1 2 3 4 5	Clifford A. Chanler, State Bar No. 135534 Laurence D. Haveson, State Bar No. 152631 THE CHANLER GROUP 2560 Ninth Street Parker Plaza, Suite 214 Berkeley, CA 94710 Telephone: (510) 848-8880 Facsimile: (510) 848-8118				
6 7	Attorneys for Plaintiff WHITNEY R. LEEMAN, PH.D.				
8 9 10	SUPERIOR COURT OF THE STATE OF CALIFORNIA COUNTY OF SAN FRANCISCO UNLIMITED CIVIL JURISDICTION				
11 12	WHITNEY R. LEEMAN, PH.D.,	Case No. CGC-13-529493			
13 14	Plaintiff, V.	[PROPOSED] CONSENT JUDGMENT			
15 16	ADAMS EXTRACT & SPICE, LLC and DOES 1-150, inclusive,	(Health & Safety Code § 25249.6 et seq.)			
17 18	Defendants.				
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28	[PROPOSED] CONSE	NT JUDGMENT			

1. <u>INTRODUCTION</u>

1.1 Dr. Whitney R. Leeman and Adams Extract & Spice, LLC

This Consent Judgment is entered into by and between Whitney R. Leeman, Ph.D. ("Dr. Leeman" or "Plaintiff") and Adams Extract & Spice, LLC ("Adams" or "Defendant"), with Dr. Leeman and Adams collectively referred to as the "Parties," and each individually referred to as a "Party."

1.2 Dr. Whitney R. Leeman

As alleged in the Complaint, Dr. Leeman 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 and commercial products.

1.3 Adams Extract & Spice, LLC

Adams 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").

1.4 General Allegations

Dr. Leeman alleges that Adams has, directly or indirectly, sold food extracts, flavors and/or colorings containing 4-methylimidazole ("4-MEI") in the State of California without the requisite Proposition 65 health hazard warning. Pursuant to Proposition 65, on January 7, 2011, California identified and listed 4-MEI as a chemical known to cause cancer. 4-MEI became subject to the "clear and reasonable warning" requirements of Proposition 65 one year later on January 7, 2012. Cal. Code Regs., tit. 27, § 27001(c); Health & Safety Code §§ 25249.8, 25249.10(b).

1.5 Product Description

The products covered by this Consent Judgment are food extracts, flavors and/or colorings containing 4-MEI sold or offered for sale in California by Adams ("Products" or "Product").

Adams represents that for at least the past two years it has not sold and does not sell Products directly through any retail outlets.

1.6 Notice of Violation

On or about December 3, 2012, Dr. Leeman served Adams and the requisite public prosecutors with a "60-Day Notice of Violation" ("Notice"), identifying the Product and alleging that Adams was in violation of Proposition 65 for failing to warn its customers and consumers that food extracts, flavors and/or colorings containing 4-MEI sold by Adams expose consumers in California to 4-MEI. To the 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 March 13, 2013, Dr. Leeman filed a complaint (the "Complaint") in San Francisco County Superior Court against Adams and Does 1 through 150, in an action styled *Leeman v*. *Adams Extract & Spice, LLC, et al.*, Case No. CGC-13-529493 (the "Action"), alleging violations of Proposition 65, based on the alleged exposures of California consumers to 4-MEI contained in the food extracts, flavors and/or colorings sold by Adams.

1.8 No Admission

Adams denies the material factual and legal allegations contained in the Notice and maintains that all of the products it has sold, including the Products, have been, and are, in compliance with all laws. Nothing in this Consent Judgment shall be construed as an admission by Adams 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 by Adams of any fact, finding, conclusion of law, issue of law, or violation of law, such being specifically denied by Adams. This section shall not, however, diminish or otherwise affect Adams's obligations, responsibilities, and/or 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 Adams as to the allegations contained in the Complaint, that venue of the action in San Francisco County is proper, and that this Court has jurisdiction to enter and enforce the provisions of this Consent Judgment, pursuant to Code of Civil Procedure section 664.6, as a full and binding resolution of all claims that were or could have been raised in the Complaint against

Adams based on the facts alleged therein and in the Notice.

1.10 Effective Date

For purposes of this Consent Judgment, the term "Effective Date" shall mean the date the this Consent Judgment is approved by the Court.

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

2.1 Reformulation Commitment

As of the Effective Date, Adams shall only manufacture, sell, or distribute for sale the "Reformulated Product." For purposes of this Consent Judgment, a Reformulated Product is defined as a Product that contains "low levels" of 4-MEI ("Low 4-MEI"). "Low 4-MEI" is defined as a Product containing less than or equal to five (5) parts per million ("ppm") 4-MEI when analyzed pursuant to any testing methodology approved by a federal or California state agency for detecting the presence of 4 MEI in a liquid or solid substance, including testing methodologies employing the use of LC/MS.

