, in the event that Settling Defendant does not comply fully with its payment obligations under this Section 5, in addition to any other enforcement mechanism available to CEH, CEH may seek an order requiring Settling Defendant to submit a debtor's examination in the Alameda County Superior Court. In the event that Settling Defendant fails to submit to any such debtor's examination ordered by the Court, CEH may seek an order holding Settling Defendant in contempt of Court.

6. MODIFICATION AND DISPUTE RESOLUTION

6.1 **Modification.** This Consent Judgment may be modified from time to time by express written agreement of the Parties, with the approval of the Court, or by an order of this

Court upon motion and in accordance with law. The Parties agree that if Proposition 65 or its implementing regulations (including but not limited to any "safe harbor" set forth in the regulations, or any "alternative risk level" adopted by regulation or court decision) are amended from their terms as they exist on the date of entry of this Consent Judgment in a manner that impacts the 0.5% ABV set forth herein, or if OEHHA takes some other final regulatory action pertaining to the Covered Products in a manner that impacts the 0.5% ABV level, or that determines that warnings are not required on kombucha or similar products, or if a court of competent jurisdiction or an agency of the federal government, including, but not limited to, the U.S. Food and Drug Administration, states through any final decision, guidance, regulation or legally binding act that federal law has preemptive effect on any of the requirements of this Consent Judgment, then Settling Defendant may seek to modify or terminate this Consent Judgment. The Parties recognize that the injunctive relief provisions set forth herein are based on a compromise of a number of issues, and that potential changes to warning requirements related to Alcohol as described above would not necessarily entitle a Party to a modification of the terms of this Consent Judgment.

- 6.2 **Notice; Meet and Confer.** Any Party seeking to modify this Consent Judgment shall attempt in good faith to meet and confer with the other Party prior to filing a motion to modify or terminate the Consent Judgment.
- 6.3 Other Settlements. CEH may enter into agreements with other entities that manufacture, distribute, and/or sell kombucha. Should Settling Defendant determine that the injunctive relief set forth in any such Consent Judgment is less stringent than that set forth in Section 3, after meeting and conferring with CEH pursuant to Section 6.2 above, Settling Defendant may move for a modification of this Consent Judgment to substitute any less stringent injunctive relief provisions, and CEH agrees not to oppose any such motion except for good cause shown.

7. CLAIMS COVERED AND RELEASE

7.1 This Consent Judgment is a full, final and binding resolution between CEH on behalf of itself and the public interest and Settling Defendant and Settling Defendant's parents, subsidiaries, affiliated entities that are under common ownership, directors, officers, employees, agents, shareholders, successors, assigns, and attorneys ("Defendant Releasees"), and

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8.3 Any Party may modify the person and address to whom the notice is to be sent by sending the other Party notice by first class and electronic mail.

9. COURT APPROVAL

- 9.1 This Consent Judgment shall become effective as a contract upon the date signed by CEH and Settling Defendant, whichever is later, provided however, that CEH shall also prepare and file a Motion for Approval of this Consent Judgment and Settling Defendant shall support approval of such Motion.
- 9.2 If this Consent Judgment is not entered by the Court, it shall be of no force or effect and shall not be introduced into evidence or otherwise used in any proceeding for any purpose.

10. GOVERNING LAW AND CONSTRUCTION

The terms of this Consent Judgment shall be governed by the laws of the State of California.

11. ATTORNEYS' FEES

- 11.1 A Party who unsuccessfully brings or contests an action, motion, or application arising out of this Consent Judgment shall be required to pay the prevailing Party's reasonable attorneys' fees and costs.
- Nothing in this Section 11 shall preclude a party from seeking an award of sanctions pursuant to law.

12. ENTIRE AGREEMENT

12.1 This Consent Judgment contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and any and all prior discussions, negotiations, commitments, or understandings related thereto, if any, are hereby merged herein and therein. There are no warranties, representations, or other agreements between the Parties except as expressly set forth herein. No representations, oral or otherwise, express or implied, other than those specifically referred to in this Consent Judgment have been made by any Party hereto. No other agreements not specifically contained or referenced herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties hereto. Any agreements

specifically contained or referenced herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties hereto only to the extent that they are expressly incorporated herein. No supplementation, modification, waiver, or termination of this Consent Judgment shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Consent Judgment shall be deemed or shall constitute a waiver of any of the other provisions hereof whether or not similar, nor shall such waiver constitute a continuing waiver.

13. SUBMISSION OF REPORTS AND DATA TO CEH

13.1 For any report or information that Settling Defendant submits to CEH pursuant to this Consent Judgment, Settling Defendant may make such a submission subject to the terms of the protective order previously entered in this action and the protective order's terms shall apply to the report or information as if it were still in effect.

14. RETENTION OF JURISDICTION

14.1 This Court shall retain jurisdiction of this matter to implement or modify the Consent Judgment.

15. AUTHORITY TO STIPULATE TO CONSENT JUDGMENT

15.1 Each signatory to this Consent Judgment certifies that he or she is fully authorized by the Party he or she represents to stipulate to this Consent Judgment and to enter into and execute the Consent Judgment on behalf of the Party represented and legally to bind that Party.

16. NO EFFECT ON OTHER SETTLEMENTS

16.1 Nothing in this Consent Judgment shall preclude CEH from resolving any claim against an entity that is not a Settling Defendant on terms that are different than those contained in this Consent Judgment.

17. EXECUTION IN COUNTERPARTS

17.1 The stipulations to this Consent Judgment may be executed in counterparts and by means of facsimile or portable document format (pdf), which taken together shall be deemed to constitute one document.

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2	IT IS SO ORDERED, ADJUDGED, AND DECREED:
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CONSENT JUDGMENT Re: HEALTH-ADE, LLC - Case No. RG-19-047748

1	IT IS SO STIPULATED:	
2	Dated: April 30 , 2020 2021	CENTER FOR ENVIRONMENTAL HEALTH
3	Bated	M-10/
4		Michael C
5	·	Michael Green Chief Executive Officer
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7 8	Dated: April 28, 2021, 2020	HEALTH-ADE, LLC
9		Quetic Tract
10		Gustin Trout Signature
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12		Justin Trout Printed Name
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EXHIBIT A

Due within 10 Days Following the Effective Date (Total = \$38,333)

Payee	Туре	Amount	Deliver To
ОЕННА	Penalty	\$3,902	OEHHA per Section 5.2.1
Center for Environmental Health	Penalty	\$1,300.67	LLG
Center for Environmental Health	ASP	\$3,901	LLG
Lexington Law Group	Fee and Cost	\$24,611	LLG
Center for Environmental Health	Fee and Cost	\$4,618.33	LLG

Due within 100 Days Following the Effective Date (Total = \$38,333)

Payee	Туре	Amount	Deliver To
ОЕННА	Penalty	\$3,902	OEHHA per Section 5.2.1
Center for Environmental Health	Penalty	\$1,300.33	LLG
Center for Environmental Health	ASP	\$3,901	LLG
Lexington Law Group	Fee and Cost	\$24,611	LLG
Center for Environmental Health	Fee and Cost	\$4,618.67	LLG

Due within 190 Days Following the Effect (Total = \$38,334)

Payee	Туре	Amount	Deliver To
ОЕННА	Penalty	\$3,902	OEHHA per Section 5.2.1
Center for Environmental Health	Penalty	\$1,301	LLG
Center for Environmental Health	ASP	\$3,901	LLG
Lexington Law Group	Fee and Cost	\$24,611	LLG
Center for Environmental Health	Fee and Cost	\$4,619	LLG