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3	Los Angeles, CA 90017-4645 Telephone: (213) 623-7755 Facsimile: (213) 626-0571			
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7	Los Angeles, CA 90013 Telephone: (213) 896-6637			
8				
9	Attorneys for Defendant Tao of Wellness Santa Monica,			
10	A Professional Acupuncture Corporation f/k/a Tao of Wellness; Tao of Wellness Pasadena, A Professional Acupuncture			
11	Corporation; Traditions of Tao Corporation DBA The Wellness Store, Wellness Living, The Wellness Living Store; Tao of Wellness Newport Beach, A			
12	Professional Acupuncture Corporation			
13	SUPERIOR COURT OF THE STATE OF CALIFORNIA			
14				
15	COUNTY OF LOS ANGELES			
16	ENVIRONMENTAL RESEARCH CENTER, ) Case No. BC 526478 a California non-profit corporation,			
17	Plaintiff, (PROPOSED] STIPULATED (PROPOSED) CONSENT JUDGMENT;			
18	) [PROPOSED] ORDER v.			
19	TAO OF WELLNESS, a California  Health & Safety Code Section 25249.5 et seq			
20	Corporation, et. al			
21	Defendant.			
22				
23	1. INTRODUCTION			
24	1.1 On November 1, 2013 Plaintiff Environmental Research Center ("ERC"), a non-profit			
25	corporation, as a private enforcer, and in the public interest, initiated this action by filing a			
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27	Complaint for Injunctive and Declaratory Relief and Civil Penalties pursuant to the provisions of			
28	Cal. Health & Safety Code Sections 25249.5 et seq. ("Proposition 65"), against Defendants Tao of			
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Consent Judgment ERC v. Tao of Wellness

Wellness Santa Monica, A Professional Acupuncture Corporation f/k/a Tao of Wellness and Does 1-10. ERC subsequently amended the complaint to add Tao of Wellness Pasadena, A Professional Acupuncture Corporation; Traditions of Tao Corporation DBA The Wellness Store, Wellness Living, The Wellness Living Store; Tao of Wellness Newport Beach, A Professional Acupuncture Corporation ("Defendants"). Defendants collectively shall be referred to as "TOW" or "Defendants"; individual Defendants may be specified by name herein and each defendant is a "Defendant." ERC and TOW are referred to individually as a "Party" or collectively as the "Parties." Each Defendant also is a "Party." In this action, ERC alleges that certain products manufactured, distributed and/or sold by TOW contain lead, a chemical listed under Proposition 65 as a carcinogen and reproductive toxin, and that such products expose California consumers to lead at a level requiring a Proposition 65 warning. The 32 products subject to this Consent Judgment (collectively "Covered Products") are set forth in two Notices of Violations, one dated July 9, 2012 and one dated November 15, 2013 (collectively, the "Notice of Violations"), and are listed in Exhibit A (which is incorporated into this Consent Judgment). TOW commenced a process of re-labeling and rebranding of the Covered Products, commencing before the first Notice of Violations and continuing while this action has been pending. Thus, Covered Products shall mean and include, current, former and future labeled versions of the Covered Products listed on Exhibit A. Covered Products shall mean and include only the finished products, namely, final pre-packaged products ready and labeled for immediate consumer use or consumption and available for purchase without a prescription from a TOW clinic, store, or via the internet. Covered Products shall not include custom-blended, individually prescribed, or individually dispensed products for patients seen or treated at any TOW wellness clinic.

1.2 ERC is a California non-profit corporation dedicated to, among other causes, helping safeguard the public from health hazards by reducing the use and misuse of hazardous and toxic chemicals, facilitating a safe environment for consumers and employees, and encouraging corporate responsibility. ERC has diligently prosecuted this matter and is settling this case in the public interest.