2.2 Product Warnings

Commencing on the Effective Date, for every sale and/or shipment by Adams in California of any Product other than the Reformulated Product, Adams shall provide clear and reasonable warnings as set forth in subsections 2.2(a) and (b) below. 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. Each warning shall be provided in a manner such that the consumer or user understands to which *specific* Product the warning applies, so as to minimize the risk of consumer confusion.

(a) Retail Store Sales.

(i) **Product Labeling.** Adams shall affix a warning to the packaging and/or labeling of each Product, or directly on each Product, sold in retail outlets in California by Adams or any person selling the Product, which, as required under Section 25249.6 of the Act, contains a written warning stating as follows:

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

(ii) Point-of-Sale Warnings. Alternatively, in lieu of the Product Labeling detailed above, Adams may, by certified mail, return receipt requested, instruct and/or direct its customers in California to post a warning in close proximity to the point of display of the Product stating as follows:

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

Where more than one Product is sold in proximity to other like items or to those that do not require a warning (*e.g.*, Reformulated Product as defined in Section 2.1), the following statement shall be used: ¹

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

¹ For purposes of the Settlement Agreement, "sold in proximity" shall mean that the Product and another similar product are offered for sale close enough to each other that the consumer, under customary conditions of purchase, could not reasonably determine which of the two products is subject to the warning sign.

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If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

- **(b)** Mail Order Catalog and Internet Sales. In the event Adams, after the Effective Date, sells Product other than Reformulated Product via mail order catalog and/or the internet to customers located in California, Adams shall provide warnings for any such Product sold via mail order catalog or the internet to California residents. Warnings given in the mail order catalog or on the internet shall identify the *specific* Product to which the warning applies as further specified in Sections 2.2(b)(i) and (ii).
- Mail Order Catalog Warning. Any warning provided in a mail (i) order catalog shall be in the same type size or larger than the Product description text within the catalog. The following warning shall be provided on the same page and in the same location as the display and/or description of the Product:

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

Where it is impracticable to provide the warning on the same page and in the same location as the display and/or description of the Product, Adams may utilize a designated symbol to cross reference the applicable warning and shall define the term "designated symbol" with the

following language on the inside of the front cover of the catalog or on the same page as any order form for the Product:

WARNING: Certain products identified with this symbol ▼ and offered for sale in this catalog contain 4-MEI, a chemical known to the State of California to cause cancer.

The designated symbol must appear on the same page and in close proximity to the display and/or description of the Product. On each page where the designated symbol appears, Adams must provide a header or footer directing the consumer to the warning language and definition of the designated symbol.

(ii) Internet Website Warning. A warning shall be given in conjunction with the sale of the Product via the internet, which warning shall appear either: (a) on the same web page on which a Product is displayed; (b) on the same web page as the order form for a Product; (c) on the same page as the price for any Product; or (d) on one or more web pages displayed to a purchaser during the checkout process. The following warning statement shall be used and shall appear in any of the above instances adjacent to or immediately following the display, description, or price of the Product for which it is given in the same type size or larger than the Product description text:

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

Alternatively, the designated symbol may appear adjacent to or immediately following the display, description, or price of the Product for which a warning is being given, provided that the following warning statement also appears elsewhere on the same web page, as follows:

WARNING: Products identified on this page with the following symbol ▼ contain 4-MEI, a

(c) Sales to Distributors. In the event that, after the Effective Date, Adams sells Product that is not Reformulated Product to a distributor located in California or to a customer that Adams reasonably believes will sell the Product to customers in California, Adams shall, as specified in Section 2.2(a)(i) above, provide a warning on the Product, or if it is impractical to provide a warning directly on the Product, provide a warning on the packing material accompanying the Product. The following warning shall be prominently placed on the packing materials accompanying the Product:

WARNING: This product contains 4-MEI, a chemical known to the State of California to cause cancer.

If this product is added as an ingredient to another product, the new product may contain sufficiently high levels of 4-MEI so as to require a warning under California law. Unless you can establish that the new product falls within one of the exceptions to Proposition 65's warning requirements, you must include a clear and reasonable warning on the new product. Accordingly, any product to which you add this product as an ingredient should be tested to ensure that the new product's levels of 4-MEI do not exceed the safe harbor set forth by the State of California.

Warnings given to Distributors alongside packing materials for other products shall identify the *specific* Product to which the warning applies as further specified in Sections 2.2(b)(i) and (ii).

