

## SETTLEMENT AGREEMENT

Consumer Advocacy Group, Inc. (“CAG”) and Master Lock Company LLC referred to as “Master Lock”) (CAG and Master Lock collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) to settle CAG’s allegations that Master Lock violated Proposition 65 for the purpose of avoiding prolonged and costly litigation. The effective date of this Settlement Agreement shall be the date upon which it is fully executed by all Parties hereto (the “Effective Date”).

### **1.0 Introduction**

1.1 CAG is a California-based entity that seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer and industrial products.

1.2 Master Lock previously supplied, distributed, sold, or made available for sale, at various times, Master Lock™ “Steering Wheel Locks” and Master Lock™ “Bicycle Locks” (defined below, and referred to throughout as the “Covered Products”). For purposes of this Settlement Agreement, Covered Products are limited to those manufactured, supplied, distributed, sold, or made available for sale by Master Lock only. For purposes of this Settlement Agreement, the term “Steering Wheel Lock(s)” shall mean and refer to any Master Lock brand steering wheel lock manufactured, supplied, distributed, sold or offered for sale in California by Master Lock. For purposes of this Settlement Agreement, the term “Bicycle Lock(s)” shall mean and refer to any bicycle lock manufactured, supplied, distributed, sold or offered for sale in California by Master Lock.

1.3 CAG alleges that Covered Products contain Di (2-ethylhexyl) phthalate (“DEHP”), and that Master Lock did not provide a required warning in compliance with the California Safe Drinking Water and Toxic Enforcement Act (Cal. Health & Safety Code § 25249.5, et seq. (“Proposition 65”).

1.4 On January 1, 1988, the Governor of California added DEHP to the list of chemicals known to the State to cause cancer, and on October 24, 2003, the Governor added DEHP to the list of chemicals known to the State to cause developmental male reproductive toxicity. These additions took place more than twenty (20) months before CAG served its “Sixty-Day Notice of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” which is further described below.

1.5 DEHP is referred to hereafter as the “Listed Chemical”.

1.6 On or about December 21, 2012, CAG served Master Lock, Wal-Mart Stores, Inc., and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Steering Wheel Locks containing the Listed Chemical.

1.7 On or about May 10, 2013, CAG served Master Lock, Kmart Corporation, Sears Holding Corporation, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Bicycle Locks containing the Listed Chemical.

1.8 The Sixty-Day Notices (referred to as “Notices”) alleged that Master Lock and the other noticed parties violated Proposition 65 by failing to warn consumers in California that use of Covered Products exposes persons to the Listed Chemical.

1.9 The Parties enter into this Settlement Agreement to settle disputed claims between the Parties as set forth below concerning the Parties’ and the Covered Products’ compliance with Proposition 65 (the “Dispute”).

1.10 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, any facts or conclusions of law regarding any violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law, or violation of law. Nothing in this Settlement Agreement, nor compliance with its terms, shall constitute or be construed, considered, offered, or admitted as evidence of an admission or evidence of fault, wrongdoing, or liability by Master Lock, its officers, directors, employees, or parents, subsidiaries or affiliated corporations, in any administrative or judicial proceeding or litigation in any court, agency, or forum. Except for the allegations settled and compromised, nothing in this Settlement Agreement shall prejudice, waive, or impair any right, remedy, argument, or defense that CAG or Master Lock may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

## 2.0 Release

This Settlement Agreement is a full, final, and binding resolution between CAG, acting solely in its individual capacity, on the one hand, and (a) Master Lock, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns (collectively "Releasees") and (b) all entities to whom Releasees directly or indirectly provide, distribute or sell the Covered Products, including but not limited to any and all distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees, including but not limited to Wal-Mart Stores, Inc., Sears Holding Corporation, and Kmart Corporation and their respective affiliates and subsidiaries ("Downstream Releasees"), on the other hand, of any violation or claimed violation of Proposition 65 or any statutory or common law claim that has been, could have been or may in the future be asserted against the Releasees and Downstream Releasees regarding exposing persons to the Listed Chemical and the failure to warn about exposure to the Listed Chemical arising only in connection with the Covered Products manufactured, shipped or otherwise distributed prior to the Effective Date, even if sold by Master Lock or Downstream Releasees after the Effective Date. The Covered Products are limited to those manufactured, supplied, distributed, sold, or made available for sale by Master Lock.

