products falling within Type 4 in the "extruded, pellet, and baked products" category in the Consent Judgment as to Defendant Snak King Corporation, entered August 31, 2011, in *People v. Snyder's of Hanover, et al.*, Alameda County Superior Court Case No. RG 09-455286.¹

- 1.5 "**Effective Date**" means the date on which notice of entry of this Consent Judgment by the Court is served upon Settling Defendant.
- 1.6. "**Lot**" refers to all units of Covered Products manufactured during the same manufacturing run at the same manufacturing facility as determined by reference to the alphanumeric code on the packaging of the units.

2. INTRODUCTION

- 2.1 The Parties to this Consent Judgment are the Center for Environmental Health, a California non-profit corporation ("CEH"), and Herr Foods Incorporated ("Settling Defendant"). CEH and Settling Defendant (the "Parties") enter into this Consent Judgment to settle certain claims asserted by CEH against Settling Defendant as set forth in the Complaint.
- 2.2 On or about January 12, 2017, CEH provided a 60-day Notice of Violation of Proposition 65 to the California Attorney General, to the District Attorneys of every county in California, to the City Attorneys of every California city with a population greater than 750,000, and to Settling Defendant, alleging that Settling Defendant violated Proposition 65 by exposing persons to acrylamide contained in Covered Products without first providing a clear and reasonable Proposition 65 warning.
- 2.3 Settling Defendant is a corporation that manufactures, sells, distributes, or offers for sale Covered Products that are sold in the State of California or has done so in the past.
- 2.4 On March 2, 2017, CEH filed the original complaint in the above-captioned matter. On April 3, 2017, CEH filed the operative Complaint, naming Settling Defendant as a defendant.
- 2.5 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

¹ These products are referred to as "Group C, Type 4" products in Exhibit A to the Snak King Consent Judgment, which is available on the Attorney General's website at https://oag.ca.gov/prop65/litigation.

over 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 and enforce 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.

2.6 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 disputed issues.

3. REFORMULATION LEVELS

3.1 **Reformulation of Covered Products.** Beginning on the Effective Date, Settling Defendant shall not purchase or manufacture Covered Products that will be sold or offered for sale in California that exceed the following acrylamide concentration levels (the "Reformulation Levels"), such concentration to be determined by use of a test performed by an accredited laboratory using either GC/MS (Gas Chromatrograph/Mass Spectrometry), LC-MS/MS (Liquid Chromatograph-Mass Spectrometry), or any other testing method agreed upon by the Parties:

3.1.1 For Sliced Chips:

3.1.1.1 The average acrylamide concentration shall not exceed 281 parts per billion ("ppb") by weight (the "Sliced Chips Average Level"). The Sliced Chips Average Level is determined by the Settling Defendant randomly selecting and testing at least 1 sample each from 5 different Lots of a particular type of Covered Product that is a Sliced Chip (or the maximum number of Lots available for testing if less than 5) during a testing period of at least 60 days.

3.1.1.2 The acrylamide concentration of any individual unit of Sliced Chips shall not exceed 350 ppb by taking a composite sample from the individual unit being tested (the "Sliced Chips Unit Level").

3.1.2 For Extruded Products:

- 3.1.2.1 The average acrylamide concentration shall not exceed 350 ppb by weight (the "Extruded Products Average Level"). The Extruded Products Average Level is determined by the Settling Defendant randomly selecting and testing at least 1 sample each from 5 different Lots of a particular type of Covered Product that is an Extruded Product (or the maximum number of Lots available for testing if less than 5) during a testing period of at least 60 days.
- 3.1.2.2 The acrylamide concentration of any individual unit of Extruded Products shall not exceed 490 ppb by taking a composite sample from the individual unit being tested (the "Extruded Products Unit Level").
- 3.2 **Alternative Compliance.** As an alternative to meeting the Reformulation Levels, Settling Defendant may sell Covered Products that do not meet the Reformulation Levels provided that such sales made after the Effective Date are only to entities to whom Settling Defendant has provided written notice to that the Covered Products are not labeled for sale in California.