Where it is impracticable to provide the warning on a prominent location of the packing material and alongside the Product, Adams may utilize a designated symbol to cross reference the applicable warning and shall define the term "designated symbol" with the following language on the front page of the packing material for the Product:

WARNING: Certain products identified with this symbol ▼ and offered for sale in this catalog contain 4-MEI, a chemical known to the State of California to cause cancer.

The designated symbol must appear on the same page and in close proximity to the display and/or description of the Product on the packing material. On each page where the

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designated symbol appears, Adams must provide a header or footer directing the consumer to the warning language and definition of the designated symbol.

3. MONETARY TERMS

3.1 **Civil Penalties**

In settlement of all the claims referred to in this Consent Judgment, Adams has been apportioned \$20,000.00 in civil penalties. Each penalty payment will be allocated in accordance with Health and Safety Code § 25249.12(c)(1) and (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA"), in the form of a check made payable to "OEHHA," and the remaining 25% of the penalty remitted to Dr. Leeman, in the form of a check made payable to "The Chanler Group in Trust for Whitney R. Leeman."

3.2 **Initial Civil Penalty**

On or before the Effective Date, Adams shall pay an initial civil penalty of \$10,000.00.

3.3 **Final Civil Penalty**

On or before December 31 2014, Adams shall pay a final civil penalty of 10,000.00. The final civil penalty shall be waived in its entirety, however, if an Officer of Adams provides Dr. Leeman with written certification that, as of January 1, 2015 and continuing into the future, ninety-five percent (95%) of sales by volume of the Product manufactured, imported, distributed, sold and offered for sale in California by Adams will contain no detectable 4-MEI. "No detectable" is defined as containing less than or equal to 1 ppm of 4-MEI when analyzed pursuant to U.S. Environmental Protection Agency testing methodology 8321A (LC/MS). Leeman must receive any such certification on or before December 31, 2014, and time is of the essence.

3.4 Reimbursement of Dr. Leeman's Fees and Cost

The parties acknowledge that Dr. Leeman and her 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. Dr. Leeman 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 Dr. Leeman and her counsel under general contract principles and the private attorney

general doctrine, codified at Code of Civil Procedure section 1021.5, for all work performed through the mutual execution of this agreement. Adams shall, on or before the Effective Date, pay \$72,500.00 for fees and costs, including without limitation, all attorneys' fees, costs and expenses incurred as a result of investigating, bringing this matter to Adams's attention, and negotiating a settlement in the public interest.

3.5 Sales Data

Adams understands that the sales data it provided to Dr. Leeman on January 14, 2014 was a material factor upon which Dr. Leeman has relied to determine the amount of civil penalties assessed pursuant to Health & Safety Code § 25249.7 in this Consent Judgment. To the best of Adams's knowledge, the sales data provided by Adams to Dr. Leeman is full and complete, and is a true and accurate reflection of any and all sales of the Product by Adams during the relevant period.

If, within nine months of the Effective Date, Dr. Leeman discovers and presents to Adams evidence that prior to execution of this Consent Judgment the Product has been distributed by Adams in sales volumes materially different than those identified by Adams prior to execution of this Consent Judgment, then Adams may be liable for an additional penalty amount as well as additional attorney fees expended by Dr. Leeman in the public interest. In the event Dr. Leeman has evidence that the Product has been distributed by Adams in sales volumes materially different than those identified by Adams, Dr. Leeman shall provide Adams with a written demand for additional penalties and attorney's fees under this section. After service of such demand, Adams shall have 30 days to meet and confer regarding the demand and submit such payment to Dr. Leeman in accordance with the method of payment of penalties and attorney's fees identified in this Section 3. Should this 30 day period pass without any such resolution between the Parties regarding payment of such additional penalties and fees, Dr. Leeman shall be entitled to enforce or otherwise address the violation through mediation and, if unsuccessful, through binding arbitration.