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- 1.3 Tao of Wellness, a California Corporation, is a business entity that at the time of the first Notice of Violations issued employed ten or more persons. This Defendant presently employs fewer than ten persons. This Defendant has modified its name to Tao of Wellness Santa Monica, a Professional Acupuncture Corporation. All Defendants presently employ fewer than ten persons.
- 1.4 The Complaint is based on alleged violations contained in the Notice of Violations that ERC served on the California Attorney General, other public enforcers, and on TOW. A true and correct copy of the Notices of Violations is attached hereto as **Exhibit B**. More than 60-days have passed since the Notice of Violations were mailed and no public enforcement entity has filed a complaint against TOW with regard to the Covered Products or the alleged violations.
- Products exposes persons in California to lead without first providing clear and reasonable warnings, in violation of California Health & Safety Code Section 25249.6. TOW denies all material allegations contained in the Notice of Violations and Complaint and specifically denies that the Covered Products require a Proposition 65 warning or otherwise cause harm to any person. TOW expressly denies it has violated Proposition 65 due to the purchase of the Covered Products by ERC.
- 1.6 The Parties have entered into this Consent Judgment in order to settle, compromise and resolve disputed claims and thus avoid prolonged and costly litigation. Nothing in this Consent Judgment shall constitute or be construed as an admission by any of the Parties, or by any of their respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchises, licensees, customers, suppliers, distributors, wholesalers, or retailers, of any fact, conclusion of law, issue of law, violation of law, fault, wrongdoing, or liability, including without limitation, any admission concerning any alleged violation of Proposition 65; provided, however, nothing in this Section 1.6 shall affect the enforceability of this Consent Judgment.
- 1.7 Except as expressly set forth herein, nothing in this Consent Judgment shall prejudice, waive or impair any right, remedy, argument, or defense the Parties may have in any other or future legal proceeding unrelated to these proceedings.

1.8 The Effective Date of this Consent Judgment shall be the date on which it is entered as a Judgment by this Court.

#### 2. JURISDICTION AND VENUE

For purposes of this Consent Judgment only, the Parties stipulate that this Court has jurisdiction over the allegations of violations contained in the Complaint and personal jurisdiction over TOW as to the acts alleged in the Complaint, that venue is proper in Los Angeles County, 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 asserted in this action based on the facts alleged in the Notice of Violations and the Complaint.

## 3. INJUNCTIVE RELIEF, REFORMULATION, TESTING, AND WARNINGS

- 3.1 Any Covered Products manufactured after the Effective Date that TOW thereafter sells in California, or TOW distributes for sale into California<sup>1</sup>, must include a warning as provided in Section 3.2 if the exposure to the California consumer exceeds 0.5 micrograms of lead per day, assuming consumption in accordance with the largest recommended dosage on the label instructions. This obligation to warn shall be effective only during those times any Defendant employs ten or more persons. By way of clarification, if any one Defendant employs ten or more persons, then the obligations of this Section 3.1 apply to that Defendant during such time that Defendant employs ten or more persons.
- 3.2 Clear and Reasonable Warnings. If any Defendant is required to provide a warning for Covered Products pursuant to Section 3.1, then that Defendant shall provide the following warning as specified below:

[California Proposition 65] WARNING: This product contains lead, a chemical known [to the State of California] to cause [cancer and] birth defects, or other reproductive harm.

<sup>&</sup>lt;sup>1</sup> As used in this Consent Judgment, the term "distributes for sale into California" means to directly ship a Covered Product into California for sale in California or to sell a Covered Product to a distributor that TOW knows will sell the Covered Product in California.

The term "cancer" shall be used in the warning only if the maximum daily dose recommended on the label contains more than 15 micrograms of lead per day, assuming consumption in accordance with the largest recommended dosage on the label instructions. The words "California Proposition 65" may be included at TOW's option. The word "WARNING" shall be in all capital letters and in bold print and, if used, the words "California Proposition 65" shall be in bold print.

- 3.3 A Defendant must elect one or more of the following warning options, if a warning is required under Section 3.1:
- (a) The warning may be prominently affixed to or printed upon the container, packaging or label of the Covered Product so as to be clearly conspicuous, as compared with other words, statements, or designs on the label, packaging or container, as to render the warning likely to be read and understood by an ordinary purchaser or user of the product under customary conditions of purchase or use of the product. The warning shall be at least the same size as other health or safety warnings.
- (b) If a Defendant sells a Covered Product via the Internet for delivery to an address in California, the warning shall either be as provided for in this Section 3.3(a), or prominently set forth on the invoice, so as to be clearly conspicuous, as compared with other words, statements, or designs on the invoice, as to render the warning likely to be read and understood by an ordinary purchaser.
- (c) The warning may be provided by a shelf sign or a notice at a kiosk, so long as such sign or notice clearly identifies the product or products to which the warning applies and the notice is of a size and placed in a location as to be clearly conspicuous to a consumer under customary conditions of purchase.

