1 2	TANYA A. GULESSERIAN (CBN 198640) CHRISTINA M. CARO (CBN 250797) ADAMS BROADWELL JOSEPH & CARDOZ	zo
3	A Professional Corporation 601 Gateway Boulevard, Suite 1000	
4	South San Francisco, CA 94080-7037	
5	Telephone: (650) 589-1660 Facsimile: (650) 589-5062	
6	Email: tgulesserian@adamsbroadwell.com ccaro@adamsbroadwell.com	
7 8	Attorneys for Plaintiff ENVIRONMENTAL RESEARCH CENTER, 1	INC.
9	TODD O. MAIDEN (CBN 123524) PHILLIP H. BABICH (CBN 269577) REED SMITH LLP	
11	101 Second Street, Suite 1800 San Francisco, CA 94105	
12	Telephone: (415) 543-8700	
13	Facsimile: (415) 391-8269 Email: tmaiden@reedsmith.com	
14 15	Attorneys for Defendant SDC NUTRITION, INC.	
16	SUPERIOR COURT OF THE STATE OF CALIFORNIA	
17	COUNTY OF ALAMEDA	
18		
19	ENVIRONMENTAL RESEARCH CENTER, INC. a California non-profit	CASE NO. RG15788140
20	corporation,	ASSIGNED FOR ALL PURPOSES TO: JUDGE GEORGE HERNANDEZ, JR.
21	Plaintiff,	DEPARTMENT 17
22	v.	STIPULATED CONSENT JUDGMENT
23	SDC NUTRITION, INC., a Delaware	Health & Safety Code § 25249.5 et seq.
24	Corporation,	Action Filed: October 2, 2015
25	Defendant.	Trial Date: None set
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	STIPULATED CONSENT JUDGMENT 3306-016rc	CASE NO. RG15788140

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## 1. INTRODUCTION

- 1.1 On October 2, 2015, Plaintiff Environmental Research Center, Inc. ("ERC"), a non-profit corporation, as a private enforcer, and in the public interest, initiated this action by filing a Complaint for Injunctive and Civil Penalties (the "Complaint") pursuant to the provisions of California Health and Safety Code section 25249.5 et seq. ("Proposition 65"), against SDC NUTRITION, INC. ("SDC"), a Delaware Corporation.
- 1.2 In this action, ERC alleges that a number of products manufactured, distributed or sold by SDC contain cadmium and/or lead, which are chemicals listed under Proposition 65 as carcinogens and reproductive toxins, and may expose consumers to these chemicals at a level requiring a Proposition 65 warning. These products (referred to hereinafter individually as a "Covered Product" or collectively as "Covered Products") are:
  - a) SDC Nutrition G6 Sports Super-Lean Chocolate- Lead;
  - b) SDC Nutrition About Time Ve Vegan Protein Formula Chocolate Lead;
  - SDC Nutrition AboutTime Fruit Nuts Protein Dark Chocolate Brownie- Lead,
     Cadmium
- 1.3 ERC and SDC are hereinafter referred to individually as a "Party" or collectively as the "Parties."
- 1.4 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.
- 1.5 For purposes of this Stipulated Consent Judgment ("Consent Judgment"), the Parties agree that SDC is a business entity that has employed ten or more persons at all times relevant to this action, and qualifies as a "person in the course of business" within the meaning of Proposition 65. SDC sells, markets, or distributes (or has sold, marketed or distributed in the past) the Covered Products.
  - 1.6 The Complaint is based on allegations contained in ERC's Notice of Violation

STIPULATED CONSENT JUDGMENT

dated April 10, 2015, that was served on the California Attorney General, other public enforcers, and SDC ("Notice"). A true and correct copy of the Notice is attached as **Exhibit A** and is hereby incorporated by reference.

- 1.7 More than sixty (60) days have passed since service of the Notice, and no designated governmental entity has filed a complaint against SDC with regard to the Covered Products or the alleged violations.
- 1.8 ERC's Notice and Complaint alleged that SDC manufactured, distributed, and/or sold in California the Covered Products, which contain cadmium and/or lead, chemicals known to the State of California to cause cancer and/or reproductive toxicity and expose consumers at a level requiring a Proposition 65 warning. ERC further alleged that use of the Covered Products may expose persons in California to cadmium and/or lead without first providing clear and reasonable warnings in violation of California Health and Safety Code section 25249.6. SDC denies all material allegations contained in the Notice and Complaint.
- 1.9 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, franchisees, licensees, customers, suppliers, distributors, wholesalers, or retailers. Except for the representations made above, nothing in this Consent Judgment shall be construed as an admission by the Parties of any fact, issue of law, or violation of law, nor shall compliance with this Consent Judgment be construed as an admission by the Parties of any fact, issue of law, or violation of law, at any time, for any purpose.
- 1.10 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.
- 1.11 The Effective Date of this Consent Judgment is the date on which it is entered as a judgment by this Court. The Compliance Date is 90 days from the Effective Date.

