UNITED STATES DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service Compliance and Analysis Progam Compliance Branch

REVIEW REPORT

Case Number: L-014-15

Subject(s): (Contact Information)	American Egg Board P.O. Box 738 1460 Renaissance Drive, Suite 301 Park Ridge, IL 60068 (847) 296-7043
Report Approved By: (Contact Information)	Sonia Jimenez Deputy Adminstrator Compliance & Analysis Program
Review Conducted By: (Contact Information)	Compliance Branch Compliance, Safety & Security Division Compliance & Analysis Program Agricultural Marketing Service, USDA 1400 Independence Ave. Stop 0203 Washington, D.C. 20250

Date of Report: July 7, 2016

SUMMARY

Mr. Joshua Tetrick, Chief Executive Officer, Hampton Creek, Inc., San Francisco, CA (Hampton Creek^[1]) complained that the American Egg Board (AEB) exceeded its mandate by funding a campaign to halt the growth of Hampton Creek. The AEB was created to administer an industry funded program of research, producer and consumer education, and promotion.

On September 3, 2015, the Agricultural Marketing Service Compliance Branch (AMSCB) initiated an extensive review of Mr. Tetrick's complaint. Five AMSCB investigators reviewed over 47,000 AEB emails from June 1, 2013, to September 21, 2015, and associated documents and conducted interviews with nine AEB staff; six AEB Board members/alternate members; Mr. Tetrick; Mr. Antony Zolezzi, Serial Entrepreneur; and two AMS employees. Attempts to interview Ms. Joanne Ivy, former AEB CEO/President were unsuccessful even after a subpoena was issued.

Mr. Tetrick is the founder of Hampton Creek, a food technology company, which, at its inception, was called Beyond Eggs. Hampton Creek's first product, "Just Mayo", was introduced to the

^[1] At its inception, the company was called "Beyond Eggs" but the company name was publicly changed to Hampton Creek in 2012.

market in December 2013. Hampton Creek's products do not contain eggs or egg products.

Mr. Tetrick made nine separate allegations discussed in this report. AMSCB expanded the scope of the review to examine three additional areas of concern. This report solely presents information and evidence gathered during the review. Analysis of these findings and decisions regarding possible actions or follow up by AMS are not covered in this report.

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BACKGROUND

Subject(s) Information

Congress enacted the Egg Research and Consumer Information Act (7 USC §§2701 – 2718) in 1974 to enable egg producers to establish, finance, and carry out a coordinated program of research, producer and consumer education, and promotion to strengthen the egg industry's position in the marketplace and maintain and expand domestic and foreign markets and uses for eggs, egg products, spent fowl, and products of spent fowl of the U.S. The Egg Research and Promotion Order was implemented in August 1976 (7 CFR §1250). The AEB was created to administer the program and oversight responsibility was assigned to the USDA Agricultural Marketing Service (AMS).

The AEB consists of 18 members and 18 alternates who are appointed by the Secretary of Agriculture from nominations submitted by eligible organizations, associations or cooperatives or by other egg producers. The Executive Committee of the AEB is composed of a representative member from each of its six geographic areas and the past Chairman. The AEB Chief Executive Officer (CEO) and AEB Staff administer the programs under the Executive Committee's direction. AEB receives its funding from an assessment on egg producers with more than 75,000 laying hens in the continental United States and the District of Columbia. The assessments generate about \$20,000,000 per year.

NARRATIVE

Basis for Investigation

Rex Barnes, former Associate Administrator, AMS, directed the AMSCB to initiate a review of Mr. Tetrick's complaint that the AEB exceeded its mandate by funding a campaign to halt the growth of Hampton Creek.

Investigative Findings

<u>Allegation #1: AEB Staff threatened Mr. Tetrick when they exchanged emails about putting a</u> <u>"hit" on him.</u>

Mr. Tetrick alleged there were a number of actions AEB took directly targeting him and Hampton Creek which included threatening emails that discussed putting a "hit" out on him and having "old buddies from Brooklyn pay him a visit" (Exhibit 1). For additional information refer to Mr. Tetrick's signed sworn statement with addendum attached as Exhibit 2.

Mr. Mitch Kanter, Executive Director, Egg Nutrition Center (ENC)¹, stated that the December 3, 2013, email he sent to Mr. Kevin Burkum, Senior Vice President of Marketing, AEB, regarding contacting some "old buddies in Brooklyn" was clearly a joke. For additional information refer to Mr. Kanter's email attached as Exhibit 3 and signed sworn statement attached as Exhibit 4.

Mr. Michael Sencer, Vice President, Hidden Villa Ranch, stated the email he sent to Debbie Murdock, Executive Director, Association of California Egg Farmers and other Egg Farmers, on October 31, 2014, wherein he wrote "Can we pool our money and put a hit on him?" (Exhibit 5) was a joke and there was no intent of putting a "hit" on Mr. Tetrick or anyone else. Mr. Sencer stated he has since apologized to Mr. Tetrick for making the comment that was inappropriate. For additional details, refer to Mr. Sencer's sworn statement attached as Exhibit 6.

Allegation #2: AEB attempted to block the sale of Just Mayo at Whole Foods.

Mr. Tetrick alleged that AEB attempted to use Mr. Anthony Zolezzi, Serial Entrepreneur (consultant), to persuade Whole Foods to take "Just Mayo" off its shelves. He stated that these activities by AEB were not directed toward promotion of its product and were unlawful, and AEB's attempts to artificially manipulate market access for competing products were clear in the complaint emails (Exhibit 1).

Mr. Tetrick stated that sometime between August 23, 2015, and November 23, 2015, Mr. Zolezzi contacted him regarding his role and involvement against Mr. Tetrick's company. He stated that Mr. Zolezzi expressed his displeasure with AEB and apologized for his actions. For additional information, refer to Mr. Tetrick's signed sworn statement with addendum attached as Exhibit 2.

Mr. Roger Deffner, AEB Executive Committee Member, stated that during a November 2013 United Egg Producers event, Mr. Zolezzi made a proclamation he could stop the distribution of "Beyond Eggs" at Whole Foods with just a phone call. Mr. Deffner stated he received an email (Exhibit 7) dated December 4, 2013, from Ms. Joanne Ivy, who at the time served as AEB CEO/President, about Mr. Zolezzi's proclamation that he could stop distribution of Beyond Eggs with a phone call. He said he

¹ ENC is the science and nutrition education division of the American Egg Board.

probably did not follow up with this email and he believed Mr. Zolezzi's comment was frivolous because that was not the way products get to market or removed from market. For additional information refer to Mr. Deffner's transcribed statement attached as Exhibit 8.