3.6 Payment Procedures

3.6.1 Issuance of Payments

1	(a) All payments owed to Dr. Leeman and her attorneys, pursuant to Sections				
2	3.1 through 3.4, shall be delivered to the following address:				
3	The Chanler Group				
4	Attn: Proposition 65 Controller 2560 Ninth Street				
5	Parker Plaza, Suite 214 Berkeley, CA 94710				
6	(b) All payments owed to OEHHA pursuant to Sections 3.1 through 3.3, shall				
7	be delivered directly to OEHHA (Memo line "Prop 65 Penalties") at one of the following				
8	addresses, as appropriate:				
9	For United States Postal Service:				
10	Mike Gyurics Fiscal Operations Branch Chief				
11	Office of Environmental Health Hazard Assessment P.O. Box 4010				
12	Sacramento, CA 95812-4010				
13	For delivery by other than the United States Postal Service:				
14	Mike Gyurics Fiscal Operations Branch Chief				
15	Office of Environmental Health Hazard Assessment 1001 I Street				
16	Sacramento, CA 95814				
17	3.6.2 Proof of Payment				
18	A copy of each check payable to OEHHA shall be mailed, simultaneous with payment, to				
19	The Chanler Group at the address set forth above in Section 3.6.1(a), as proof of payment to				
20	ОЕННА.				
21	3.6.3 Tax Documentation				
22	Upon making each payment required by this Section 3.6, Adams shall issue separate 1099				
23	forms as follows: For each penalty payment to OEHHA, a 1099 shall be issued to the Office of				
24	Environmental Health Hazard Assessment, 1001 I Street, Sacramento, CA 95814 (EIN: 68-				
25	0284486); for each penalty payment to Whitney Leeman, a 1099 shall be issued to "Whitney R. Leeman," whose address and tax identification number shall be furnished upon request after this				
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consent judgment is fully executed by the Parties; for each payment in reimbursement of fees and costs, Adams shall issue a separate 1099 form to "The Chanler Group" (EIN: 94-3171522).

4. <u>CLAIMS COVERED AND RELEASED</u>

4.1 Dr. Leeman's Release of Proposition 65 Claims

Dr. Leeman, acting on her own behalf and in the public interest, and on behalf of each of her predecessors, successors, partners, partnerships, agents, representatives, insurers, attorneys, heirs, assignors and assignees, accountants and all persons and entities acting or claiming by, through, under or in concert with any of them, hereby irrevocably releases and forever discharges Adams, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, insurers, attorneys, and Adams' downstream customers limited to Sterling Foods ("Releasees") from all claims, demands, suits, liabilities, causes of action or actions, now or in the future, for violations of Proposition 65 based on alleged exposures to 4- MEI from the Product (the "Claims"). The Parties understand and agree that this Section 4.1 release shall be for the benefit only of Adams, and shall not extend upstream to any entities, including, but not limited to Sethness Products Company, that provided Adams with any of the Products or any ingredients contained in the Products. Compliance with the terms of this Consent Judgment constitutes compliance with Proposition 65 with respect to exposures to 4- MEI from the Product.

4.2 Dr. Leeman's Individual Release of the Claim

In addition, Dr. Leeman, in her individual capacity only and *not* in her representative capacity, provides a release herein 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 Dr. Leeman of any nature, character or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of alleged or actual exposures to 4-MEI in the Product sold by Adams.

4.3 Adams's Release of Dr. Leeman

Adams, on behalf of itself, its past and current agents, representatives, insurers, attorneys, successors, and/or assignees, hereby waives any and all claims against Dr. Leeman and her attorneys and other representatives, for any and all actions taken or statements made (or those that

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could have been taken or made) by Dr. Leeman and her attorneys and other representatives, whether in the course of investigating claims or otherwise seeking to enforce Proposition 65 against it in this matter with respect to the Product.

5. **COURT APPROVAL**

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 the Parties, in which event any monies that have been paid to Dr. Leeman or her counsel pursuant to Section 3 above shall be refunded within fifteen days of Dr. Leeman's receipt of written notice from Adams that the one-year period has expired.

6. **SEVERABILITY**

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

7. **GOVERNING LAW**

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

8. **NOTICES**

Unless specified herein, all correspondence and notices required to be provided pursuant to 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) overnight courier on any party by the other party at the following addresses:

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For Adams: 24 Brian M. Ledger, State Bar No. 156942

GORDON & REES LLP 101 W. Broadway, Suite 2000 San Diego, CA 92101 Attorneys for:

Adams Extract & Spice, LLC

For Dr Leeman:

Proposition 65 Coordinator The Chanler Group 2560 Ninth Street Parker Plaza, Suite 214 Berkeley, CA 94710-2565 Attorneys for Dr. Whitney R. Leeman

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

COUNTERPARTS; FACSIMILE SIGNATURES

This Consent Judgment may be executed in counterparts and by facsimile or 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

Dr. Leeman agrees to comply with the reporting form requirements referenced in Health and Safety Code section 25249.7(f). In addition, the Parties acknowledge that, pursuant to Health and Safety Code section 25249.7, a noticed motion is required to obtain judicial approval of this Consent Judgment. Dr. Leeman shall prepare and file such motion to approve this Consent Judgment, and Adams shall not oppose such motion. In furtherance of obtaining such approval, Dr. Leeman and Adams and their respective counsel agree to mutually employ their best efforts to support the entry of this agreement as a Consent Judgment and obtain approval of the Consent Judgment by the Court in a timely manner.

11. **MODIFICATION**

This Consent Judgment may be modified only by written agreement of the Parties.

12. **AUTHORIZATION**

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

GREED TO:	AGREED TO):

EXTRACT & SPICE, LLC