

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 **Anthony Ferreiro and Tzumi Electronics, LLC**

This Settlement Agreement is entered into by and between Anthony Ferreiro ("Ferreiro") and Tzumi Electronics, LLC ("Tzumi"). Together, Ferreiro and Tzumi are collectively referred to as the "Parties." Ferreiro is an individual that resides in the State of California, and seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances contained in consumer products. Tzumi is considered a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Health & Safety Code section 25249.6, *et seq.* ("Proposition 65").

1.2 **General Allegations**

Ferreiro alleges that Tzumi has imported, distributed and/or sold in the State of California USB cords, limited to the Auto/Home Charge Pak Lightning Connector 6 ft. USB Cable with UPC No. 8 17243 03664 8 (the "Product"), without the requisite Proposition 65 warning that the Product contains the chemical Diisononyl phthalate (DINP). On December 20, 2013, the State of California listed DINP as a chemical known to cause cancer.

1.3 **Notice of Violation(s)**

On December 29, 2015 Ferreiro served Tzumi, Marshalls of MA, Inc. ("Marshalls"), and various public enforcement agencies with a document entitled "Notice of Violation of California Health & Safety Code § 25249.6, *et seq.*" The Notice provided Tzumi and such others, including public enforcers, with notice that alleged that Tzumi was in violation of California Health & Safety Code § 25249.6, for failing to warn consumers and customers that the Product exposed users in California to DINP. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.4 No Admission

Tzumi denies the material factual and legal allegations contained in the Notice and maintains that, to the best of its knowledge, all products that are or have been sold and distributed in California, including the Product, have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Tzumi 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 Tzumi of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Tzumi. However, this section shall not diminish or otherwise affect the obligations, responsibilities and duties under this Settlement Agreement. Notwithstanding the allegations in the Notice, Tzumi maintains that it has not knowingly manufactured, or caused to be manufactured, the Product for sale in California in violation of Proposition 65.

1.5 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean May 25, 2016.

2. INJUNCTIVE RELIEF

2.1 Reformulation of the Product

Commencing on the Effective Date, and continuing thereafter, Tzumi shall only ship, sell, or offer for sale in California, reformulated Product pursuant to Section 2.2 or Product that is labeled with a clear and reasonable warning pursuant to Section 2.3. Tzumi and its downstream retailers shall have no obligation to label Product that entered the stream of commerce prior to the Effective Date. For purposes of this Settlement Agreement, a "Reformulated Product" is Product that is in compliance with the standard set forth below in section 2.2.

2.2 Reformulation Standard

“Reformulated Product” shall mean Product that contains less than or equal to 1,000 parts per million (“ppm”) of DINP when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C.

2.3 Clear and Reasonable Warnings

Commencing on the Effective Date, Tzumi shall, for all Product it sells or distributes and which is intended for sale in California or which Tzumi has reason to believe will be shipped or sold in California and that is not a Reformulated Product, provide clear and reasonable warnings as set forth in subsection 2.3(a) below. The warning shall be prominently placed with such conspicuousness as compared with other words, statements, designs, or devices as to render it likely to be read and understood by an ordinary individual under customary conditions before purchase or use. Each warning shall be provided in a manner such that the consumer or user understands to which specific Product the warning applies, so as to minimize the risk of consumer confusion.

(a) Retail Store Sales

(i) Product Labeling. Tzumi shall affix a warning to the packaging, labeling or directly on each Product sold in retail outlets in California by Tzumi or any person selling the Product that states:

PROPOSITION 65 WARNING:

This product contains a chemical known to the State of California to cause cancer.

(ii) Point of Sale Warnings. Alternatively, Tzumi may provide warning signs in the form below to its customers in California with instructions to post the warnings in close proximity to the point of display of the Product. Such instruction sent to Tzumi customers shall be sent by certified mail, return receipt requested.

PROPOSITION 65 WARNING:

This product contains a chemical known to the State of California to cause cancer.