4. ENFORCEMENT

4.1 **General Enforcement Provisions**. CEH may, by motion or application for an order to show cause before this Court, enforce the terms and conditions contained in this Consent Judgment. Any action brought by CEH to enforce alleged violations of Section 3.1 by Settling Defendant shall be brought exclusively pursuant to this Section 4, and be subject to the meet and confer requirement of Section 4.2.4 if applicable.

4.2 Enforcement of Reformulation Commitment.

4.2.1 <u>Notice of Violation</u>. In the event that CEH purchases a unit of a Covered Product in California with a best-by or sell-by (or equivalent) date or other code that reflects that the Covered Product was manufactured on or after the Effective Date, and CEH obtains laboratory test results showing the unit of Covered Product that CEH purchased has an acrylamide level exceeding the applicable Unit Level, CEH may issue a Notice of Violation pursuant to this Section.

4.2.2 <u>Service of Notice of Violation and Supporting Documentation.</u>

4.2.2.1 Subject to Section 4.2.1, 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 unit of Covered Product at issue was purchased or otherwise acquired by CEH or the date that CEH can reasonably determine that the unit of Covered Product at issue was sold or offered for sale by Settling Defendant, provided, however, that CEH may have up to an additional sixty (60) 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 its 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 unit of Covered Product at issue was purchased; (b) the location at which the unit of Covered Product at issue was purchased; (c) a description of the Covered Product giving rise to the alleged violation, including the name and address of the retail location from which the sample was obtained and pictures of the product packaging from all sides, which identifies the product Lot; and (d) all test data obtained by CEH regarding the unit of Covered Product at issue 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 unit of Covered Product.

4.2.3 <u>Notice of Election of Response.</u> No more than thirty (30) days after effectuation of service of a Notice of Violation, Settling Defendant shall provide written notice to CEH stating whether it elects to contest the allegations contained in the Notice of Violation ("**Notice of Election**"). Except as otherwise provided herein, failure to provide a Notice of Election within thirty (30) days of effectuation of service of a Notice of Violation shall be deemed an election to contest the Notice of Violation. Settling Defendant may have up to an additional sixty (60) days to elect if, notwithstanding Settling Defendant's good faith efforts, Settling Defendant is unable to verify the test data provided by CEH before expiration of the initial thirty (30) day period.

4.2.3.1 If a Notice of Violation is contested, the Notice of Election shall include all documents upon which Settling Defendant is relying to contest the alleged violation, including any available acrylamide testing data regarding the Covered Product at issue. If Settling

Defendant or CEH later acquires additional test or other data regarding the alleged violation during the meet and confer period described in Section 4.2.4, it shall notify the other Party and promptly provide all such data or information to that Party unless either the Notice of Violation or Notice of Election has been withdrawn. The Settling Defendant will be deemed to successfully have contested a Notice of Violation if, prior to receiving the Notice of Violation, Settling Defendant took commercially reasonable steps to notify the retailer that sold the unit of Covered Product identified in the Notice of Violation that the Covered Products at issue are not labeled for sale in California and, after receipt of the Notice of Violation, has notified that retailer in writing to cease selling those Covered Products from physical retail locations in California. Nothing in this paragraph shall be construed as limiting the bases upon which the Settling Defendant may attempt to challenge a Notice of Violation.

4.2.4 Meet and Confer. If a Notice of Violation is contested, CEH and Settling Defendant shall meet and confer to attempt to resolve their dispute. Within thirty (30) days of serving a Notice of Election contesting a Notice of Violation, Settling Defendant may withdraw the original Notice of Election contesting the violation and serve a new Notice of Election to not contest the violation, provided, however, that, in this circumstance, the Notice of Violation shall be deemed non-contested and the Settling Defendant shall pay \$2,500 in addition to any other payment required under this Consent Judgment. At any time, CEH may withdraw a Notice of Violation, in which case for purposes of this Section 4.2 the result shall be as if CEH never issued any such Notice of Violation. If, within thirty (30) days of a Notice of Election, the Settling Defendant has failed to successfully contest the Notice of Violation and no informal resolution of the Notice of Violation results, CEH may file an enforcement motion or application pursuant to Section 4.1. In any such proceeding, CEH may seek whatever fines, costs, penalties, attorneys' fees, or other remedies are provided under this Consent Judgment for an alleged failure to comply with the Consent Judgment.