For purposes of this Consent Judgment and any further court action that may become necessary to enforce this Consent Judgment, the Parties stipulate that this Court has subject matter jurisdiction over the allegations of violations contained in the Complaint, personal jurisdiction over SDC as to the acts alleged in the Complaint, that venue is proper in Alameda County, and that this Court has jurisdiction to enter this Consent Judgment as a full and final resolution of all claims up through and including the Effective Date which were or could have been asserted in this action based on the facts alleged in the Notice and Complaint.

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

- 3.1 Beginning on the Compliance Date, SDC shall be permanently enjoined from manufacturing for sale in the State of California, "Distributing into the State of California," or directly selling in the State of California, any Covered Product which exposes a person to a "Daily Lead Exposure Level" of more than 0.5 micrograms per day of lead or a "Daily Cadmium Exposure Level" of more than 4.10 micrograms per day of cadmium when the maximum suggested dose is taken as directed on the Covered Product's label, unless SDC meets the warning requirements under Section 3.2.
- 3.1.1 As used in this Consent Judgment, the term "Distributing into the State of California" shall mean to directly ship a Covered Product into California for sale in California or to sell a Covered Product to a distributor that SDC knows will sell the Covered Product in California.
- 3.1.2 For purposes of this Consent Judgment, the "Daily Lead Exposure Level" and "Daily Cadmium Exposure Level" shall be measured in micrograms, and shall be calculated using the following formula: micrograms of lead or cadmium per gram of product, multiplied by grams of product per serving of the product (using the largest serving size appearing on the product label), multiplied by servings of the product per day (using the largest number of servings in a recommended dosage appearing on the product label), which equals micrograms of lead or cadmium exposure per day.

> STIPULATED CONSENT JUDGMENT 3306-016rc

## 3.2 Clear and Reasonable Warnings

If SDC is required to provide a warning pursuant to Section 3.1, the following warning must be utilized:

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

SDC shall use the phrase "cancer and" in the warning only if the maximum daily dose recommended on the label contains more than 15 micrograms of lead as determined pursuant to the quality control methodology set forth in Section 3.4.

The warning shall be securely affixed to or printed upon the container or label of each Covered Product.

The warning shall be at least the same size as the largest of any other health or safety warnings also appearing on its website or on the label or container of SDC's product packaging and the word "WARNING" shall be in all capital letters and in bold print. No other statements about Proposition 65 or lead or cadmium may accompany the warning.

SDC must display the above warnings with such conspicuousness, as compared with other words, statements, or design of the label or container, as applicable, to render the warning likely to be read and understood by an ordinary individual under customary conditions of purchase or use of the product.

## 3.3 Reformulated Covered Products

A Reformulated Covered Product is one for which the Daily Lead Exposure Level or Daily Cadmium Exposure Level when the maximum suggested dose is taken as directed on the Reformulated Covered Product's label, contains no more than 0.5 micrograms of lead or no more than 4.10 micrograms of cadmium per day as determined by the quality control methodology described in Section 3.4.

## 3.4 Testing and Quality Control Methodology

3.4.1 Beginning within one year of the Compliance Date, SDC shall arrange for cadmium and/or lead testing of the Covered Products at least once a year for a minimum of three consecutive years by arranging for testing of five randomly selected samples of each of

the Covered Products, in the form intended for sale to the end-user, which SDC intends to sell or is manufacturing for sale in California, directly selling to a consumer in California or "Distributing into California." The testing requirement does not apply to any of the Covered Products for which SDC has provided the warning specified in Section 3.2. If tests conducted pursuant to this Section demonstrate that no warning is required for a Covered Product during each of three consecutive years, then the testing requirements of this Section will no longer be required as to that Covered Product.