According to Mr. Burkum's recollection, Ms. Ivy, Mr. Zolezzi, other egg producers, and himself met in Chicago concerning advertising and marketing ideas for the egg industry. He said Mr. Zolezzi mentioned he felt that the "Just Mayo" product was deceptive to consumers because it did not meet the standard of identity for mayonnaise and because it did not contain eggs, yet it had a picture of an egg on the label. Mr. Burkum said he thought Mr. Zolezzi was going to contact Whole Foods on Mr. Zolezzi's own behalf and not AEB's. Refer to Mr. Burkum's signed sworn statement attached at Exhibit 9.

Ms. Ashley Richardson, Director of Industry Communications, AEB, stated that she was present when Ms. Ivy had a short phone conversation with Mr. Zolezzi about being able to have "Just Mayo" removed from the shelves of Whole Foods. Ms. Richardson said Ms. Ivy dismissed his claims and to her knowledge Mr. Zolezzi never conducted any work for AEB nor was he paid for any services. For additional information refer to Ms. Richardson's signed sworn statement attached as Exhibit 10.

In a December 3, 2013, email exchange between Mr. Zolezzi and Ms. Ivy with the subject "Re: Whole Foods & Beyond Eggs," Ms. Ivy related that she would like to accept Mr. Zolezzi's offer to make the phone call to Whole Foods to keep "Just Mayo" off their shelves. Mr. Zolezzi responded the same day noting, "Joanne will do - great to meet you, look forward to being able to work with you in the future-AZ." Then, on December 23, 2013, Ms. Ivy followed up by asking Mr. Zolezzi if there was any progress report on "Just Mayo" being removed from the shelves of Whole Foods. For additional information refer to the emails between Ms. Ivy and Mr. Zolezzi attached as Exhibit 11.

Mr. Kenneth R. Payne, Director, Research & Promotion Division, LPS, AMS, stated he was unaware Ms. Ivy communicated with Mr. Zolezzi until his office began reviewing documents responsive to a Freedom of Information Act (FOIA) request. Mr. Payne said he became aware of the communication in February 2015, so he informed Mr. Paul Sauder, AEB Chairman, after the March 2015 AEB Executive Committee meeting. For additional information refer to Mr. Payne's signed sworn statement attached as Exhibit 12.

Mr. Errol Schweizer, Global Executive Coordinator, Grocery Procurement Team, Whole Foods, stated Mr. Zolezzi never contacted him concerning "Just Mayo", "Beyond Eggs", Hampton Creek, or AEB. He said that nobody ever asked him to remove "Just Mayo" from Whole Foods. For additional information refer to Mr. Schweizer's signed sworn statement attached as Exhibit 13.

Mr. Zolezzi stated he never contacted anyone at Whole Foods in an attempt to have them stop selling "Just Mayo", nor did he ever ask anyone else to call Whole Foods. Mr. Zolezzi said at the end of the November 2013 meeting, Mr. Burkum handed him a jar of "Just Mayo" and asked what he thought about it. He related he could not speak about the product but the label seemed a little suspect because it was an eggless mayonnaise that pictured an egg and was called "Just Mayo." Mr. Zolezzi stated that he has since apologized to Mr. Tetrick for his comments. For additional information refer to Mr. Zolezzi's signed sworn statement attached as Exhibit 14.

AMS determined that Mr. Zolezzi was never under contract with AEB.

In a December 19, 2013, email from Ms. Elisa Maloberti, Director of Egg Product Marketing, AEB, (Exhibit 15)² to John Howeth, Senior Vice President of Foodservice and Marketing, AEB, with the subject "Whole Foods to drop Chobani Yogurt from their stores in 2014," Maloberti related that if it could be proved the plant-based ingredients in Beyond Eggs were GMO, maybe Whole Foods would take notice and take action against Beyond Eggs.

Ms. Maloberti stated no actions were taken to try and prove the plant based ingredients were GMO and that she was quoting the article in her email. She also noted at the time they were thinking about creating a white paper about how eggs are GMO free and that would be another position to take when marketing eggs. For additional information refer to Ms. Maloberti's signed sworn statement attached as Exhibit 16.

Allegation #3: AEB hired Daniel J. Edelman, Inc. to lead a campaign against Mr. Tetrick.

Mr. Tetrick alleged AEB targeted him by hiring a public relations company (Edelman) to campaign against him (Exhibit 1). For additional information, refer to Mr. Tetrick's signed sworn statement with addendum attached as Exhibit 2.

On December 23, 2013, Ms. Jenny Englert, Account Executive, Daniel J. Edelman, Inc., Chicago, IL (Edelman), sent an email to Ms. Ivy containing recommendations to AEB for short-term and long-term activities to respond to Beyond Eggs going into 2014. The email showed AEB's interest in conducting research on the impact of Beyond Eggs to determine future media requests and strategic focus for future campaigns, and identifying influencers to rally in support of eggs. The email mentioned developing a direct comparison of eggs versus Beyond Eggs to understand where eggs outpace the product in terms of cost, consistency, etc. Ms. Ivy included members of the AEB staff on the response and indicated she planned to have a meeting with AEB executive staff during the week of January 6, 2014, to discuss the recommendations. For additional information refer to the email attached as Exhibit 17.

Mr. Burkum stated that Edelman had been AEB's public relations agency since 2006 and they used them through 2015 for media monitoring. He said Edelman did issues management for AEB, which could be anything from avian influenza to animal rights activists. He stated he was involved in some of the discussions concerning "Just Mayo" which occurred from approximately 2012 until 2015. For additional information refer to Burkum's signed sworn statement attached as Exhibit 9.

Mr. Kanter stated that Edelman assisted the Egg Nutrition Center (ENC) with marketing their research and educational materials to the health industry and with crisis management when issues arose. He said Edelman was already AEB's main public relations company (Exhibit 18) and was not hired because of Hampton Creek or for the purpose of deterring someone from buying an egg alternative product such as Beyond Eggs and "Just Mayo." Mr. Kanter said that the crisis management team had been used in the past for occasions such as avian flu outbreaks and responding to negative or positive research regarding eggs. For additional information refer to Kanter's signed sworn statement attached as Exhibit 4.