2.4 Exception to Warning Requirement

The warning requirements set forth in Section 2.3 shall not apply to any Reformulated Product.

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

In settlement of all the claims referred to in this Settlement Agreement, Tzumi shall pay a total of \$2,000.00 in civil penalties in accordance with this Section. Each penalty payment will be allocated in accordance with California Health & Safety Code § 25249.12(c)(1) and (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 Ferreiro. Each penalty payment shall be delivered to the addresses listed in Section 3.2 below.

3.1 Initial Civil Penalty

Within ten (10) business days of the Effective Date, Tzumi shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" in the amount of \$1,500.00; and (b) "Brodsky & Smith, LLC in Trust for Ferreiro" in the amount of \$500.00. All penalty payments shall be delivered to the addresses listed in Section 3.2 below.

3.2 Payment Procedures

- (a) **Issuance of Payments.** Payments shall be delivered as follows:
- (i) All payments owed to Ferreiro, pursuant to Section 3.1 shall be delivered to the following payment address:

Evan J. Smith, Esquire
Brodsky & Smith, LLC
Two Bala Plaza, Suite 510
Bala Cynwyd, PA 19004

(ii) All payments owed to OEHHA (EIN: 68-0284486), pursuant to Section 3.1 shall be delivered directly to OEHHA (Memo Line "Prop 65 Penalties") at the following addresses:

For United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

(b) Copy of Payments to OEHHA. Tzumi agrees to provide Ferreiro's counsel with a copy of the checks payable to OEHHA, simultaneous with its penalty payments to Ferreiro, to be delivered to the address provided in Section 3.2(a)(i), as proof of payment to OEHHA.

(C) Tax Documentation. Tzumi agrees to provide a completed IRS 1099 for its payments to each of the following payees under this Settlement Agreement:

(i) "Anthony Ferreiro" whose address and tax identification number shall be provided after this Settlement Agreement is fully executed by the Parties;

(ii) "Brodsky & Smith, LLC" (EIN: 23-2971061) at the address provided in Section 3.2(a)(i); and

(iii) "Office of Environmental Health Hazard Assessment" 1001 I Street, Sacramento, CA 95814.

4. REIMBURSEMENT OF FEES AND COSTS

The parties acknowledge that Ferreiro and his counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to them, thereby leaving this fee issue to be resolved after the material terms of the agreement had been settled. Ferreiro then expressed a desire to resolve the fee and cost issue shortly after the other settlement terms had been finalized. The Parties reached an accord on the compensation due to Ferreiro and his counsel under general contract principles and the private attorney general doctrine and principles codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. Under these legal principles, Tzumi shall reimburse Ferreiro's counsel for fees and costs incurred as a result of investigating and bringing this matter to Tzumi's attention, and negotiating a settlement in the public interest. Within ten (10) days of the Effective Date, Tzumi shall issue a check payable to "Brodsky & Smith, LLC" in the amount of \$25,000.00 for delivery to the following address:

Evan Smith, Esquire
Brodsky & Smith, LLC
Two Bala Plaza, Ste. 510
Bala Cynwyd, PA 19004

5. RELEASE OF ALL CLAIMS

5.1 Release of Tzumi and Downstream Retailers and Entities

Ferreiro acting on his own behalf releases Tzumi, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, agents, employees, attorneys and each entity to whom Tzumi directly or indirectly distributes or sells the Product, including but not limited to, downstream distributors, wholesalers, customers, retailers, including, but not limited to, Marshalls, franchisees, cooperative members and licensees (collectively, the "Releasees"), from all claims for violations of Proposition 65 through the Effective Date based on their failure to warn about alleged exposures to the

chemical DINP that is contained in the Product, and were distributed, sold and/or offered for sale by Tzumi to retailers, customers and consumers in the State of California.