- 3.4.2 For purposes of measuring the "Daily Lead Exposure Level" or "Daily Cadmium Exposure Level," the highest lead or cadmium detection result of the five (5) randomly selected samples of the Covered Products will be controlling.
- 3.4.3 All testing pursuant to this Consent Judgment shall be performed using a laboratory method that complies with the performance and quality control factors appropriate for the method used, including limit of detection, qualification, accuracy, and precision that meets the following criteria: Inductively Coupled Plasma-Mass Spectrometry ("ICP-MS") achieving a limit of quantification of less than or equal to 0.010 mg/kg or any other testing method subsequently agreed to in writing by the Parties.
- 3.4.4 All testing pursuant to this Consent Judgment shall be performed by an independent third party laboratory certified by the California Environmental Laboratory Accreditation Program or an independent third-party laboratory that is registered with the United States Food & Drug Administration.
- 3.4.5 Nothing in this Consent Judgment shall limit SDC's ability to conduct, or require that others conduct, additional testing of the Covered Products, including the raw materials used in their manufacture.
- 3.4.6 Beginning on the Compliance Date and continuing for a period of three years, SDC shall provide ERC copies of test results for lead and cadmium content under Section 3.4.1 within ten business days after completion of the testing.

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## 4. SETTLEMENT PAYMENT

- 4.1 In full satisfaction of all potential civil penalties, payment in lieu of civil penalties, attorney's fees, and costs, SDC shall make a total payment of \$95,000 ("Total Settlement Amount") SDC shall make a total of six (6) consecutive equal monthly payments. The first payment will be due to ERC within five (5) business days of the Effective Date ("Due Date"), each of the five subsequent monthly payments will be due on the same day of each month. SDC shall make this payment by check to ERC's escrow account, for which ERC will give SDC the necessary account information. The Total Settlement Amount shall be apportioned as follows:
- 4.2 \$33,801.00 shall be considered a civil penalty pursuant to California Health and Safety Code §25249.7(b)(1). ERC shall remit 75% (\$25,350.75) of the civil penalty to the Office of Environmental Health Hazard Assessment ("OEHHA") for deposit in the Safe Drinking Water and Toxic Enforcement Fund in accordance with California Health and Safety Code §25249.12(c). ERC will retain the remaining 25% (\$8,450.25) of the civil penalty.
- 4.3 \$2,837.49 shall be distributed to ERC as reimbursement to ERC for reasonable costs incurred in bringing this action.
- 4.4 \$25,508.78 shall be distributed to ERC in lieu of further civil penalties, for its day-to-day business activities such as (1) continued enforcement of Proposition 65, which includes work, analyzing, researching and testing consumer products that may contain Proposition 65 chemicals, focusing on the same or similar type of ingestible products that are the subject matter of the current action; (2) the continued monitoring of past consent judgments and settlements to ensure companies are in compliance with Proposition 65; and (3) giving a donation of \$1,275.00 to the Natural Resource Defense Council to address reducing toxic chemical exposures in California.
- 4.5 \$1,425.00 shall be distributed to the Law Office of Christina M. Caro and
   \$21,575.00 shall be distributed to Adams Broadwell Joseph & Cardozo as reimbursement of
   ERC's attorney's fees, while \$9,852.73 shall be distributed to ERC for its in-house legal fees.

## 5. MODIFICATION OF CONSENT JUDGMENT

- 5.1 SDC and ERC may modify the Consent Judgment by entering into a written stipulation and submitting to the Court for entry of a modified stipulated consent judgment.
- 5.2 If a Party seeks to modify this Consent Judgment by motion to the Court, that Party must provide written notice to the other Party at least twenty (20) calendar days prior to filing the motion, specifying the proposed modifications. The Parties shall meet and confer in good faith regarding the proposed modifications within ten (10) days of receipt of the notice. Objections to the proposed modifications must be made in writing and provided to the other Party within fifteen (15) calendar days of receipt of the notice.
- 5.3 In the event that SDC initiates or otherwise requests the modification, and the meet and confer process leads to a joint motion or application of the Consent Judgment, SDC may reimburse ERC its reasonable costs and reasonable attorney's fees for the time spent in the meet-and-confer process and filing and arguing the motion or application.
- 5.4 If the meet-and-confer process does not lead to a joint motion or application in support of a modification of the Consent Judgment and a Party brings a successful motion for modification pursuant to section 5.2, above, then the prevailing Party may seek to recover costs and reasonable attorneys' fees. As used in the preceding sentence, the term "prevailing party" means a Party who is successful in obtaining relief more favorable to it than the relief that the other Party offered during the Parties' good faith efforts under section 5.2, above.

