

SETTLEMENT AND RELEASE AGREEMENT

1. INTRODUCTION

1.1 Ecological Alliance, LLC and Sears Holding Management Corporation

This Settlement Agreement is entered into by and between Ecological Alliance, LLC (“Ecological”), on the one hand, and the Robert Bosch Tool Corporation (“Bosch”) and Sears Holding Management Corporation (“Sears”), on the other hand, with Ecological, Sears and Bosch collectively referred to as the “Parties.” Ecological is a California limited liability company seeking to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Ecological contends that Sears and Bosch are companies doing business for purposes of Proposition 65.

1.2 General Allegations

Ecological alleges that Sears and Bosch distributed and/or sold in the State of California “Sprinkler Heads” containing lead and that such sales have not included warnings pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code sections 25249.6 *et seq.* (“Proposition 65”). Lead is listed under Proposition 65 as a chemical known to the State of California to cause birth defects or other reproductive harm.

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as sprinkler heads containing lead sold or distributed in the State of California. All such items shall be referred to herein as the “Products.”

1.4 Notice of Violation

On September 21, 2015 Ecological served Sears, Bosch, and all public enforcement agencies eligible to initiate Proposition 65 actions on behalf of the People of the State of California with a document entitled “60-Day Notice of Violation” (“Notice”) that provided Sears, Bosch and such public enforcers with notice that alleged that Sears and Bosch were in violation of California Health & Safety Code section 25249.6 for failing to warn consumers and customers that the Products exposed users in California to lead. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission

Sears and Bosch deny the material factual and legal allegations contained in Ecological’s Notice and maintain that all products that they have sold and/or distributed in California, including the Products, have been and are in compliance with Proposition 65 and all other applicable laws. Nothing in this Settlement Agreement shall be construed as an admission by Sears and/or Bosch of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Sears and/or Bosch of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Sears and Bosch. However, this section shall not diminish or otherwise affect the obligations, responsibilities, and duties of Sears and Bosch under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term “Effective Date” shall mean the date this Settlement Agreement is fully executed.

2. INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION

2.1 Reformulation Option

The Products shall be deemed to comply with Proposition 65 with regard to lead and be exempt from any Proposition 65 warning requirements for lead if the Products do not exceed the following limits for lead: 100 ppm by weight for any accessible component part. For purposes of this Settlement Agreement, accessible component part shall mean components of the Product to which a person would be exposed to lead by direct contact during normal use of the Product.

2.2 Warning Alternative

Products that do not meet the warning exemption standard set forth in Section 2.1 above shall be accompanied by a warning as described in Section 2.3 below. The warning requirements set forth in Section 2.3 below shall apply only to Products that are manufactured after the Effective Date that are distributed, marketed, sold or shipped for sale in the State of California. The warning requirement shall not apply to Products that are already in the stream of commerce as of the Effective Date.

2.3 Warning Language

Where required under Sections 2.1 and 2.2 above, Sears and Bosch shall provide Proposition 65 warnings as follows:

(a) Sears and Bosch may use either of the following warning statements:

(1) **WARNING:** This product contains a chemical known to the State of California to cause birth defects or other reproductive harm.
or, where Sears has reason to believe that chemicals listed under Proposition 65 in addition to lead are present in a Product,

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

(b) The requirements for warnings, set forth in subsection (a) above are imposed pursuant to the terms of this Settlement Agreement. The Parties

recognize that these are not the exclusive methods of providing a warning under Proposition 65 and its implementing regulations.

(c) If Proposition 65 warnings for lead should no longer be required, Sears and Bosch shall have no further obligations pursuant to this Settlement Agreement.

3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE SECTION 25249.7(b)

In settlement of all the claims referred to in this Settlement Agreement, Sears and Bosch shall collectively pay a total of Two Thousand Dollars (\$2,000) in civil penalties in accordance with this Section. The penalty payment will be allocated in accordance with California Health & Safety Code section 25249.12(c)(1) & (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining 25% of the penalty remitted to Ecological.

4. REIMBURSEMENT OF FEES AND COSTS

The Parties reached an accord on the compensation due to Ecological and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Sears and Bosch shall reimburse Ecological’s counsel for fees and costs, incurred as a result of investigating and bringing this matter to Sears’s and Bosch’s attention. Sears and Bosch shall collectively pay Ecological’s counsel Thirteen Thousand Dollars (\$13,000) for all attorneys’ fees, expert and investigation fees, and related costs associated with this matter and the Notice.

5. PAYMENT INFORMATION

By January 8, 2016, Sears and Bosch shall collectively make a total payment of Fifteen Thousand Dollars (\$15,000) for the civil penalties and attorney’s fees / costs by wire transfer to Plaintiff’s counsel Custodio & Dubey LLP:

Bank: Union Bank

Routing Transit No.: 122000496

Account No.: 0040621083

Beneficiary: Custodio & Dubey LLP

Other than this payment, each side is to bear its own attorneys' fees and costs.