Ms. Jacinta Ledonne, Director of State Programs, AEB, stated Edelman was contracted annually for public relations and they could be contracted separately for other things that may come up. She said Edelman was to come up with a campaign to promote the benefits of real eggs. Ms. Ledonne stated Edelman sent media updates concerning Beyond Eggs that sometimes consisted

 $^{^{2}}$ Howeth responded that they will want to make sure this is looked at during the patent analysis.

of articles mentioning the company. For additional information refer to Ledonne's signed sworn statement attached as Exhibit 19.

Ms. Ashley Richardson, Director of Industry Communications, AEB, stated there was a general awareness that Edelman assisted them with communications involving Beyond Eggs and the AEB staff received weekly updates on articles about the status of Hampton Creek/Beyond Eggs. Ms. Richardson said this was done in the past for the Kevin Bacon campaign and avian influenza outbreak. She did not believe Edelman was used to target Hampton Creek or for the purpose of deterring someone from buying an alternative product. For additional information refer to Richardson's signed sworn statement attached as Exhibit 10.

Ms. Maria "Mia" Roberts, Vice President of Strategic Operations, AEB, stated Edelman had been AEB's agency of record for public relations since 2006 or 2007 and her group used them for the purpose of looking at media coverage regarding Beyond Eggs. She stated they have done work like this on other projects such as when a Canadian research study indicated eating eggs was just as bad for you as smoking cigarettes. For additional information refer to Roberts' signed sworn statement attached as Exhibit 20.

Ms. Tia Rains, Senior Director, Nutritional Research and Communications, AEB, stated Edelman was already AEB's main public relations company, so when the topic of Hampton Creek came up they were the company to provide advice to AEB. She believed AEB and Edelman's response to Beyond Eggs was an effort to maintain the demand for eggs. For additional information refer to Rains' signed sworn statement attached as Exhibit 21.

Allegation #4: AEB paid bloggers to discredit Hampton Creek online.

Mr. Tetrick stated that AEB paid bloggers to raise questions about his products on line (Exhibit 1). For additional information refer to Tetrick's signed sworn statement with addendum attached as Exhibit 2.

On December 16, 2013, the Edelman team sent an email to AEB stating: "To continue to drive positive and balanced conversation about real eggs in light of Beyond Eggs coverage, we recommend working with a mix of influential real-food/agriculture advocates and RD bloggers (five to ten) to showcase the benefits of eating all-natural eggs." The email went on to say they wanted to cast a wide net to reach consumers with their messaging, so the goal was to secure participation from influential bloggers with large followings on their blogs and social channels. The email also showed how they would try to stay within the budget of \$7,500 to \$15,000. For additional information refer to Beyond Eggs Revised Blogger Recommendations attached as Exhibit 22.

In email exchanges dated January 17, 2014, and February 7, 2014, between Ms. Elizabeth Jensen, Edelman, and other AEB and Edelman employees, Ms. Jensen provided a comprehensive update on the Beyond Eggs blogger outreach. In addition, Ms. Englert sent an email to Ms. Roberts and mentioned they were happy to share two of the Beyond Eggs blog posts had gone live on Recipe Girl and Ingredients, Inc. that week. For additional information refer to the email attached as Exhibit 23.

Ms. Roberts stated the work completed by Edelman involving bloggers consisted of internet postings and media information involving recipes and the nutritional benefits of eggs. Ms. Roberts said the blogs were not developed in response to Mr. Tetrick and his products. She also said these posts did not appear

where Mr. Tetrick and his products appeared because these posts were made on Allison Lewis, Ingredients, Inc; Digital Brand Architects (DBA) reference Gaby Dalkin, What's Gaby Cooking; and Recipe Girl, Inc. blogs. Ms. Roberts said the blogger relationships were in place before AEB became aware of Beyond Eggs and Mr. Tetrick. For additional information refer to Roberts' signed sworn statement attached as Exhibit 20.

Mr. Burkum stated they did not use bloggers to attack "Just Mayo," but they did use them to talk about the benefits of eggs and egg products. For additional information refer to Burkum's signed sworn statement attached as Exhibit 8.

Ms. Richardson stated there has been a longstanding program involving bloggers who promote eggs and that all blog messages would have been USDA approved. For additional information refer to Richardson's signed sworn statement attached as Exhibit 10.

Ms. Serena Schaffner, Director of Marketing Communications, AEB, stated that while working for Edelman she worked with bloggers such as Alison Lewis, Ingredients, Inc; Gaby Dalkin from What's Gaby Cooking; and Recipe Girl. She said they asked the bloggers to write about the nutritional benefits of eggs and include a recipe on how to cook eggs. She stated they asked them to post those things on their own blogs for their following to see while disclosing they were sponsored by AEB to write the post. For additional information refer to Schaffner's signed sworn statement attached as Exhibit 24.

Mr. Deffner stated that bloggers were used to promote the positive attributes of egg and not to address negative attributes about a specific company. For additional information, refer to Deffner's transcribed statement attached as Exhibit 8.

Contained in AEB accounts payable was documentation dated April 1, 2014, with attachments to include a letter from Edelman to Mr. Burkum, dated March 13, 2014, showing AEB paid Edelman \$9,534.22 for work concerning Beyond Eggs. This work included continued support on Beyond Eggs related issues, reviewing blogger content and facilitated posts. For additional information refer to AEB accounts payable information attached as Exhibit 25.

<u>Allegation #5: AEB created pop up ads to block information about Tetrick's company in online</u> <u>search engines.</u>

Mr. Tetrick stated he first became aware of evidence suggesting AEB conducted a campaign against him and his company when he used search engines like Google or Bing to see what people were commenting about his company online. He said his staff notified him they were reading articles about Hampton Creek on Food Navigator when the Incredible Edible Egg Banner popped up and covered the entire page. Mr. Tetrick said they noticed that anytime someone searched for his name or the name of his company, the Incredible Edible Egg advertisements popped up. For additional information refer to Tetrick's signed sworn statement with addendum attached as Exhibit 2.

On December 18, 2013, Mr. Burkum sent an email stating: "Our Beyond Eggs Search effort is in place on Yahoo, Bing and Google." A further review showed a screen shot of a Bing search of Mr. Josh Tetrick and a Google search of Hampton Creek foods each bringing up "Get Egg

Production Facts" and the website address of <u>www.incredibleegg.com/Study</u>³. For additional information refer to the email from Mr. Burkum attached as Exhibit 26.