CAG, its past and current agents, representatives, employees, officers, directors, attorneys, successors, and/or assignees, hereby waives and releases with respect to

the Covered Products all rights to institute or participate in, directly or indirectly, any form of legal action, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses (including, but not limited to, investigation fees, expert fees, and attorneys' fees) (collectively "Claims"), against Releasees and/or Downstream Releasees that arise under Proposition 65 or any other statutory or common law claims that were or could have been asserted in regard to the Covered Products, including without limitation to the extent that such claims relate to Releasees' and/or Downstream Releasees' alleged exposure of persons to the Listed Chemical contained in the Covered Products or any failure by Releasees and Downstream Releasees to warn about exposures to the Listed Chemical contained in the Covered Products.

CAG acknowledges that it is familiar with Section 1542 of California Civil Code, which provides as follows:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.**

CAG, its past and current agents, representatives, employees, officers, directors, attorneys, successors, and/or assignees expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on it

by the provisions of Civil Code § 1542 as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that it may lawfully waive such rights or benefits pertaining to the released matters.

### **3.0 Master Lock's Duties**

3.1 Master Lock agrees, promises, and represents that after the Effective Date Master Lock shall not order from any supplier any Steering Wheel Locks unless the Steering Wheel Locks have been reformulated to a point where the level of DEHP does not exceed 0.1%.

3.2 Master Lock agrees, promises, and represents that, as of the Effective Date, to the extent it manufactures, supplies, distributes, sells or offers for sale any Steering Wheel Locks in its existing inventory that have not been reformulated, it will provide warnings on such Steering Wheel Locks that comply with Proposition 65. The warnings shall be provided in such a conspicuously and prominent manner that will assure the message is made available and likely to be read, seen, or heard by the consumer prior to or at the time of the sale or purchase. The Parties agree that product labeling stating that "WARNING: This product contains chemicals known to the State of California to cause cancer, birth defects, or other reproductive harm" shall constitute compliance with Proposition 65 with respect to the Listed Chemical in the Steering Wheel Locks for any Steering Wheel Locks in existing inventory that had not been reformulated and were or are manufactured, supplied, distributed, sold or offered for sale by Releasees or Downstream Releasees.

3.3 Master Lock agrees, promises, and represents that, as of the Effective Date, to the extent it manufactures, supplies, distributes, sells or offers for sale any Bicycle Locks that have not been reformulated, it will provide warnings on such Bicycle Locks that comply with Proposition 65. The warnings shall be provided in such a conspicuously and prominent manner that will assure the message is made available and likely to be read, seen, or heard by the consumer prior to or at the time of the sale or purchase. The Parties agree that product labeling stating that "WARNING: This product contains chemicals known to the State of California to cause cancer, birth defects, or other reproductive harm" shall constitute compliance with Proposition 65 with respect to the Listed Chemical in the Bicycle Locks for any Bicycle Locks that have not been reformulated and were or are manufactured, supplied, distributed, sold or offered for sale by Releasees or Downstream Releasees.

#### **4.0 Payments**

4.1 Master Lock agrees, to pay a total of forty-eight thousand dollars (\$48,000.00) within fourteen (14) days of the Effective Date by separate checks apportioned as follows:

4.1.1 Payment to CAG: eight thousand dollars (\$8,000.00) shall be paid to Consumer Advocacy Group, Inc. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. By the Effective Date, CAG shall provide Master Lock with CAG's Employer

Identification Number.