4.2.5 <u>Non-Contested Notices</u>. If Settling Defendant elects to not contest the allegations in a Notice of Violation, it shall undertake corrective action(s) and make payments, if any, as set forth below.

4.2.5.1 Settling Defendant shall include in its Notice of Election a detailed description with supporting documentation establishing that it has or is in the process of taking the following corrective actions: (a) that the Settling Defendant has ensured all Covered Products having the same Lot number as that of the unit of Covered Product identified in CEH's Notice of Violation (the "Noticed Covered Products") will not be thereafter sold or offered for sale in California by Settling Defendant; and (b) if Settling Defendant has reason to believe the Noticed Covered Products are still offered for sale to California consumers by third-party customers, that Settling Defendant has sent instructions to any such customers that offer the Noticed Covered Products for sale in California to cease offering the Noticed Covered Products for sale to California consumers and to return any Noticed Covered Products that the third-party customer is offering for sale from a physical location in California. Settling Defendant shall keep for a period of one year and make available to CEH upon reasonable notice (which shall not exceed more than one request per year) for inspection and copying records of any correspondence regarding the foregoing.

4.2.5.2 If the Notice of Violation is based on a violation of the Unit Level for a Covered Product, Settling Defendant may be excused from the recall obligation described in Section 4.2.5.1 (but not the monetary payments, if any, required by this Section 4) if Settling Defendant produces test results and other evidence that: (1) demonstrates that the acrylamide levels found by CEH in the unit alleged to be in violation is an aberration; and (2) otherwise provides reasonable assurance that the remainder of the Noticed Covered Products, aside from the unit alleged to be in violation, comply with the Reformulation Levels. The Parties agree that this Section 4.2.5.2 is satisfied if Settling Defendant can demonstrate that the Covered Product at issue in the Notice of Violation satisfies the applicable Average Level as determined pursuant to Section 3.1. However, to avail itself of this provision, Settling Defendant must provide CEH with all acrylamide test data in its possession, custody or control pertaining to the Covered Product at issue in the Notice of Violation that was performed within the year prior to the date of the Notice of Violation.

4.2.5.3 If there is a dispute over the sufficiency of the corrective action taken by Settling Defendant under Section 4.2.5.1, or over whether Settling Defendant is excused from

the recall obligation under Section 4.2.5.2, Settling Defendant and CEH shall meet and confer before seeking any remedy in court. In no case shall CEH issue more than one Notice of Violation per manufacturing Lot of a type of Covered Product. Notwithstanding anything to the contrary, CEH shall not issue more than two Notices of Violation during the first year following the Effective Date.

4.2.5.4 If the Notice of Violation is the first, second, third, or fourth Notice of Violation received by Settling Defendant under Section 4.2.1 that was not successfully contested or withdrawn, then Settling Defendant shall pay \$15,000 for each Notice of Violation. If Settling Defendant has received more than four (4) Notices of Violation under Section 4.2.1 that were not successfully contested or withdrawn, then Settling Defendant shall pay \$25,000 for each Notice of Violation. If Settling Defendant produces with its Notice of Election test data for the Covered Product that: (i) was conducted prior to the date CEH served the Notice of Violation at issue; (ii) was conducted on the same or same type of Covered Product; and (ii) demonstrates acrylamide levels below the applicable Unit Level, then any payment under this Section shall be reduced by 100 percent (100%) for the first Notice of Violation for the Covered Product, by seventy-five percent (75%) for the second Notice of Violation for the Covered Product, and by fifty percent (50%) for any subsequent Notice of Violation for the Covered Product. If Settling Defendant is excused from the recall obligation pursuant to Section 4.2.5.2, then Settling Defendant shall pay \$2,500 for that Notice of Violation. Settling Defendant can successfully contest a Notice of Violation by producing with its Notice of Election a copy of correspondence dated before the date of the purchase that resulted in the Notice of Violation demonstrating its compliance with Section 3.2 as to its direct customers of the same type of Covered Product at issue in the Notice. In no case shall Settling Defendant be obligated to pay more than \$100,000 for uncontested Notices of Violation in any calendar year irrespective of the total number of Notices of Violation issued.