#### 4. SETTLEMENT PAYMENTS

4.1 In full and final satisfaction of all potential civil penalties, payment in lieu of civil penalties, attorneys' fees and costs (which includes, but is not limited to, filing fees and costs of attorneys, experts, investigators, and testing the Covered Products), Defendants (or any one of them) shall remit a total payment of \$48,000.00, to ERC, by check or money order, payable within 15

business days of receiving the Notice of Entry of this Consent Judgment. The payment shall be apportioned as follows:

- 4.2 \$ 7,848.00 as civil penalties pursuant to California Health & Safety Code section 25249.7(b)(1). Of this amount, \$5,886 shall be payable to the Office of Environmental Health Hazard Assessment ("OEHHA"), and \$1,962.00 shall be payable to ERC. California Health & Safety Code §\$ 25249.12(c)(1) & (d). Defendants (or any one of them) shall send both civil penalty payments to ERC's counsel. ERC's counsel shall forward the civil penalty payment to OEHHA, and send a copy of the transmittal letter to counsel for Defendants.
- 4.3 \$25,752.00 payable to ERC, as reimbursement to ERC for (A) reasonable costs associated with the enforcement of Proposition 65 and other costs incurred as a result of work in bringing this action.
- 4.4 \$14;400.00 shall be payable to David A. Rosen as reimbursement of ERC's attorney's fees and costs.
- 4.5 Defendants (or any one of them) shall mail or deliver the above payments to David A.

  Rosen or ERC, by check or money order, using the addresses stated in the Notice provision below.

  ERC shall provide taxpayer identification information to counsel for Defendants to allow the payments to be processed.

### 5. MODIFICATION OF CONSENT JUDGMENT

- 5.1 This Consent Judgment may be modified only by: (a) written agreement and stipulation of the Parties; (b) upon entry of a modified consent judgment by the Court; or (c) as provided in Sections 5.2 and 5.3.
- 5.2 If TOW seeks to modify this Consent Judgment under Section 5.1, then TOW must provide written notice to ERC of its intent ("Notice of Intent"). If ERC seeks to meet and confer regarding the proposed modification in the Notice of Intent, then ERC must provide written notice to TOW within thirty days of receiving the Notice of Intent. If ERC notifies TOW in a timely manner of ERC's intent to meet and confer, then the Parties shall meet and confer in good faith as required in this Section. The Parties shall meet in person within 30 days of ERC's notification of its intent to

meet and confer. Within 30 days of such meeting, if ERC disputes the proposed modification, ERC shall provide to TOW a written basis for its position. The Parties shall continue to meet and confer for an additional 30 days in an effort to resolve any remaining disputes. The Parties may agree in writing to different deadlines for the meet-and-confer period.

5.3 Where the meet-and-confer process does not lead to a joint motion or application in support of a modification of the Consent Judgment, then either Party may seek judicial relief on its own. In such a situation, the prevailing party may seek to recover costs and reasonable attorney's fees incurred from seeking the modification, as allowed by applicable law. Any motion to modify this Consent Judgment also shall be served on the Office of the Attorney General of the State of California.

# 6. RETENTION OF JURISDICTION; ENFORCEMENT OF CONSENT JUDGMENT

- 6.1 This Court shall retain jurisdiction of this matter to enforce, modify, or terminate this Consent Judgment.
- 6.2 Only after it complies with Section 10 below may any Party, by motion or application for an order to show cause filed with this Court, enforce the terms and conditions contained in this Consent Judgment. The prevailing party may request that the Court award its reasonable attorneys' fees and costs associated with such motion or application.

### 7. APPLICATION OF CONSENT JUDGMENT

This Consent Judgment shall apply to, be binding upon, and benefit the Parties, and their respective officers, directors, shareholders, and the predecessors, successors, and assigns of the foregoing and binding on ERC on its own behalf and in the public interest as set forth in Section 8. This Consent Judgment shall have no application to Covered Products which are not sold to California consumers. This Consent Judgment shall terminate without further action by any Party when TOW no longer manufactures, distributes, or sells all of the Covered Products and all of the Covered Products previously "distributed for sale in California" have reached their expiration dates and are no longer sold.

