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3501 Civic Center Dr., Rm. 130 San Rafael, CA 94903 Tel: (415) 473-6450 (For list of additional Plaintiff's counsel, See attached Exhibit 1)

Andres H. Perez, Deputy District Attorney

EDWARD S. BERBERIAN

State Bar No. 186219

Attorneys for Plaintiff

District Attorney, County of Marin

SUPERIOR COURT OF CALIFORNIA, COUNTY OF MARIN

THE PEOPLE OF THE STATE OF CALIFORNIA.

Plaintiff,

VS.

SAFEWAY INC., a Delaware Corporation,

Defendant.

Plaintiff, the People of the State of California ("the People"), appearing through its attorneys, Edward S. Berberian, Jr., District Attorney for the County of Marin, by Andres H. Perez. Deputy District Attorney; Nancy E. O'Malley, District Attorney for the County of Alameda, by Matthew Beltramo, Deputy District Attorney; Elizabeth A. Egan, District Attorney for the County

FINAL JUDGMENT AND

PERMANENT INJUNCTION

of Fresno, by Michael Brummel, Deputy District Attorney; Gary Lieberstein, District Attorney for the County of Napa, by Catherine Borsetto, Deputy District Attorney; Jan Scully, District Attorney for the County of Sacramento, by Ruth Young, Deputy District Attorney; Bob Lee, District Attorney for the County of Santa Cruz, by William Atkinson, Assistant District Attorney: Donald A. du Bain, District Attorney for the County of Solano, by Criselda Gonzalez, Deputy District

Attorney; Gregory D. Totten, District Attorney for the County of Ventura, by Mitchell F. Disney.

Deputy District Attorney; Jill R. Ravitch, District Attorney for the County of Sonoma, by

Mathew T. Cheever, Deputy District Attorney; and Defendant Safeway Inc., a Delaward

Corporation, appearing through its attorneys, Robert A. Gordon, Esquire and Valerie D. Lew

Esq., and it appearing to the Court that the parties hereto have stipulated and consented to the entry of this Final Judgment and Permanent Injunction ("Final Judgment") without the taking of proof, and without this Final Judgment being construed as an admission by Safeway of any fact, liability, issue of law, conclusion of law or violation of any statutory or regulatory law, and the Court having considered the matter and the pleadings, and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

JURISDICTION

1. This action is brought under California law, and this Court has jurisdiction of the subject matter and the parties.

APPLICABILITY

2. This Final Judgment is applicable to Safeway Inc., a Delaware corporation, its officers, directors, representatives, successors, assignees, and all persons, partnerships, corporations, and other entities acting under, by, through, on behalf of, or in concert with Safeway Inc. as it relates to its business in California only, with actual or constructive notice or knowledge of this Final Judgment. This Final Judgment is also applicable to any and all subsidiaries of Safeway Inc. doing business in California, including but not limited to The Vons Companies, Inc., and to any stores owned and/or operated by them, including but not limited to Pavilions, and their respective officers, directors, representatives, successors, assignees and all persons, partnerships, corporations, and other entities acting under, by, through, on behalf of, or in concert with any such subsidiary with actual or constructive knowledge of this Final Judgment. All of these defendants, persons and entities shall hereinafter be referred to collectively as "Safeway."

INJUNCTION

- 3. Pursuant to Business and Professions Code §§ 17203 and 17535, Safeway is permanently enjoined and restrained, with respect to any and all California stores it owns or operates (hereinafter "California Stores"), from committing, directly or indirectly, any or all of the following acts or omissions:
- A. Violating Business and Professions Code § 17500 by, with the intent directly or indirectly to dispose of real or personal property or to perform services or to induce any member Page 2 of 17

of the public to enter into an obligation relating to such property or services, making or causing to be made any representation concerning that property or those services, or concerning any circumstance or matter of fact connected with the proposed performance thereof, which is untrue or misleading, and which is known to be, or which by the exercise of reasonable care should be known to be, untrue or misleading (as used herein, the term "misleading" includes statements which although true, are either actually misleading, or which have a capacity, likelihood or tendency to deceive or confuse the person to whom they are directed).