In her December 18, 2013, President Update, Ms. Ivy informed the egg industry on AEB's actions in response to the increased media coverage surrounding the new egg replacer from Hampton Creek Foods. Ms. Ivy stated that AEB was leveraging paid searches on Google, Bing and Yahoo so when consumers searched for terms related to Beyond Eggs they would also see a link to IncredibleEgg.org's section on the 50-Year Environmental Study. Ms. Ivy went on to mention AEB's major initiative to address Beyond Egg was to target food manufacturers such as General Mills, Unilever, Kraft, etc. to convince them to continue to use real eggs with their formulations and be inspired to develop new products with egg ingredients. For additional details refer to the email attached as Exhibit 27.

On December 19, 2013, Ms. Maloberti sent an email which included a link to the <u>www.buzzfeed.com</u> website containing an article titled "Egg Industry Declares War on Eggless Eggs" by Rachel Sanders, BuzzFeed Staff. The article included images of Google word searches of Just Mayo, Hampton Creek Foods and Mr. Josh Tetrick and the image showed each brought up the website <u>www.incredibleegg.com/Study</u>. For additional information refer to the email from Ms. Maloberti and buzzfeed.com page attached as Exhibit 28.

Mr. Howeth stated⁴ he sent an email (Exhibit 29) dated March 24, 2014, to Mr. Kanter and Ms. Ivy in which he discussed leveraging paid searches on Google, Bing, and Yahoo. Mr. Howeth confirmed AEB rented approximately 20 words during January-April 2014, that when searched, aeb.org would appear. According to him, none of the words had to do with Mr. Tetrick or his products. Mr. Howeth said he did not believe he made Mr. Payne aware of this document. For additional information refer to Howeth's signed sworn statement attached as Exhibit 30.

Mr. Burkum stated they had key word searches through Starcom, their paid media agency. He said that if someone Googled Mr. Tetrick, his company or products to include "Just Mayo" and Beyond Eggs, positive messages about eggs would appear. For additional information refer to Burkum's signed sworn statement attached as Exhibit 9.

Allegation #6: AEB tried to join The Association of Dressings & Sauces⁵ to manipulate standards. Mr. Tetrick stated AEB attempted to join the Association of Dressings and Sauces (ADS) to manipulate standards (Exhibit 1). For additional information refer to Tetrick's signed sworn statement with addendum attached as Exhibit 2.

Ms. Maloberti stated the AEB Food Service/Egg Product Marketing committee discussed how they wanted more educational opportunities for food manufacturers involved in the production of sauces and dressings and she was asked to see what was needed to join ADS. Ms. Maloberti said because ADS did not have a membership category that AEB would fit into, their funds were refunded. For additional information refer to Maloberti's signed sworn statement attached as Exhibit 16.

In a September 2, 2015, email to Ms. Ivy with the subject "Salad Dressings", Mr. Howeth mentioned he

³ Incredible Egg is a campaign of the American Egg Board

⁴ Howeth stated that he referred to Beyond Eggs as "BE."

⁵ Mr. Tetrick referred to this association as the American Association for Sauces and Dressings.

was requested by several further processors⁶ to look into the Association of Dressings and Sauces. Mr. Howeth said in completing their due diligence, they realized ADS did lobbying which was beyond their mandate and they did not proceed further. For additional information refer to the email attached as Exhibit 31. However, Mr. Howeth stated he was not involved in AEB's efforts to become a member of the ADS. For additional information, refer to Howeth's signed sworn statement with addendum attached as Exhibit 14.

Mr. Burkum stated he was aware AEB tried to become a member of ADS. He thought it dealt with increasing the sale of eggs with companies that made dressings and sauces. He stated AEB did not become a member of ADS and he did not recall if attempting to join ADS had anything to do with Hampton Creek. For additional information, refer to Burkum's signed sworn statement attached as Exhibit 9.

Mr. Payne stated that he was not aware that AEB tried to become a member of ADS until information was obtained by AMS, possibly through a FOIA. For additional information refer to Payne's signed sworn statement attached as Exhibit 12.

AMSCB determined that AEB efforts to become part of ADS occurred in August 2012. Mr. Tetrick's first commercial product sold in the market place was "Just Mayo" in December 2013.

Allegation #7: AEB intervened with their adversary in litigation (Unilever).

Mr. Tetrick stated that AEB intervened with their adversary in litigation (Unilever). For additional information, refer to Tetrick's signed sworn statement with addendum attached as Exhibit 2.

On November 20, 2014, Ms. Ivy sent an email to Mr. Howard Magwire, United Egg Producers (UEP)⁷, saying she just got off the phone with someone working the Unilever case against Hampton Creek. Ms. Ivy related the individual wanted her to say they supported Unilever in the lawsuit against Hampton Creek but Ms. Ivy told the individual they could not take a position. For additional information refer to the email attached as Exhibit 32.

On November 21, 2014, Ms. Ivy sent an email to Mr. Schaffner, Mr. Howeth and Mr. Burkum with the subject "Re: American Egg Board Follow Up" in which she related she provided Counsel from Unilever some basic information that was helpful, but she let him know AEB could not make statements supporting Unilever's position. For additional information refer to the email attached as Exhibit 33.

Ms. Richardson stated she remembered Ms. Ivy telling her an Unilever representative reached out to her to see if AEB had any information regarding Hampton Creek she could share. Ms. Richardson said Ms. Ivy told the Unilever representative that was not something she could comment on. Ms. Richardson said she could not recall when this occurred, but she believed it was during the time Unilever was in litigation with Hampton Creek. For additional information, refer to Richardson's signed sworn statement attached as Exhibit 10.

⁶ Further processing dealt with the retrieval, formulation, processing, preserving and handling of chicken meat products.

⁷ UEP refers to United Egg Producers, a Capper–Volstead agricultural cooperative in the United States which represents the interests of American egg producers.

<u>Allegation #8: AEB intervened with the FDA and tried to get the FDA to go after Mr. Tetrick for</u> <u>labeling issues.</u>

Mr. Tetrick stated AEB intervened with the Food and Drug Administration (FDA) and tried to get the FDA to go after him for labeling (Exhibit 1). For additional information, refer to Tetrick's signed sworn statement with addendum attached as Exhibit 2.