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Section(s) 3 and 4 above, Ferreiro, on behalf of himself, his past and current agents, representatives, attorneys, successors and/or assignees, provides a 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 against Tzumi or the Releasees of any nature, character, or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of the alleged or actual exposure to the chemical DINP in the Product.

5.2 Tzumi's Release of Ferreiro

Tzumi, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against Ferreiro, his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Ferreiro and/or his attorneys and other representatives, whether in the course of investigating claims or otherwise seeking to enforce Proposition 65 against it in this matter or with respect to the Product.

6. ENFORCEMENT OF SETTLEMENT AGREEMENT

6.1 Any party may file suit consistent with the terms and conditions set forth in Sections 6.2 and 6.3 of this Settlement Agreement, 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.

6.2 No action to enforce this Settlement Agreement may be commenced or maintained, and no notice of violation related to the Product may be served or filed against Tzumi by Ferreiro, unless the party seeking enforcement or alleging violation notifies the other party of the specific acts alleged to breach this Settlement Agreement at

least ninety (90) days before serving or filing any action or Notices of Violation and the entity receiving the notice fails to comply with the requirements set forth in Section 6.3 below. Any notice to Tzumi must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation or warnings, (c) the store or other place at which the product was available for sale to consumers, and (d) any other evidence or other support for the allegations in the notice.

6.3 Within thirty (30) days of receiving the notice described in Section 6.2, Tzumi shall either (1) send the store or other place at which the product was available for sale to the public (each, a "Retail Location") a letter directing that the offending product be immediately removed from inventory and returned to Tzumi for full credit (a "Removal Letter"), including shipping costs, or (2) refute the information provided under Section 6.2. In the event that Tzumi sends a Removal Letter, Tzumi agrees to provide Ferreiro's counsel with a copy of the Removal Letter, simultaneous with its mailing of the Removal Letter to the Retail Location. The Removal Letter shall be mailed to the Ferreiro address set forth in Section 9, below. Should the parties be unable to resolve the dispute, any party may seek relief under Section 6.1.

6.4 Ferreiro shall take no further action against Tzumi if Tzumi directs the store to remove the offending product from its inventory as described in Section 6.3 within 30 days of receiving the notice described in Section 6.2.

7. SEVERABILITY

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

8. GOVERNING LAW

The terms of this Settlement Agreement shall be governed by the law 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

Product, Tzumi shall provide written notice to Ferreiro 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 Product is so affected.

9. 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 or two-day courier on any party by the other party to the following addresses:

For Tzumi:

Carol Brophy
Sedgwick LLP
333 Bush Street, 30th Floor
San Francisco, CA 94104-2834
415-781-7900

Shimon Haber
Tzumi Electronics, LLC
16 East 34th St., 16th Floor
New York, NY 10016

For Ferreiro:

Evan J. Smith
Brodsky & Smith, LLC
Two Bala Plaza, Suite 510
Bala Cynwyd, PA 19004
877-534-2590

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.

10. COUNTERPARTS: SIGNATURES

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

11. **COMPLIANCE WITH HEALTH & SAFETY CODE § 25249.7(f)**

Ferreiro agrees to comply with the reporting requirements referenced in Health & Safety Code section 25249.7(f).

12. **MODIFICATION**

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

13. **AUTHORIZATION**

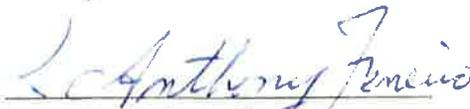
The undersigned are authorized to execute this Settlement Agreement and have read, understood and agree to all of the terms and conditions contained of this Settlement Agreement.

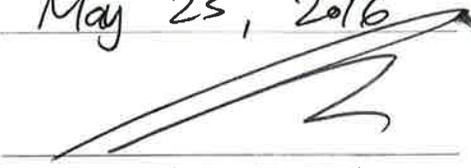
AGREED TO:

AGREED TO:

Date: May 19, 16

Date: May 23, 2016

By: 
Anthony Ferreiro

By: 
Tzumi Electronics, LLC