4.1.2 Attorneys' Fees and Costs: thirty-nine thousand dollars

(\$39,000.00) of such payment shall be paid to Yeroushalmi & Associates, as CAG's attorneys, for reasonable investigation fees and costs, attorneys' fees, and any other costs incurred as a result of investigating and bringing this matter to Master Lock's attention. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. By the Effective Date, Yeroushalmi & Associates shall provide Master Lock with its Employer Identification Number.

4.1.3 Penalty: Master Lock shall issue two separate checks for a total amount of one thousand dollars (\$1,000.00) as penalties pursuant to Health & Safety Code § 25249.12: (a) one check made payable to the State of California's Office of Environmental Health Hazard Assessment (OEHHA) in the amount of seven hundred fifty dollars (\$750.00), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of two hundred fifty dollars (\$250.00), representing 25% of the total penalty. Both checks shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. Additionally, two separate 1099s shall be issued for the above payments: The first 1099 shall be issued to OEHHA, P.O. Box 4010, Sacramento, CA 95184 (EIN: 68-0284486) in the amount of \$750.00. The second



1099 shall be issued in the amount of \$250.00 to CAG and delivered to:  
Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W,  
Beverly Hills, California 90212.

**5.0 Authority to Enter Into Settlement Agreement**

5.1 CAG represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind CAG to this Settlement Agreement.

5.2 Master Lock represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Master Lock to this Settlement Agreement.

**6.0 Report of the Settlement Agreement to the Office of the Attorney General Of California**

6.1 CAG shall report this Settlement Agreement to the Attorney General's Office within five (5) days of the Parties' execution of this Settlement Agreement.

**7.0 Execution in Counterparts and Facsimile**

7.1 This Settlement Agreement may be executed in counterparts, which taken together shall be deemed to constitute the same document. A facsimile or portable document format (PDF) signature shall be as valid as the original.

**8.0 Modification of Settlement Agreement**

8.1 Any modification to this Settlement Agreement shall be in writing and signed by the Parties.

**9.0 Application of Settlement Agreement**

9.1 This Settlement Agreement shall apply to, be binding upon, and inure to the benefit of, CAG and the Releasees and Downstream Releasees identified in Section 2 above.

**10.0 Enforcement of Settlement Agreement**

10.1 Any party may file suit before the Superior Court of the County of Los Angeles to enforce the terms and conditions contained in this Settlement Agreement. The prevailing party shall be entitled to its reasonable attorneys' fees and costs associated with such enforcement.

**11.0 Notification Requirements**

11.1 Any notice required or permitted hereunder shall be effective only if given in writing and delivered in person, certified or registered mail return receipt requested, or traceable overnight delivery service, to the following designees:

For CAG:

Reuben Yeroushalmi  
YEROUSHALMI & ASSOCIATES  
9100 Wilshire Boulevard, Suite 240W  
Beverly Hills, CA 90212

For Master Lock:

Levi W. Heath, Esq.  
BARNES & THORNBURG LLP  
2029 Century Park East, Suite 300  
Los Angeles, CA 90067

Any party may change its designee(s) for purposes of notification by providing written notice of such change pursuant to this section.

13.0 SEVERABILITY

13.1 If, subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are held by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected.

14.0 GOVERNING LAW

14.1 The terms of this Settlement Agreement shall be governed by the laws of the State of California and apply within the State of California. In the event that Proposition 65 is repealed, preempted or is otherwise rendered inapplicable by reason of law generally, or as to the Listed Chemical and/or the Covered Products, then Master Lock shall provide written notice to CAG of any asserted change in the law, and shall have no further obligations pursuant to this Settlement Agreement with respect to, and to the extent that, the Covered Products are so affected.

CONSUMER ADVOCACY GROUP, INC.

Dated: 3-18-14

By: 

Printed Name: MICHAEL FASSON

Title: EXECUTIVE DIRECTOR

MASTER LOCK COMPANY, LLC

Dated: 3/26/14

By: Jeffrey E. Docalavich

Printed Name: JEFFREY E. DOCALAVICH

Title: CEO