On January 9, 2014, Mr. Burkum sent an email to Mr. Roger Glasshoff (an AMS employee at the time who has since retired) seeking guidance on who the AEB could alert regarding what AEB viewed as a labeling violation for "Just Mayo" claiming to be "non-GMO." The email attachment included Just Mayo's logo and product specifications. Mr. Glassoff's work at AMS did not involve oversight of AEB or any research and promotion program. AMSCB found that he fielded a routine inquiry about a regulatory matter and referred the requester to the correct regulatory authority. For additional information refer to the email and attachment attached as Exhibit 34.

Mr. Burkum stated he and Mr. Howeth communicated via an email chain (Exhibit 35) on January 9, 2014, with the subject "Eggs and GMO" concerning "Just Mayo" labeling and contacting the FDA regarding the statement of identity for mayonnaise. Mr. Burkum said "Just Mayo" did not meet the standard of identity for mayonnaise, but he never contacted the FDA nor did he know if anyone else contacted the FDA. For additional information refer to Burkum's signed sworn statement attached as Exhibit 9.

Mr. Howeth acknowledged he was involved in the January 9, 2014, email (Exhibit 35) with Mr. Burkum. Mr. Howeth said he told Mr. Burkum that he would review the information and discuss with him the next day. He also mentioned it seemed like a great opportunity to push back a little and get "Just Mayo" on the defensive regarding their labeling claims. Mr. Howeth stated he did absolutely nothing because he did not think it was appropriate to contact FDA because it was not in their purview. For additional information refer to Howeth's signed sworn statement attached as Exhibit 30.

Mr. Kanter stated he reviewed the January 9, 2014, email (Exhibit 35) but he did not contact the FDA concerning Mr. Tetrick's company or products. Mr. Kanter said he was not aware that anyone contacted the FDA regarding this matter nor did he hear anyone talk about contacting the FDA. For additional information refer to Kanter's signed sworn statement attached as Exhibit 4.

Ms. Maloberti acknolwledged an email string (Exhibit 32) dated November 19 & 20, 2014, between Ms. Ivy, Mr. Magwire, and herself with the subject "Re: mayonnaise/salad dressing standards of identity" where she asked how egg-less mayonnaise products were getting away with calling themselves mayonnaise. In the email string, Mr. Magwire responded that he was pleased to see that Unilever was taking action against them. Ms. Ivy related that she had just gotten off the phone with a guy working on the Unilever case with Hampton Creek and that she could not take a position in the matter, but she wanted to make sure the FDA was aware of the labeling issue. Mr. Magwire replied that UEP could approach the FDA.

Mr. Sauder stated he was aware of an email Ms. Ivy received from Kraft Foods after Mr. Tetrick's complaint became public following the FOIA request. Mr. Sauder said the issue was over the definition of mayonnaise which must have eggs in it and that Ms. Ivy responded to Kraft that AEB could not contact or respond to the FDA. For additional information refer to Sauder's signed sworn statement attached as Exhibit 36.

Allegation #9: AEB used its funds to target Mr. Tetrick's products instead of promoting eggs.

Ms. Roberts remembered reading an email (Exhibit 37) from Ms. Ivy dated December 9, 2013, with the subject "Why I Farm." Ms. Roberts said that Ms. Ivy mentioned they needed to "fight back" against Beyond Eggs and she did not think they needed to mention them by name, but mention egg farmers produce natural, real food with the highest quality protein and not a synthetic egg product that was produced in a laboratory. Ms. Roberts felt Mr. Tetrick's remarks in the press that egg farmers mistreated animals and that eggs were not a sustainable source of protein were the problem, not his product.

Ms. Roberts approved the use of checkoff funds for Community Outreach, "Monitored Beyond Eggs," coverage from Edelman. She said the purpose was to look at media coverage concerning Beyond Eggs so if a reporter wrote a story they would capture the link. Ms. Roberts felt this was an appropriate use of checkoff funds because Mr. Tetrick made statements about AEB and they needed to know what they were. For further additional information refer to Robert's signed sword statement attached as Exhibit 20.

On December 16, 2013, Ms. Ivy sent an email to AEB Executive Committee members requesting approval for a \$59,500 budget to address the publicity that Beyond Eggs was receiving. Ms. Ivy further related they did not have a budget at that time but went ahead with a few activities because of timeliness and she felt they needed a budget to not only respond when appropriate but also be on the offense and not the defense. For additional information, refer to Ivy's email and attachment attached as Exhibit 38.

AMSCB's review of emails from Executive Committee members showed they agreed to the \$59,500 budget request. Mr. Deffner also wondered if the industry was more focused on this than the general public. For additional information refer to the attached emails from Deffner (Exhibit 39), Herbruck (Exhibit 40), Van Zetten (Exhibit 41), Sauder (Exhibit 42), Stonger (Exhibit 43), Reichman (Exhibit 44) and Pierce (Exhibit 45).

Mr. Sauder did not recall receiving the December 16, 2013, email or responding to it. Mr. Sauder stated that he viewed Mr. Tetrick's company and products as an attack on the egg industry and the egg itself, so he felt it was the responsibility of AEB to defend eggs and egg products by promoting eggs through positive messages. He said his defense was through a USDA approved communication and at no time did AEB directly attack Mr. Tetrick and Beyond Eggs with any messages. For additional information refer to Sauder's signed sworn statement attached as Exhibit 36.

Mr. Deffner, Mr. Van Zetten, Mr. Christopher Pierce, Mr. Andrew Reichman, and Ms. Patricia Stonger, AEB Executive Committee members, acknowledged approving the budget request. Mr. Deffner stated he gave his approval as the funds were to positively promote the egg industry and not to address Beyond Eggs negatively. Mr. Van Zetten stated he viewed Mr. Tetrick's products as an egg replacer/egg substitute, a competitor to the egg industry, and a product that could attract customers who usually bought products that contained eggs. He said the money was set aside to promote the attributes of eggs. Mr. Pierce stated that he saw Beyond Eggs as another option and as having a negative impact on the egg industry because somebody may use it instead of an egg product. He said that the motion and the approval was to know how egg products compared to Beyond Eggs for use from a marketing promotional standpoint. Mr. Reichman said he did not remember if Ms. Ivy explained what the activities were or what she meant by being on the offense and not the defense. For additional

information, refer to Deffner, Van Zetten, Pierce, Reichman, and Stonger's transcribed statements attached as Exhibits 8, 46, 47, 48, and 49 respectively.