# 8. BINDING EFFECT, CLAIMS COVERED AND RELEASES

This Consent Judgment is a full, final, and binding resolution between ERC, on

behalf of itself and in the public interest, and Defendants, and each of them, of any alleged violation of Proposition 65 or its implementing regulations for failure to provide Proposition 65 warnings of exposure to lead from the Covered Products, and fully resolves all claims that have been or could have been asserted in this action against any Defendant, up to and including the date of entry of Judgment, for failure to provide Proposition 65 warnings for the Covered Products regarding lead. ERC, on behalf of itself and in the public interest, hereby releases and discharges each Defendant and their respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, suppliers, franchisees, licensees, customers distributors, wholesalers, retailers, and all other upstream and downstream entities in the distribution chain of any Covered Product, and the predecessors, successors and assigns of any of them (collectively, "Released Parties"), from any and all claims asserted, or that could have been asserted, in this action arising from or related to the alleged failure to provide Proposition 65 warnings for the Covered Products regarding lead.

8.2 ERC, on behalf of itself only, hereby releases and discharges the Released Parties from all known and unknown claims for alleged violations of Proposition 65, or for any other statutory or common law claims arising from or relating to alleged exposures to lead and lead compounds in the Covered Products as set forth in the Notice of Violations. It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice of Violations or the Complaint and relating to the Covered Products will develop or be discovered. ERC, on behalf of itself only, acknowledges that the claims released in Sections 8.1 and 8.2 above may include unknown claims, and nevertheless waives 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.

EP.C. on behalf of itself only acknowledges and understands the significance and

ERC, on behalf of itself only, acknowledges and understands the significance and consequences of this specific waiver of California Civil Code section 1542.

8.3 Compliance with the terms of this Consent Judgment shall constitute compliance by any Released Party with Proposition 65 with respect to alleged exposures to lead contained in the Covered Products. Covered Products already sold or distributed by TOW prior to the Effective

Date may be resold or distributed by any person without the warning specified in Section 3.2.

8.4 ERC, on the one hand, and Defendants, on the other hand, release and waive all claims they may have against each other for any statements or actions made or undertaken by them in connection with the Notice of Violations or the Complaint; provided, however, that nothing in Section 8 shall affect or limit any Party's right to seek to enforce the terms of this Consent Judgment.

# 9. CONSTRUCTION OF CONSENT JUDGMENT, SEVERABILITY

- 9.1 The terms and conditions of this Consent Judgment have been reviewed by the respective counsel for the Parties prior to its signing, and each Party has had an opportunity to fully discuss the terms and conditions with its counsel. In any subsequent interpretation or construction of this Consent Judgment, the terms and conditions shall not be construed against any Party.
- 9.2 In the event that any of the provisions of this Consent Judgment is held by a court to be unenforceable, the validity of the enforceable provisions shall not be adversely affected.

## 10. GOOD FAITH ATTEMPT TO RESOLVE DISPUTES

In the event a dispute arises with respect to either party's compliance with the terms of this Consent Judgment entered by the Court, the Parties shall meet either in person or by telephone and endeavor to resolve the dispute in an amicable manner. No action or motion may be filed in the absence of such a good faith attempt to resolve the dispute beforehand. In the event an action or motion is filed, however, the prevailing party may seek to recover costs and reasonable attorney's fees.

#### 11. GOVERNING LAW

The terms and conditions of this Consent Judgment shall be governed by and construed in accordance with the laws of the State of California.

### 12. PROVISION OF NOTICE

All notices required by this Consent Judgment shall be sent by first-class, registered, or certified mail, or overnight delivery, to the following persons. Courtesy copies of communications via e-mail also may be sent, but the delivery date shall be the date of actual receipt by the addressee.