4.2.5.5 CEH shall hold the Settling Defendant solely responsible pursuant to the terms and conditions of this Consent Judgment and shall take no enforcement, legal, or other action against a Downstream Defendant Releasee (as that term is defined below) arising from or relating to the Downstream Defendant Releasee's alleged exposure of consumers to acrylamide

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arising from the sale of the Covered Product at issue in a Notice of Violation in either of the following circumstances: (a) the Settling Defendant receives the Notice of Violation, elects not to contest the Notice, takes any corrective action required by this Section 4, and then also pays any civil penalties due under this Section 4; or (b) the Settling Defendant receives the Notice of Violation, initially elects to contest the Notice but then withdraws the contest, takes any corrective action required by this Section 4, and then also pays any civil penalties due under this Section 4.

- 4.2.6 <u>Payments</u>. 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.
- 4.3 **Repeat Violations.** If, in any two (2) year period, Settling Defendant has received four (4) or more Notices of Violation concerning the same type of Covered Product that CEH did not withdraw or that the Settling Defendant contested but failed to successfully contest, then, at CEH's option, CEH may seek whatever fines, costs, penalties, attorneys' fees, or other remedies that are provided by law for failure to comply with the Consent Judgment. Prior to seeking such relief, CEH shall meet and confer with Settling Defendant for at least thirty (30) days to determine if Settling Defendant and CEH can agree on measures that Settling Defendant can undertake to prevent future alleged violations. For purposes of this Section, a "type" of a Covered Product is an individual SKU of Covered Products.

5. PAYMENTS

- 5.1 **Payments by Settling Defendant.** Within ten (10) business days of the Effective Date, Settling Defendant shall pay the total sum of \$120,000 as a settlement payment as further set forth in this Section.
- 5.2 **Allocation of Payments.** The total settlement amount for Settling Defendant shall be paid in four (4) separate checks in the amounts specified below and delivered as set forth below. Any material failure by Settling Defendant to comply with the payment terms herein shall be subject to a stipulated late fee to be paid by Settling Defendant in the amount of \$100 for each day

the full payment is not received after the applicable payment due date set forth in Section 5.1. The late fees required under this Section shall be recoverable, together with reasonable attorneys' fees, in an enforcement proceeding brought pursuant to Section 3 of this Consent Judgment. The funds paid by Settling Defendant shall be allocated as set forth below between the following categories and made payable as follows:

5.2.1 \$20,905 as a civil penalty pursuant to Health & Safety Code § 25249.7(b). The civil penalty payment shall be apportioned in accordance with Health & Safety Code § 25249.12 (25% to CEH and 75% to the State of California's Office of Environmental Health Hazard Assessment ("**OEHHA**")). Accordingly, the OEHHA portion of the civil penalty payment for \$15,678.75 shall be made payable to OEHHA and associated with taxpayer identification number 68-0284486. This payment shall be delivered as follows:

For United States Postal Service Delivery:
Attn: Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010, MS #19B
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:
Attn: Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street, MS #19B
Sacramento, CA 95814

The CEH portion of the civil penalty payment for \$5,226.25 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.