In an email dated December 16, 2013, from Ms. Ivy to Mr. Burkum, Mr. Kanter, and Ms. Missy Maher from Edelman, with the subject "BEYOND EGG Budget", Ms. Ivy stated the \$59,500 Beyond Eggs budget was approved by the Executive Committee and the funds were to come from the Administrative Special Projects budget. For additional information refer to the email attached as Exhibit 50.

A December 16, 2013, email from Ms. Ledonne to Ms. Ivy showed a \$59,500 budget for Beyond Eggs Outreach, which included money budgeted for WSJ and HuffPo letters to the Editor,⁸ media relations (monitoring and follow-up), blogger relations (fees included research and negotiations with 5-10 key influential bloggers in food, tech and health/nutrition space, drafting key messaging and coordinating posts), ongoing strategic counsel and paid search/outbrain. For additional information refer to the email and attachment attached as Exhibit 51.

AEB conducted research to identify differences between eggs and plant-protein replacers. In an email chain from December 9, 2013, to January 16, 2014, between Ms. Ivy to Hongwei Xin, Director, Egg Industry Center, Iowa State University, with the subject "Environmental Footprint Study," Ms. Ivy mentioned they would also like to compare eggs to plant-protein replacers, such as egg replacer made from soy and two of the main Beyond Egg products. She also requested he look at a couple of other plant-based proteins, such as soy and maybe corn. A review of AEB accounts payable information found documentation showing Iowa State University was paid \$75, 048 for "Comparing Environmental Footprint of U.S. Eggs w/other Plant & Animal Food Sources." For additional information refer to Exhibits 52 and 53.

Mr. Kanter reviewed and asked for an objective assessment of a Beyond Eggs patent (Exhibits 54, 55 and 56) from two external experts, Mr. Gil Leveille, Independent Professor (retired) and Mr. Tong Wang, Iowa State University Professor. He stated this was just due diligence and an activity they conduct often when they have questions regarding research or technology that may require insights from external experts. In an email dated December 21, 2013, Mr. Wang provided a document entitled "Review: Can Beyond Egg products fully substitute eggs?" For additional information refer to Kanter's signed sworn statement attached as Exhibit 4 and the email and attachment attached as Exhibit 57.

Ms. Roberts acknowledged sending an email (Exhibit 58) on March 3, 2014, to Ms. Ivy including consumer research questions with a question involving Mr. Tetrick. Ms. Roberts said the survey was developed to see how many consumers were aware of egg replacers, including Beyond Eggs. It also included a Beyond Eggs Statement of Work (SOW) from November 1, 2013, to January 31, 2014, with a total budget of \$59,500 and an amendment to the SOW with a budget of \$70,970.

The AEB Executive Committee minutes from March 12, 2014, reflect Ms. Ivy's request to carry over the balance (\$46,404) of the \$59,500 funds allocated for the Beyond Eggs program. The motion was approved unanimously. For additional information refer to the Executive Committee Minutes attached as Exhibit 59.

⁸ WSJ and HuffPO have been used to refer to Wall Street Journal and Huffington Post respectively.

Mr. Andrew (Andy) Liuzzi, Edelman, sent an email to AEB staff on March 31, 2014, with the subject "BEYOND EGGS Update" flagging two Beyond Eggs articles that were in the Business Insider and Entrepreneur. Mr. Liuzzi mentioned that the coverage included Hampton Creek's full pitch deck⁹ that provided them with valuable insight into the overall media and communications strategy. For additional information refer to the email chain and attachment attached as Exhibit 60.

Ms. Schaffner stated that outreach efforts were looped under Beyond Eggs because they needed to do a consumer education program about egg production practices and nutritional benefits of eating eggs. Ms. Schaffner said there were a lot of heated statements and misinformation from Mr. Tetrick about how eggs were produced and AEB wanted to educate consumers. For additional information refer to Schaffner's signed sworn statement attached as Exhibit 24.

Mr. Burkum stated that Mr. Tetrick began targeting the egg industry about how poorly they treated their animals, their sustainability from an environmental stand point and being generally untruthful about the egg industry. On February 3-5, 2015, Mr. Burkum ordered sales data regarding "Just Mayo" products (Exhibits 61 and 62), in the amount of \$1,700 from Ms. Brittany Novak, Client Business Partners, Nielsen. Mr. Burkum said the objective was to determine how "Just Mayo" products were selling.

Mr. Burkum acknowledged the use of search words to disseminiate a positive messaging for eggs under reputation management. Mr. Burkum said he did not feel AEB's use of checkoff funds was inappropriate. For additional information refer to Burkum's signed sworn statement attached as Exhibit 9.

Ms. Ledonne stated that Edelman was to come up with a response/campaign regarding "Just Mayo" to promote the benefits of eggs. She said that Edelman would send out media updates, including articles that mentioned Beyond Eggs. She was not aware there was a specific line item in the budget for Beyond Eggs. For additional information refer to Ledonne's signed sworn statement attached as Exhibit 19.

Mr. Howeth stated that he conducted some research to determine if Mr. Tetrick's company and products were a threat. He determined the products were not a threat and there were no follow up actions. For additional information refer to Howeth's signed sworn statement attached as Exhibit 30.

Ms. Maloberti said that the Special Projects category in the budget was allocated \$247,000, of which \$70,000 was allocated for Beyond Eggs¹⁰ (Exhibit 63). She added that in this particular budget spreadsheet, the line item "Beyond Eggs" meant their egg replacer project and to her knowledge the Executive Committee and the USDA would not be aware there was a specific line item for Beyond Eggs. For additional information refer to Maloberti's signed sworn statement attached as Exhibit 16.

⁹ This was a presentation prepared by Hampton Creek.

¹⁰ The \$247,000 was for Special Projects from the 2014 Budget for the Egg Product Marketing (EPM) section and the \$70,000 was the Special Projects line item from the 2015 Budget for EPM section. Neither of these items were identified as Beyond Eggs in budgets submitted to AMS.

The AMSCB examined the AEB accounts payable information and found five invoices from Edelman containing charges related to the Beyond Eggs project totaling \$44,388.33. A spreadsheet listing those charges has been attached as Exhibit 64.¹¹

Additional Areas of Examination

During the course of this review, AMSCB became interested in: (1) whether AEB requested AMS approval for projects/activities; (2) AMS oversight of the AEB; and (3) whether AEB deleted emails related to this review.