# 6. RETENTION OF JURISDICTION, ENFORCEMENT OF CONSENT JUDGMENT

- 6.1 This Court shall retain jurisdiction over this matter to enforce, modify, or terminate this Consent Judgment.
- 6.2 If, during the duration of this Consent Judgment, ERC determines through its own testing, or through the test results provided to ERC by SDC pursuant to Section 3.4 above, that SDC is not in compliance with the labeling requirements under section 3.2, above, or that a Reformulated Covered Product is not in compliance with Section 3.3 above, then ERC shall inform SDC in a reasonably prompt manner of its test results, including information sufficient

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to permit SDC to identify the Covered Products or Reformulated Covered Product at issue. SDC shall, within thirty (30) days following such notice, (i) provide ERC with testing information, from an independent third-party laboratory meeting the requirements of Sections 3.4.1 and 3.4.2, demonstrating SDC's compliance with the Consent Judgment or (2) comply with the labeling requirements of Section 3.2, above. The Parties shall first attempt to resolve the matter prior to ERC taking any further legal action.

### APPLICATION OF CONSENT JUDGMENT

This Consent Judgment may apply to, be binding upon, and benefit the Parties and their respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licensees, customers (excluding private labelers), distributors, wholesalers, retailers, predecessors, successors, and assigns. This Consent Judgment shall have no application to Covered Products and/or Reformulated Covered Products which are distributed or sold exclusively outside the State of California and which are not used by California consumers.

#### 8. BINDING EFFECT, CLAIMS COVERED AND RELEASED

- 8.1 This Consent Judgment is a full, final, and binding resolution between ERC, on behalf of itself and in the public interest, and SDC and its respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, suppliers, franchisees, licensees, customers (not including private label customers of SDC), 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, actions, causes of action, suits, demands, liabilities, damages, penalties, fees, costs and expenses asserted, or that could have been asserted from the handling, use, or consumption of the Covered Products, as to any alleged violation of Proposition 65 or its implementing regulations arising from the failure to provide Proposition 65 warnings on the Covered Products regarding cadmium and/or lead up to and including the Effective Date.
- 8.2 ERC on its own behalf only, on one hand, and SDC on its own behalf only, on the other, further waive and release any and all claims they may have against each other for all

 actions or statements made or undertaken in the course of seeking or opposing enforcement of Proposition 65 in connection with the Notice or Complaint up through and including the Effective Date, 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.

8.3 It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice or the Complaint and relating to the Covered Products will develop or be discovered. ERC on behalf of itself only, on one hand, and SDC, on the other hand, acknowledge that this Consent Judgment is expressly intended to cover and include all such claims up through the Effective Date, including all rights of action therefore. ERC and SDC acknowledge that the claims released in Sections 8.1 and 8.2 above may include unknown claims, and nevertheless waive 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.

ERC on behalf of itself only, on the one hand, and SDC, on the other hand, acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

- 8.4 Compliance with the terms of this Consent Judgment shall be deemed to constitute compliance with Proposition 65 by any releasee regarding alleged exposures to lead and cadmium in the Covered Products as set forth in the Notice and the Complaint.
- 8.5 Nothing in this Consent Judgment is intended to apply to any occupational or environmental exposures arising under Proposition 65, nor shall it apply to any of SDC's products other than the Covered Products.

## 9. SEVERABILITY OF UNENFORCEABLE PROVISIONS

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

## 1 10. **GOVERNING LAW** 2 The terms and conditions of this Consent Judgment shall be governed by and construed in 3 accordance with the laws of the State of California. 4 11. PROVISION OF NOTICE 5 All notices required to be given to either Party to this Consent Judgment by the other shall 6 be in writing and sent to the following agents listed below by: (a) first-class, registered, or certified 7 mail; (b) overnight courier; or (c) personal delivery. Courtesy copies via email may also be sent. FOR ENVIRONMENTAL RESEARCH CENTER, INC.: 8 9 Chris Heptinstall, Executive Director, Environmental Research Center 3111 Camino Del Rio North, Suite 400 10 San Diego, CA 92108 Tel: (619) 500-3090 11 Email: chris erc501c3@yahoo.com 12 With a copy to: 13 14 TANYA A. GULESSERIAN CHRISTINA M. CARO 15 ADAMS BROADWELL JOSEPH & CARDOZO A Professional Corporation 16 601 Gateway Boulevard, Suite 1000 South San Francisco, CA 94080-7037 17 Telephone: (650) 589-1660 18 Facsimile: (650) 589-5062 Email: tgulesserian@adamsbroadwell.com 19 ccaro@adamsbroadwell.com 20 FOR SDC NUTRITION, INC.: 21 Dan P. Kohler, COO