6. RELEASE OF ALL CLAIMS

6.1 Release of Sears, Bosch and Other Related Parties

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4 above, Ecological, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims relating to the Products, 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) of any nature whatsoever, whether known or unknown, fixed or contingent (collectively "Claims"), against Sears, Sears Hometown and Outlet Stores, Inc. ("Sears Hometown"), Bosch, and each of their distributors, wholesalers, licensors, licensees, auctioneers, retailers, franchisees, dealers, customers, owners, purchasers, users, parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees").

Ecological also, in its capacity, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees and *not* in its representative capacity,

provides a general release herein which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands of any nature, character or kind, known or unknown, suspected or unsuspected, against Sears, Sears Hometown, Bosch and the Releasees. Ecological acknowledges that it is familiar with California Civil Code section 1542, 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.

Ecological, in its capacity only, and on behalf of itself, its past and current agents, representatives, 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 California Civil Code section 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.

The Parties agree that compliance with the terms of this Settlement Agreement resolves any issue, now and in the future, concerning compliance by Sears, Sears Hometown, Bosch , and their Releasees with the requirements of Proposition 65 with respect to alleged exposure to lead in the Products.

The Parties intend and agree that this Settlement Agreement shall be given full effect for purposes of precluding claims regarding the Products against Sears, Sears Hometown, Bosch, and their Releasees under Proposition 65 as covered under this release. If requested in writing

by Sears or Bosch, Ecological shall promptly file a complaint and seek approval of this Settlement Agreement through a court approved consent judgment incorporating the terms of this Settlement Agreement pursuant to California Health and Safety Code section 25249.7, or as may be otherwise allowed by law, and Ecological shall reasonably cooperate with Sears and Bosch and use its best efforts and that of its counsel to support the entry of a consent judgment incorporating the terms of this Settlement Agreement for approval by a superior court in California. Pursuant to California Civil Procedure sections 1021 and 1021.5, Sears and Bosch will collectively reimburse Ecological and its counsel for their reasonable attorney's fees and costs incurred in filing the complaint and seeking judicial approval of this Settlement Agreement, in an amount not to exceed Ten Thousand Dollars (\$10,000). No fees under this paragraph will be due and owing to Ecological and its counsel unless a written request is made by Sears and Bosch to have Ecological file a complaint and seek a consent judgment. Such additional fees shall be paid by Sears and Bosch within ten (10) days after its receipt of an invoice from Ecological's counsel for work performed under this paragraph.

6.2 Release of Ecological

Sears and Bosch waives any and all claims against Ecological, its attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Ecological and its attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against it in this matter, and/or with respect to the Products.

7. GOVERNING LAW

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

or is otherwise rendered inapplicable by reason of law generally, or as to the Products, then Sears and Bosch shall have no further obligations pursuant to this Settlement Agreement.

8. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class, (registered or certified mail) return receipt requested; or (ii) overnight courier on any party by the other party at the following addresses:

For Sears:

Steven M. Siros
Jenner & Block LLP
353 N. Clark Street
Chicago, IL 60654-3456

For Bosch:

David N. Goltz
Robert Bosch Tool Corporation
1800 W. Central Rd
Mount Prospect, IL 60056

For Ecological:

Vineet Dubey
Custodio & Dubey LLP
448 S. Hill St., Suite 850
Los Angeles, CA 90401

Any party, from time to time, may specify in writing to the other party a change of address to which all notices and other communications shall be sent.

9. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts, by facsimile or electronic signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

10. **COMPLIANCE WITH HEALTH & SAFETY CODE SECTION 25249.7(f)**

Ecological agrees to comply with the reporting form requirements referenced in California Health & Safety Code § 25249.7(f).

11. **MODIFICATION**

This Settlement Agreement may be modified only by a written agreement signed by the Parties.

12. **AUTHORIZATION**

The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

<p>AGREED TO:</p> <p>Date : December <u>29</u> 2015</p> <p>By: <u></u> On Behalf of Ecological Alliance, LLC</p>	<p>AGREED TO:</p> <p>Date: December __, 2015</p> <p>By: _____ On Behalf of Sears Holding Management Corporation</p>
<p>AGREED TO:</p> <p>Date: December __, 2015 ;</p> <p>By: _____ On Behalf of Robert Bosch Tool Corporation</p>	

12. **AUTHORIZATION**

The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

<p style="text-align: center;">AGREED TO:</p> <p>Date : January __, 2016</p> <p>By: _____ On Behalf of Ecological Alliance, LLC</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: January <u>11</u>, 2016</p> <p>By: <u>Shawn W. Gray, V.P. & Dir</u> On Behalf of Sears Holding Management Corporation</p>
<p style="text-align: center;">AGREED TO:</p> <p>Date: January __, 2016</p> <p>By: _____ On Behalf of Robert Bosch Tool Corporation</p>	

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<p style="text-align: center;">AGREED TO:</p> <p>Date: January __, 2016</p> <p>By: <u>H. H. H. H.</u> On Behalf of Robert Bosch Tool Corporation</p>	<p style="text-align: center;"></p>