During interviews, AMS representatives stated they had no knowledge that AEB approved a budget to address Beyond Eggs. A review of the 2013 and 2014 AEB budgets did not show a line item for Beyond Eggs on the budgets approved by AMS. AEB did not make a request to AMS for budget amendments for these years, although interviews indicated that budget amendments had been approved by AEB, and AEB is required to submit those amendments to AMS. It is AMS policy that budget requests include the previous two years budgets for comparision purposes. As part of this requirement, the 2015 AEB budget reflected a \$13,096 expenditure in 2013 and \$46,304 budgeted in 2014 and identified those line items as being for the Beyond Eggs PR campaign, even though those budgets had not been approved by AMS and did not show in the budgets or budget amendments submitted to AMS for those years by AEB. For additional information refer to the AEB 2014 and 2015 budgets attached as Exhibits 65 and 66.

Various AEB staff members stated they did not remember talking with AMS representatives about Beyond Eggs or that they were not in contact with anyone from AMS concerning Mr. Tetrick, his company and products. The review showed that neither the messages from Ms. Ivy to the Executive Committee nor their responses indicated AMS was made aware of the budget request and approval. One AEB staff member stated a lot of the discussions involving Hampton Creek were internal discussions and were meant for staff to help decide what to do within their regulatory limits.

Ms. Maloberti stated she sent an email and attachment (Exhibit 67) dated May 13, 2014, to an AMS representative. The email included a Power Point presentation she personally gave in Washington, DC to AMS representatives. Ms. Maloberti said the presentation was to educate them on the differences between egg substitutes and egg replacers. The presentation included a slide showing egg replacer marketing materials and one slide showing Beyond Eggs information. She said that the slide was not meant to single them out, but to show one of the many products that were on the market.

The minutes of a November 7, 2013, AEB Nutrition Committee meeting showed that a brief update on the Beyond Eggs campaign was provided as a follow-up to a conversation initiated during the previous committee meeting. The presenter stated that the claims behind the Beyond Eggs product were vague and there were different ingredients for each application, making it difficult to compare functionality and cost to eggs. An AMS representative was covering various committee meetings at the same time and was in and out of this meeting. Ms. Emily Debord, AMS employee, stated she attended the Committee meeting in person, but partially, meaning there were three other AEB Committee meetings going on at the same time that she had to cover, so there were times she went from one meeting to another and she was not in any one committee meeting the entire time. Ms. Debord did not recall the

¹¹ The Edelman invoice with supporting attachments and the AEB check record are retained in the files of the AMSCB.

discussion about Beyond Eggs. For additional information refer to the minutes attached as Exhibit 68 and Debord's statement as Exhibit 69.

Minutes from an AEB Executive Committee meeting showed an AMS representative was present at a meeting where a motion was made to carry over the balance (\$46,404) of the Beyond Eggs allocation from the 2013 budget to 2014. The motion was seconded and approved unanimously. However, a budget amendment was not submitted to AMS. The AMS representative does not remember this discussion. For additional information refer to the minutes attached as Exhibit 59.

An email between AMS representatives dated February 11, 2014, with the subject "Egg project-looking for feedback" showed a contract for a study with an objective of "Similarly compare the environmental footprint of US egg production with the environmental footprints of plant-based 'egg replacer' products such as the new Beyond Eggs product." The AMS representatives stated that they were not concerned with the project. For additional information, refer to the email and attachment attached as Exhibit 70.

An email exchange dated May 28-29, 2014 between AMS representatives with the subject "quick question" and another titled "Climate/Environmental Projects" mentioned that AEB decided to move forward with a comparative environmental study. Language in the document stated, "The findings from this type of research would be important to have to address egg replacers as well as highlighting that egg production will have a lower footprint compared to laboratory-created egg products such as Beyond Eggs and other plant-based egg replacers as well as other animal proteins." For additional information refer to the email attached as Exhibit 71.

During the course of this review, AMSCB began to review emails obtained from the AEB and became concerned that emails might have been deleted. Forensic review of servers showed emails not previously provided by AEB. The email review by AMSCB showed that Ms. Ivy instructed AEB staff by email to delete email messages concerning Beyond Eggs after they were read. However, AEB staff stated that they did not follow her advice. AMSCB was able to capture emails that had been deleted by Ms. Ivy. For additional information refer to Exhibits 72 and 73.

Attempts were made to interview Ms. Ivy, but she obtained the services of an attorney from the law firm of Robinson and Cole and did not wish to be interviewed. A subpoena was issued to Ms. Ivy, with a copy sent to her attorney, requesting all documents and writings in Ms. Ivy's possession that evidence, record, refer to or pertain to the AEB meetings, discussions and decisions pertaining to Mr. Tetrick, Hampton Creek, "Just Mayo", and Beyond Eggs from December 1, 2013, to December 31, 2015. Her attorney indicated that Ms. Ivy would rely on her constitutional rights and would not make any substantive comments in relation to the issues that were the subject of the subpoena.

MITIGATING AND/OR AGGRAVATING FACTORS

Ms. Joanne IVY was the Chief Executive Officer/President of the AEB from 2007 until September 2015. On September 30, 2015, Ms. Ivy entered into a Confidential Severance Agreement and Release with AEB and retired from her position.

Edelman is no longer under contract with AEB.

Mr. Sencer stated that he apologized to Mr. Tetrick for making an inappropriate comment and Mr. Tetrick stated that Mr. Zolezzi also apologized for his actions.