- B. Violating any of the provisions of Business & Professions Code § 12024.5.
- C. Charging, at the time of sale of a commodity, an amount greater than the advertised, posted, marked, displayed or quoted price for that commodity, in violation of Business and Professions Code § 12024.2, subdivision (a)(1).
- D. Computing, at the time of sale of a commodity, an amount greater than a true extension of a price per unit, that is then advertised, posted, marked, displayed, or quoted for that commodity, in violation of Business and Professions Code § 12024.2, subdivision (a)(1).
- E. Charging, at the time of sale of a commodity, an amount greater than the lowest price posted on the commodity itself or on a shelf tag that corresponds to the commodity, notwithstanding any limitation of the time period for which the posted price is in effect, in violation of Business and Professions Code § 12024.2, subdivision (a)(2).
- F. Except where otherwise required by law, failing to honor any valid Safeway coupons, discounts or offers, whether disseminated to the public or individuals, including, but not limited to, any offers, coupons or discounts in the "Just for U", "Club Card" or other Safeway electronic discount or coupon programs, wherein any eligible customer is overcharged or does not receive the full amount of the valid offered or discounted price.
- G. Failing to clearly and conspicuously disclose any inclusions, exceptions or limitations to any Safeway offers, coupons or discounts, including but not limited to any Safeway offers, coupons, or discounts in the "Just for U", "Club Card" or other Safeway electronic discount or coupon programs.

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Making or disseminating any false or misleading statement with respect to

(v) Gift cards issued pursuant to the Price Accuracy Policy shall be deemed to be distributed as part of a "promotional program" within the meaning of Civil Code section 1749.5(d)(1); however, the gift cards shall not contain an expiration date.

C. Any Safeway cashier, customer service agent or Safeway retail management personnel who is aware or is made aware with reasonable certainty of an overcharge, shall take immediate steps to comply with Safeway's Price-Accuracy Policy whether at the point of sale or at a later time. If a cashier believes he or she is unable to resolve the issue immediately, the cashier shall immediately summon a customer service agent or Safeway retail management personnel to the check stand to assist the customer. If the overcharge discrepancy involves an electronic coupon program, Safeway may at its discretion have the matter exclusively handled immediately by a customer service agent or Safeway retail store management personnel. In all instances, Safeway shall act without undue delay in confirming whether an overcharge has occurred.

- D. Safeway shall not make any statements or take any actions which would directly or indirectly prevent or discourage Safeway's Price-Accuracy Policy from being followed, complied with, enforced by or adhered to by Safeway employees, nor shall they discourage customers from utilizing the policy.
- E. Safeway fuel stations may only be required to adjudicate non-Just For You electronic coupon price accuracy discrepancies for items actually purchased at the specific fuel station.
- F. Price accuracy discrepancies arising from purchases made at Safeway pharmacies or wellness centers may at Safeway's discretion be handled exclusively by a customer service agent or Safeway retail store management personnel.
- 5. Pursuant to Business and Professions Code §§ 17203 and 17535, and by no later than forty-five (45) days after entry of this Final Judgment, Safeway shall post signs (hereinafter "Price-Accuracy Notice") in the manner and locations described below at all California Stores in the following words:

PRICE-ACCURACY GUARANTEE

If we overcharge you for any item and the lowest applicable advertised price is \$5.00 or less, we will give you the item for free.

If the lowest applicable advertised price is over \$5.00, we will give you a \$5.00 gift card and charge the correct price.

If you are overcharged for more than one of the same item, the free item or gift card is limited to one of those items.

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If you are overcharged for two or more different items, the free item or gift card policy applies to the highest priced item.

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Excludes Tobacco, Alcoholic Beverages, Gas, Dairy & Pharmacy.

Questions, Comments or Complaints Call: 1-800-283-9535

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The Price-Accuracy Notice shall include a toll-free telephone number for A. consumer complaints, questions or comments regarding overcharges, scanning errors and Safeway's Price-Accuracy Notice. The toll-free number shall be exclusively dedicated to the taking of and creating records of complaints, questions, comments and resolution of alleged overcharges, scanning errors and Safeway's Price-Accuracy Notice. With respect to such records, Safeway shall record and retain the number and nature of the consumer contacts received for a period of no less than three (3) years from date of the consumer contact, such information to include all available identifying information for the consumer, along with the date, store number and identity of the item(s) in question.