Consent Judgment ERC v. Tao of Wellness

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1 any of the Parties. Each signatory to this Consent Judgment certifies that he or she is fully authorized by 2 the Party he or she represents to stipulate to the terms and conditions of this Consent Judgment, to 3 enter into and execute this Consent Judgment on behalf of the Party represented, and legally to bind 4 that Party to this Consent Judgment. The undersigned have read, understand and agree to all of the 5 terms and conditions of this Consent Judgment. Except as explicitly provided herein, each Party 6 7 shall bear its own fees and costs. 8 IT IS SO STIPULATED: 9 ENVIRONMENTAL RESEARCH CENTER 10 11 5/7/2014 Dated: 12 13 14 WELLNESS SANTA MONICA ACUPUNCTURE CORPORATION 15 16 17 18 19 TAO OF WELLNESS PASADENA, A PROFESSIONAL ACUPUNCTURE CORPORATION 20 21 22 23 Title: 24 TRADITIONS OF TAO CORPORATION DBA THE WELLNESS STORE, WELLNESS LIVING, 25 THE WELLNESS LIVING STORE 26 27 28

Consent Judgment ERC v. Tao of Wellness

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1	Title: President
2	TAO OF WELLNESS NEWPORT BEACH, A PROFESSIONAL ACUPUNCTURE CORPORATION
3	t ,
4	Dated; 5/9/14
5	Title: President  Dated: 5914  Title: President
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8	APPROVED AS TO FORM:
9	Rose Klein & Marias LLP
10	Dated:
11	David A. Rosen, Counsel for Environmental
12	Research Center
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14	Sidley Austin, LLP
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15	Dated:
16	Judith M. Praitis, Counsel for Defendants
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3	PROFESSIONAL ACUI ONCTURE COIN GIATTON		
4	Dated:		
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8	ARPROVED AS TO FORM:		
9	Rose Klein & Marias LLP		
10	Dated:		
11	David A. Rosen, Counsel for Environmental		
12	Research Center		
13			
14	Sidley Austin, LLP		
15	Dated: 5/10/14		
16	Judith M. Praitis, Counsel for Defendants  Dated:		
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1		JUDGMENT	
2	Based upon the Parties' Stipula	tion, and good cause appearing, this Consen	
3	Judgment is approved and judgment is hereby entered according to its terms.		
4	Judgment is approved and judgment	•	
5	IT IS SO ORDERED, ADJUDGED AND DECREED.		
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8.			
9	Dated:, 2014	Judge, Superior Court of the State of California	
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Consent Judgment ERC  $\nu$ . Tao of Wellness

1	EXHIBIT A - COVERED PRODUCTS		
2	All sizes, forms, packaging and labeling of the following:		
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4	The Wellness Living Store Traditions of Tao Exquisite Skin		
5 6 7	2. Traditions of Tao The Wellness Living Store B-Slim		
	3. Traditions of Tao The Wellness Living Store Five Elements of Health		
	4. Traditions of Tao The Wellness Living Store Dragon Male		
	5. Tao of Wellness Super Clarity		
8	6. Traditions of Tao The Wellness Living Store Internal Cleanse		
	7. Tao of Wellness Enduring Youth		
	8. Tao of Wellness Perpetual Shield		
10	9. Tao of Wellness Passages Plus		
11	10. Traditions of Tao The Wellness Living Store Abundant Energy		
	11. Tao of Wellness Dura-Bone		
12	12. Traditions of Tao Immunity		
13	13. Traditions of Tao Indigestion		
14	14. Wellness Living Acid Stomach		
	15. Wellness Living Arthritis/Joint		
15	16. Wellness Living Hair Nurture		
16	17. Wellness Living Feminine Desire		
17	18. Wellness Living Colon Clear		
	19. Traditions of Tao Bloat		
18	20. Wellness Living Women's Wellness		
19	21. Wellness Living Yang Exhaustion		
20	22. Tao of Wellness High Performance		
	23. Traditions of Tao Yiπ Exhaustion		
21	24. Traditions of Tao Nausea		
22	25. Traditions of Tao Herpease		
23	26. Traditions of Tao Blood Builder		
	27. Traditions of Tao Muscle Strength		
24	28. Traditions of Tao Acne/Blemish		
25	29. Traditions of Tao The Wellness Living Store Calm-Fort/Sleeping		
26	30. Wellness Living Nausea		
27	31. Wellness Living Herp-Ease		
	32. Wellness Living Acne/Blemish		

EXHIBIT B—JULY 9, 2012 NOTICE OF VIOLATION LETTER  ${\rm and\ NOVEMBER\ 15, 2013\ NOTICE\ OF\ VIOLATION\ LETTER}$ 

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