LIST OF EXHIBITS

<u>Exhibit</u> <u>No.</u>	Description	Introduced on <u>Page No.</u>
1	Complaint from HAMPTON CREEK, dated 10/7/15	4
2	Sworn statement of TETRICK with Addendum, dated 11/23/15	4
3	Email from KANTER, dated 12/3/13	4
4	Sworn statement of KANTER, dated 12/14/15	4
5	Email from SENCER, dated 10/31/14	4
6	Sworn statement of SENCER, dated 5/19/16	4
7	Email from IVY, entitled Meeting with Tom Hall Update, dated 12/4/13	5
8	Transcribed statement of DEFFNER, dated 2/25/16	5
9	Sworn statement of BURKUM, dated 12/15/15	5
10	Sworn statement of RICHARDSON, dated 12/15/15	5
11	Email exchange between IVY and ZOLEZZI, entitled Re: Whole Foods and BEYOND EGGS, dated 12/3/13	5
12	Sworn statement of PAYNE, dated 1/28/16	5
13	Sworn statement of SCHWEIZER, dated 1/6/16	5
14	Sworn statement of ZOLEZZI, dated 2/4/16	5
15	Email from MALOBERTI to HOWETH, dated 12/19/13	6
16	Sworn statement of MALOBERTI, dated 12/17/15	6
17	Email exchange between IVY and ENGLERT, entitled Re: Next Steps-Beyond Eggs 12.2, dated 12/23/2013	6
18	EDELMAN Letter of Agreement, dated 9/1/06	6

<u>Exhibit</u> <u>No.</u>	(Continued) <u>Description</u>	Introduced on <u>Page No.</u>
19	Sworn statement of LEDONNE, dated 12/16/15	7
20	Sworn statement of ROBERTS, dated 12/16/15	7
21	Sworn statement of RAINS, dated 12/16/18	7
22	Documentation from EDELMAN to AEB, entitled Beyond Eggs Revised Blogger Recommendations, dated 12/16/13	7
23	Email exchange between JENSEN and ROBERTS, entitled Beyond Eggs Blogger Outreach, dated 1/17/14-2/7/14	7
24	Sworn statement of SCHAFFNER, dated 12/15/15	8
25	AEB accounts payable payment number 7939, date 4/1/14	8
26	Email from BURKUM to IVY, HOWETH, KANTER and ROBERTS, dated 12/18/13	9
27	IVY's email dated 12/18/13, entitled "President's Update."	9
28	Email from MALOBERTI to HOWETH, IVY, KANTER, ROBERTS and BURKUM, dated 12/19/13	9
29	Email exchange between HOWETH, KANTER and IVY, entitled Beyond Eggs, dated 3/20/14 & 3/24/14	9
30	Sworn statement of HOWETH, dated 1/5/16	9
31	Email from HOWETH to IVY, dated 9/2/15	10
32	Email exchange between IVY, MAGWIRE, and MALOBERTI, dated 11/19/14 & 11/20/14	10
33	Email from IVY to SCHAFFNER, HOWETH and BURKUM, Dated 11/21/14	10
34	Email exchange between BURKUM, PAYNE and GLASSHOFF entitled Eggs and GMO, dated January 7 to 9, 2014	11
35	Email from HOWETH to BURKUM and IVY, dated 1/9/14	11

(Continued)		
<u>Exhibit</u> <u>No.</u>	Description	Introduced on <u>Page No.</u>
36	Sworn statement of SAUDER, dated 2/1/16	11
37	Email from IVY to ROBERTS, entitled Why I Farm, dated 12/9/13	12
38	Email from IVY to DEFFNER, HERBRUCK, VAN ZETTEN, SAUDER, STONGER, REICHMAN and PIERCE, entitled Fwd: Beyond Eggs Budget, dated 12/16/13	12
39	Email exchange between IVY and DEFFNER, entitled Beyond Eggs Budget, dated 12/16/13	12
40	Email exchange between IVY and HERBRUCK, entitled BEYOND EGGS Budget dated 2/16/13	12
41	Email exchange between IVY and VAN ZETTEN entitled BEYOND EGGS Budget, dated 12/16/13	12
42	Email exchange between IVY and SAUDER entitled BEYOND EGGS Budget, dated 12/16/13	12
43	Email exchange between IVY and STONGER entitled BEYOND EGGS Budget, dated 12/16/13	12
44	Email exchange between IVY and REICHMAN entitled BEYOND EGGS Budget, dated 12/16/13	12
45	Email exchange between IVY and PIERCE entitled BEYOND EGGS Budget, dated 12/16/13	12
46	Transcribed statement of VAN ZETTEN, dated 2/23/16	12
47	Transcribed statement of PIERCE, dated 2/26/16	12
48	Transcribed statement of REICHMAN, dated 2/26/16	12
49	Transcribed statement of STONGER, dated 2/25/16	12
50	Email from IVY to MAHER, BURKUM and KANTER Entitled Beyond Egg Budget, dated 12/16/13	13
51	Email from LEDONNE to IVY, dated 12/16/13	13

Exhibit Introduced on Page No. No. Description 52 Email exchange between IVY and XIN, entitled 13 Environmental Footprint Study, dated 1/16/14 53 AEB Accounts payable payment number 9332, dated 12/31/14 13 54 JUST MAYO patent, dated 12/3/13 13 55 Email from KANTER to LEVEILLE, dated 12/9/13 13 56 Email from KANTER to WANG, dated 12/10/13 13 57 Email from WANG to KANTER, dated 12/21/13 13 58 Email exchange between ROBERTS and JENSEN, entitled 13 Beyond Eggs Consumer Research, dated 2/13/14-3/3/14 59 AEB Executive Committee Meeting Minutes, dated 3/12/14 13 60 Email from LIUZZI to IVY, ROBERTS, KANTER, 14 BURKUM, and HOWETH, dated 3/31/14 61 Email exchange between BURKUM and NOVAK, entitled 14 Just Mayo, dated 2/3/15 - 2/5/1562 NIELSEN Order Confirmation and Agreement with AEB, 14 dated 2/2/15 63 Email from HOWETH to MALOBERTI, dated 10/9/14 14 64 Excel Spreadsheet prepared by AMSCB detailing EDELMAN 14 invoices sent to AEB which contained work product related to the **BEYOND** EGGS effort 65 AEB 2014 Approved Budget, dated 7/11/13 15 AEB 2015 Approved Budget, dated 7/10/14 15 66 67 Email from MALOBERTI to PAYNE, dated 5/13/14 15 68 AEB Nutrition Committee Minutes, dated 11/7/13 15 69 Signed sworn statement of Debord, dated 3/22/16 16

<u>Exhibit</u> No.	Description	Introduced on Page No.
70	Email from DEBORD to PAYNE, SNYDER and SHACKELFORD, dated 2/11/14	16
71	Email from DEBORD to SNYDER, dated 5/29/14	16
72	Emails from IVY, entitled Hampton Creek Signs on Kathleen Sebelius, dated 7/10/15	16
73	Email from HOWETH to HARMEL, dated 8/5/15	16