The Price-Accuracy Notice shall be printed on signs posted in a clear, В. conspicuous and unobstructed location at each customer service desk and each place a point of sale

PEOPLE V. SAFEWAY INC., (PROPOSED) FINAL JUDGMENT AND PERMANENT INJUNCTION

- F. Should the Third-Party Auditor or an Inspector from any County Weights and Measures Department, State of California Department of Food and Agriculture, or any District Attorney's Office, find a violation regarding placement of signage, Safeway shall have seven (7) days from any oral or written notice of the violation to correct the violation without said violation constituting a violation of the this injunction.
- 6. Pursuant to Business and Professions Code §§ 17203 and 17535, and in an effort to provide greater clarity to consumers regarding "local" fresh produce offered for sale in California Stores, Safeway shall not make any statements, representations, or otherwise convey the impression through any advertising medium including, but not limited to, store signage, newspapers, circulars, internet, or any other form of media, that an item of produce is "Locally Grown," "Local" or that the purchase of the item would support local growers, unless, at a minimum:
- A. The item of produce was grown in California, with the exception of produce grown in a U.S. state bordering California and grown within fifty (50) miles from the California Safeway store at which the item of produce is offered and/or advertised to be offered, for sale; and
- B. For items grown in California, the item is identified as "California Grown" or "Locally Grown in California," "CA" may be substituted for "California."
- 7. Should the State of California or the United States promulgate a law or regulation defining the use of the term "local" or "locally grown" or similar term for such purposes, Safeway will comply with the law, this Judgment notwithstanding.

THIRD-PARTY AUDITOR

8. Within thirty (30) calendar days of the entry of this Final Judgment, Safeway shall retain the services of a third-party auditor ("Auditor"), such Auditor to be identified to and accepted by the People prior to entry of Judgment, who within a period of three (3) years will conduct three annual compliance audits of California Stores as provided herein below. The Auditor will submit annual reports of those audits to Safeway, with a copy to the People, within fifteen (15) calendar days of each anniversary date of the entry of this Final Judgment. However,

during the first year, the Auditor will conduct two quarterly compliance audits prior to the completion of the first annual audit. In preparation for the first quarterly compliance audit, the Auditor, in conjunction with Safeway, will develop an audit protocol meeting the requirements of this Final Judgment and shall provide it to the People for review and comment. In addition to any other audit objectives deemed appropriate by Safeway, the compliance audits shall evaluate Safeway's compliance with paragraphs 3, 4, 5, and 6 of this Final Judgment.

A. The audit protocol shall include, but not be limited to:

- (i) Scan Verification: The scan-verification protocol shall include a recurring program not less than once per month involving the random selection of a statistically significant number of items (regular, sale and specially priced), from a randomly selected, statistically significant cross-section of stores throughout the State of California. The auditor shall determine the items, the number of items and stores based on the criteria set forth herein.
- (ii) Verification of Price-Accuracy Policy compliance: The audit shall verify whether the correct Price-Accuracy Notices are displayed as required; confirm that all Safeway cashiers, third-party vendor cashiers, Safeway customer care and Safeway retail store management personnel (applicable employees) are aware of the Price-Accuracy Policy and take steps to comply. The audit shall verify that all employees and third-party vendors with the ability to operate a point of sale device or register have been trained on the Price-Accuracy Policy. For purposes of this Judgment, "third-party vendor" shall not include any vendor who operates a point of sale device or cash register within a Safeway retail store only for the sale of the vendor's own products or services (e.g., Wells Fargo Bank and Panda Express).
- (iii) The audit reports, based on the parties' agreed upon protocol and as required above shall include, but not be limited to, a complete description and discussion of all audit objectives, scope, criteria, audit activities, audit findings and audit conclusions, recommendations, and shall identify and discuss all audit evidence considered or relied upon to support the audit conclusions. The audit reports shall contain a listing of any written advisements of violation, including formal Notices of Violation and inspection reports directed at and maintained at any Safeway retail store by any local or state agency that identifies any

violation and/or alleged violation of any consumer protection law relating to advertising, price accuracy or weighing accuracy, retained at the store.