5.2.2 \$15,675 as an Additional Settlement Payment ("ASP") to CEH pursuant to Health & Safety Code § 25249.7(b), and California Code of Regulations, Title 11, § 3203(b). CEH intends to place these funds in CEH's Toxics in Food Fund and use them to support CEH programs and activities that seek to educate the public about acrylamide and other toxic chemicals in food, to work with the food industry and agriculture interests to reduce exposure to acrylamide and other

toxic chemicals in food, and to thereby reduce the public health impacts and risks of exposure to acrylamide and other 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 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 \$83,420 as a reimbursement of a portion of CEH's reasonable attorneys' fees and costs. The attorneys' fees and cost reimbursement shall be made payable to the Lexington Law Group and associated with taxpayer identification number 94-3317175. This payment shall be delivered to Lexington Law Group, 503 Divisadero Street, San Francisco, CA 94117.

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 and prior notice to the Attorney General's Office, or by an order of this Court upon motion and prior notice to the Attorney General's Office and in accordance with law.
- 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 the Consent Judgment.

7. CLAIMS COVERED AND RELEASED

7.1 Provided that Settling Defendant makes the payments required under Section 5 hereof, this Consent Judgment is a full, final, and binding resolution between CEH on behalf of itself and the public interest and Settling Defendant and its parents, subsidiaries, affiliated entities that are under common ownership, directors, officers, employees, agents, shareholders, successors, assigns, and attorneys ("**Defendant Releasees**"), and all entities and individuals to which Settling Defendant directly or indirectly distributes or sells Covered Products, including but not limited to distributors, wholesalers, customers, retailers, franchisees, licensors, and licensees ("**Downstream**

9. COURT APPROVAL

- 9.1 This Consent Judgment shall become effective upon the date signed by CEH and Settling Defendant, whichever is later, provided however, that CEH shall prepare and file a Motion for Approval of this Consent Judgment and Settling Defendant shall support entry of this Consent Judgment by the Court.
- 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 other than to allow the Court to determine if there was a material breach of Section 9.1.

10. GOVERNING LAW AND CONSTRUCTION

10.1 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.

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

1	shall constitute a waiver of any of the other provisions hereof whether or not similar, nor shall such	
2	waiver constitute a continuing waiver.	
3	13.	ETENTION OF JURISDICTION
4		3.1 This Court shall retain jurisdiction of this matter to implement or modify the Consent
5	Judgn	•
6	14.	UTHORITY TO STIPULATE TO CONSENT JUDGMENT
7		Each Party represents that the signatory who signs this Consent Judgment on behalf
8	of the	rty is fully authorized by the Party to stipulate to this Consent Judgment and to enter into
9	and ex	te the Consent Judgment on behalf of the Party and to legally bind that Party.
10	15.	THER SETTLEMENTS
11		Nothing in this Consent Judgment shall preclude CEH from resolving any claim
12	against an entity that is not Settling Defendant on terms that are different from those contained in	
13	this C	ent Judgment.
14		5.2 Settling Defendant may move to modify this Consent Judgment to substitute higher
15	reform	ation levels than those specified in Section 3 that CEH agrees in a future consent judgment
16	are ap	cable to sliced potato chips, sliced sweet potato chips, or extruded potato chip products.
17	CEH :	ees not to oppose any motion for modification by Settling Defendant under Section 15.2.
18	16.	XECUTION IN COUNTERPARTS
19		The stipulations to this Consent Judgment may be executed in counterparts and by
20	means of facsimile or portable document format (pdf), which taken together shall be deemed to	
21	consti	one document.
22		
23	IT IS SO ORDERED, ADJUDGED, AND DECREED.	
24	AND	CREED.
25		
26	Dated	Judge of the Superior Court
27		Judge of the Superior Court
28		
		1.4

IT IS SO STIPULATED: Dated: 30 Aug., 2018 CENTER FOR ENVIRONMENTAL HEALTH Signature Dated: _____, 2018 HERR FOODS INCORPORATED Signature Printed Name Title

IT IS SO STIPULATED: Dated: _____, 2018 CENTER FOR ENVIRONMENTAL HEALTH Signature Printed Name Title Dated: <u>08/24/</u> HERR FOODS INCORPORATED DARYL E. THOMAS Printed Name SR. V. P. Sales/Marketing Title