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170 Industry Drive Pittsburgh, PA 15275

Telephone: (412) 275-3351 Facsimile: (412) 824-5993

Email: dan@sdcnutrition.com

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With a copy to:

TODD O. MAIDEN

**REED SMITH LLP** 

101 Second Street, Suite 1800

San Francisco, CA 94105

Telephone: (415) 543-8700 Facsimile: (415) 391-8269

Email: tmaiden@reedsmith.com

## 12. COURT APPROVAL

- 12.1 Upon execution of this Consent Judgment by the Parties, ERC shall notice a Motion for Court Approval. The Parties shall use their best efforts to support entry of this Consent Judgment.
- 12.2 If the California Attorney General objects to any term in this Consent Judgment, the Parties shall use their best efforts to resolve the concern in a timely manner, and if possible prior to the hearing on the motion.
- 12.3 If this Stipulated Consent Judgment is not approved by the Court, it shall be void and have no force or effect.

## 13. EXECUTION AND COUNTERPARTS

This Consent Judgment may be executed in counterparts, which taken together shall be deemed to constitute one document. A facsimile or .pdf signature shall be construed as valid as the original signature.

## 14. DRAFTING

The terms of this Consent Judgment have been reviewed by the respective counsel for each Party prior to its signing, and each Party has had an opportunity to fully discuss the terms and conditions with legal counsel. The Parties agree that, in any subsequent interpretation and construction of this Consent Judgment, no inference, assumption, or presumption shall be drawn, and no provision of this Consent Judgment shall be construed against any Party, based on the fact that one of the Parties and/or one of the Parties' legal counsel prepared and/or drafted all or any portion of the Consent Judgment. It is conclusively presumed that all of the Parties participated equally in the preparation and drafting of this Consent Judgment.

### 15. GOOD FAITH ATTEMPT TO RESOLVE DISPUTES

If 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 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. As used in the preceding sentence, the term "prevailing party" means a party who is successful in obtaining relief more favorable to it than the relief that the other party was amenable to providing during the Parties' good faith attempt to resolve the dispute that is the subject of such enforcement action.

## 16. ENTIRE AGREEMENT, AUTHORIZATION

- 16.1 This Consent Judgment contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter herein, and any and all prior discussions, negotiations, commitments and understandings related hereto. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any Party. No other agreements, oral or otherwise, unless specifically referred to herein, shall be deemed to exist or to bind any Party.
- 16.2 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. Except as explicitly provided herein, each Party shall bear its own fees and costs.

# 17. REQUEST FOR FINDINGS, APPROVAL OF SETTLEMENT AND ENTRY OF CONSENT JUDGMENT

This Consent Judgment has come before the Court upon the request of the Parties. The Parties request the Court to fully review this Consent Judgment and, being fully informed regarding the matters which are the subject of this action, to:

(1) Find that the terms and provisions of this Consent Judgment represent a fair and equitable settlement of all matters raised by the allegations of the Complaint, that the matter has been diligently prosecuted, and that the public interest is served by such settlement; and

1	(2) Make the findings pursuant to California Health and Safety Code section	
2	25249.7(f)(4), approve the Settlement, and approve this Consent Judgment.	
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4	IT IS SO STIPULATED:	
5	Dated: December 16 , 2015	ENVIRONMENTAL RESEARCH CENTER, INC.
6		Justi
7		Ву:
8		Chris Heptinstall, Executive Director
9	Dated: CENTRE, 2015	SDC NUTRITION, INC.
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11		By: COO Hanel Kon er
12		Its: COO CUNIET RONIEC
13	APPROVED AS TO FORM:	
14	Dated: December 16, 2015	ADAMS BROADWELL JOSEPH &
15		CARDOZO
16		- / th M-
17		By: / /// Tanya A. Gulesserian
18		Christina M. Caro Attorneys for Plaintiff Environmental
19		Research Center, Inc.
20		
21	Dated: 17 Jacember, 2015	REED SMITH LLP
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23		par (WX) Vile
24		Todd O. Maiden
25		Attorney for Defendant SDC Nutrition, Inc.
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## ORDER AND JUDGMENT Based upon the Parties' Stipulation, and good cause appearing, this Consent Judgment is approved and Judgment is hereby entered according to its terms. IT IS SO ORDERED, ADJUDGED AND DECREED. Dated: Honorable George Hernandez, Jr.

STIPULATED CONSENT JUDGMENT 3306-016rc

CASE NO. RG15788140