- (iv) Such reports shall also include, but not be limited to, a brief description of the disposition of any such noted violations and what corrective measures, if any, were taken by Safeway.
- (v) Within 30 days after receipt by the People of each audit report, Safeway shall provide the People with a plan to correct any deficiencies raised in the audit reports.
- B. Pursuant to Business and Professions Code sections 17203 and 17535, Safeway shall continue to maintain a program to minimize pricing discrepancies, which shall include at least the following:
- (i) Safeway shall designate an employee with responsibility to function as a Price-Accuracy Coordinator ("PAC") at each store, who shall conduct pricing accuracy inspections and audits as described herein. Safeway shall employ at least one employee in each store who is specially trained to perform the PAC's job. Each store shall have a minimum of 40 hours per week allocated to the duties of the PAC. Safeway may use existing personnel to execute the duties of the PAC.
- (ii) Starting no later than 30 days after the entry of this Final Judgment, and continuing thereafter, the PAC shall conduct price accuracy inspections/audits of the store to monitor the accuracy of pricing and removal of all expired sale and price tags. The PAC shall conduct price accuracy inspections/audits of no less than 500 items per week. The PAC shall record results of each inspection/audit and Safeway shall maintain records of such inspections/audits at its corporate headquarters for a period of three years from the date of creation.
- (iii) If Safeway is aware or on notice that there is any discrepancy between an advertised price (e.g. an advertisement, display sign, shelf price tag, label or any other expression of price) and the scan price, which discrepancy can be corrected at the store, Safeway shall institute corrective action no later than four (4) hours after discovery of such discrepancy. If there is a discrepancy requiring action by Safeway corporate headquarters, Safeway shall institute corrective

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action within twenty-four (24) hours, if noticed Monday through Friday, or within thirty-six (36) hours, if noticed Saturday or Sunday, and after a determination that the discrepancy has resulted from a system-wide problem. Safeway corporate headquarters shall create a log of errors and corrective actions, which shall be maintained for a period of three years after their creation. The time to correct discrepancies provided in this paragraph shall in no way effect Safeway's requirements to immediately comply with the Price Accuracy Policy provisions of this Judgment. Safeway shall not be required to log errors discovered by the PAC in the course of scope of their duties listed herein. Safeway shall also not be required to log errors due to unsubstantiated consumer complaints.

C. Safeway shall make all records required to be maintained by this Judgment available for inspection and copying to any District Attorney, District Attorney Investigator, City Attorney, any authorized representative of the State of California Department of Agriculture, Division of Measurement Standards, or any representative of the County Sealer or Director of a County Agricultural Commissioner at a reasonable time and place upon reasonable notice.

COMPLIANCE

9. For the purpose of securing compliance with the terms of this Final Judgment, Safeway shall do the following:

A. Within thirty (30) days from the date of entry of this Final Judgment, provide all present officers, directors and managers directly responsible for California retail pricing offers with a copy of this Final Judgment. Future officers, directors and managers in these designated areas of responsibility shall be served within thirty (30) days of their appointment by Safeway. Safeway shall also provide a copy of this Final Judgment or a summary of its terms to all California retail advertising personnel, retail cashier supervisors, customer service personnel and customer care representatives.

(i) Safeway shall require persons listed in this section to sign an acknowledgement that they have received and read a copy of this Final Judgment or summary.

PEOPLE V. SAFEWAY INC., FINAL JUDGMENT AND PERMANENT INJUNCTION

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(ii)

Safeway shall retain the signed acknowledgements of the persons

- (i) Safeway shall provide training on complying with the Price Accuracy Policy to current employees and third-party vendors within (30) days of the date of entry of this Final Judgment or for future employees or third-party vendors, within thirty (30) days of their hire date or beginning of service, respectively. Each employee and third-party vendor shall sign an acknowledgment that they have received training on and understand the Price Accuracy Policy.
- (ii) Safeway shall keep records of training sessions given to those persons listed in this section for a period of three (3) years from date of training. The records shall include, but are not limited to, attendance or completion records identifying the Safeway or applicable third-party vendor employee, training materials, presentations or any other instructional material. Upon request by any party, Safeway shall produce copies of training records within two weeks of the request as long as this Final Judgment remains in effect.
- (iii) Safeway shall not permit any employee or third-party vendor to operate any point of sale register(s) or device(s) without proof of the employee's or third-party vendor's compliance with the training provisions in this section.
- 10. Nothing in this Final Judgment shall in any way prevent Safeway from developing, testing or implementing new or different systems or measures regarding the subjects covered by this Final Judgment. At Safeway's request, prior to implementation or proposed implementation of any such new or different system or measure, the parties agree to meet and confer regarding the viability or continued application of any particular affected provision of this Final Judgment and whether the Final Judgment should be modified, upon consent of the court, to include the implementation of any such new or different system or measure.
- 11. If there have been no violations of any injunctive provisions of this Final Judgment within five (5) years from the date of its entry, Safeway may make, and the People shall not oppose, a motion to modify this Final Judgment by vacating Paragraphs 5, 6, and 7. Nothing in this Paragraph shall in any way limit Safeway's right to seek modification or dissolution of the injunction pursuant to Code of Civil Procedure §533. Except as otherwise stated in the first sentence of this Paragraph, nothing shall in any way limit the People's right to oppose such an application.

12. Pursuant to California Business and Professions Code §§ 17203, 17206, 17207, 17356.5 and 17535, Safeway shall pay the People at the time of filing of this Judgment, civil penalties, costs and restitution in the sum of Two Million Two Hundred and Fifty Thousand Dollars (\$2,250,000.00) by a single check made payable to the "Marin County District Attorney" and divided as set forth below:

A. The total amount of \$200,000.00 shall be paid as investigative costs and shall be distributed to the agencies listed below in the following amounts:

| Agency Costs | <u>Amount</u> |
|--|---------------|
| CA Department of Agriculture, Div. of Measurement Standards | \$40,861.80 |
| Alameda County Department of Weights & Measures | \$ 1,669.15 |
| Contra Costa County Department of Weights & Measures | \$16,150.00 |
| Fresno County Department of Weights & Measures | \$ 867.91 |
| Imperial County Department of Weights & Measures | \$ 202.26 |
| Los Angeles County Department of Weights and Measures | \$ 2,918.65 |
| Marin County Department of Weights & Measures | \$17,960.33 |
| Napa County Department of Weights & Measures | \$ 2,574.00 |
| Orange County Department of Weights & Measures | \$ 3,024.00 |
| Riverside County Department of Weights and Measures | \$ 516.32 |
| Sacramento County Department of Weights & Measures | \$54,000.00 |
| San Benito County Department of Weights & Measures | \$ 735.52 |
| San Bernardino County Department of Weights & Measures | \$ 3,322.23 |
| San Diego County Department of Weights & Measures | \$ 922.13 |
| San Joaquin County Department of Weights & Measures | \$ 2,606.19 |
| Santa Barbara County Department of Weights & Measures | \$ 1,136.00 |
| Santa Clara County Department of Weights & Measures | \$ 1,339.68 |
| Santa Cruz County Department of Weights & Measures | \$ 2,132.00 |
| Shasta County Department of Weights & Measures Page 14 of 17 | \$ 299.31 |

PEOPLE V. SAFEWAY INC., FINAL JUDGMENT AND PERMANENT INJUNCTION

PEOPLE V. SAFEWAY INC., FINAL JUDGMENT AND PERMANENT INJUNCTION

EXHIBIT 1

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| 2 | |
| 3 | NANCY O'MALLEY District Attorney, County of Alameda |
| 4 | Matthew Beltramo, SBN 184796 Deputy District Attorney |
| 5 | 7677 Oakport Street, Suite 650 Oakland, CA 94621 |
| 6 | (510) 383-8600 |
| 7 | ELIZABETH A. EGAN |
| 8 | District Attorney, County of Fresno Michael Brummel, SBN 236116 |
| 9 | Deputy District Attorney |
| 10 | 2220 Tulare St., Suite 1000 Fresno CA 93721 |
| 11 | (559) 488-3156 |
| 12 | GARY LIEBERSTEIN District Attorney, County of Napa |
| 13 | Catherine Borsetto, SBN 176337 |
| 14 | Deputy District Attorney 931 Parkway Mall |
| 15 | Napa, CA 94559 (707) 253-4211 |
| 16 | JAN SCULLY |
| 17 | District Attorney, County of Sacramento |
| 18 | Ruth M. Young, SBN 133606 Deputy District Attorney |
| 19 | 906 G St., Suite 700 Sacramento CA 95814 |
| 20 | (916) 874-6174 |
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BOB LEE District Attorney, County of Santa Cruz William R, Atkinson, SBN 88933 Assistant District Attorney 701 Ocean St., Suite 200 Santa Cruz CA 95060 (831) 454-2000

DONALD A. DU BAIN District Attorney, County of Solano Criselda Gonzalez, SBN 146493 Deputy District Attorney 675 Texas Street, 4th Floor, #4500 Fairfield, CA 94533 (707) 784-6800

JILL RAVITCH District Attorney, County of Sonoma Matthew T. Cheever, SBN 191783 Deputy District Attorney 2300 County Center Dr., Suite B-170 Santa Rosa, CA 95403 (707) 565-3161

GREGORY D. TOTTEN District Attorney, County of Ventura Mitchell F. Disney, SBN 138114 Deputy District Attorney 5720 Ralston St, No. 300 Ventura, CA 93003 (805) 662-1750