

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 The Parties

This Settlement Agreement is entered into by and between Ema Bell (“Bell”) and Mercury Luggage Manufacturing Company (“Mercury Luggage”). Together, Bell and Mercury Luggage are collectively referred to as the “Parties.” Bell is an individual who 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.

Mercury Luggage is considered a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Cal. Health & Safety Code section 25249.5 *et seq.* (“Proposition 65”).

1.2 General Allegations

Bell alleges that Mercury Luggage has imported, distributed and/or sold in the State of California luggage and/or identification tags containing DINP. On December 20, 2013, the State of California listed DINP as a chemical known to cause cancer.

1.3 Product Description

The products covered by this Settlement Agreement are travel kit bags, including but not limited to the Code Alpha Travel Kit Bag, UPC No. 0 21676 93072 9, (the “Product” or “Products”) manufactured, imported, distributed, and/or previously sold in California.

1.4 Notice of Violation

On November 11, 2016, Bell served Mercury Luggage, H&M Military Supplies, Inc. (“H&M Military”), and various public enforcement agencies with a document entitled “Notice of Violation of California Health & Safety Code § 25249.5, *et seq.*” (the “Notice”). The Notice provided Mercury Luggage and such others, including public enforcers, with notice that alleged that Mercury Luggage was in violation of California Health & Safety Code § 25249.5, 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.

1.5 No Admission

Mercury Luggage 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 Products, have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Mercury Luggage 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 Mercury Luggage of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Mercury Luggage. However, this section shall not diminish or otherwise affect the obligations, responsibilities and duties under this Settlement Agreement. Notwithstanding the allegations in the Notice, Mercury Luggage maintains that it has not knowingly or intentionally manufactured, or caused to be manufactured, the Products for sale in California in violation of Proposition 65.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean the date this Agreement is last executed by the Parties.

2. INJUNCTIVE RELIEF

2.1 Reformulation of the Products

Mercury Luggage ceased selling the Product in 2015. Hereafter, Mercury Luggage agrees not to manufacture, distribute, or purchase for sale in California the Product unless it is (a) reformulated Products pursuant to Section 2.2, or (b) the Products are labeled with a clear and reasonable warning pursuant to Section 2.3. For purposes of this Settlement Agreement, a "Reformulated Product" is Product that meets the standard set forth in Section 2.2 below.

2.2 Reformulation Standard

"Reformulated Product" shall mean Product that contains in any accessible component 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, Mercury Luggage shall provide a clear and reasonable warning for any Product that it manufactures, distributes, or purchases for sale in California that is not a Reformulated Product. Mercury Luggage shall provide the warning affixed to the packaging or labeling with the following statement:

CALIFORNIA PROPOSITION 65 WARNING:

This product contains a chemical known to the State of California to cause cancer and birth defects or other reproductive harm.

Or

CALIFORNIA PROPOSITION 65 WARNING:

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

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 is reasonably likely to understand to which specific Product the warning applies, so as to minimize the risk of consumer confusion.

In the event that the Office of Environmental Health Hazard Assessment promulgates one or more regulations requiring or permitting warning text and/or methods of transmission different than those set forth above, Mercury Luggage shall be entitled to use, at its discretion, such other warning text and/or method of transmission without being deemed in breach of this Agreement.

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

In settlement of all the claims referred to in this Settlement Agreement, Mercury Luggage shall pay a total of One Thousand Dollars and no Cents (\$1,000.00) 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 funds remitted to Bell. Each penalty payment shall be delivered to the addresses listed in Section 3.2 below. Mercury Luggage shall be liable for payment of interest, at a rate of 10% simple interest, for all amounts due and owing that are not received within the payment times set forth below.

3.1 Civil Penalty

Within ten (10) business days of the Effective Date, Mercury Luggage shall issue two separate checks for the civil penalty payment to (a) "OEHHA" in the amount of Seven Hundred Fifty Dollars and no Cents (\$750.00); and (b) "Brotsky & Smith, LLC in Trust for Bell" in the amount of Two Hundred Fifty Dollars and no Cents (\$250.00). 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 Bell, pursuant to Section 3.1 shall be delivered to the following payment address:

Evan J. Smith, Esquire
Brotsky & 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.** Mercury Luggage agrees to provide Bell's counsel with a copy of the check payable to OEHHA, simultaneous with its penalty payment

to Bell, to be delivered to the address provided in Section 3.2(a)(i), as proof of payment to OEHHA.

(c) **Tax Documentation.** Mercury Luggage agrees to provide a completed IRS 1099 for its payments to, and Bell agrees to provide IRS W-9 forms for, each of the following payees under this Settlement Agreement:

(i) “Ema Bell” whose address and tax identification number shall be provided within five (5) days 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 Bell and her counsel offered to reach preliminary agreement on the material terms of this dispute before reaching terms on the amount of fees and costs to be reimbursed to them, such resolution of the material terms subject to resolution of the fees and costs. The Parties thereafter reached an accord on the compensation due to Bell and her 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, Mercury Luggage shall reimburse Bell’s counsel for fees and costs incurred as a result of investigating and bringing this matter to Mercury Luggage’s attention and negotiating a settlement in the public interest. Within ten (10) business days of the Effective Date, Mercury Luggage shall issue a check payable to “Brodsky & Smith, LLC” in the amount of Ten Thousand Dollars and no Cents (\$10,000.00) 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 Mercury Luggage, H&M Military, and Downstream Customers and Entities

This Settlement Agreement is a full, final and binding resolution between Bell, acting on her own behalf, and Mercury Luggage, of any violation of Proposition 65 that was or could have been asserted by Bell or on behalf of her past and current agents, representatives, attorneys, successors, and/or assigns (“Releasers”) relating to the Products, and Releasers hereby release any such claims against Mercury Luggage and its parents, subsidiaries, affiliated entities, shareholders, directors, officers, agents, employees, attorneys, successors and assignees, and each entity to whom Mercury Luggage directly or indirectly distributes or sells the Products, including but not limited to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors and licensees, including but not limited to H&M Military, and their respective parents, subsidiaries, affiliated entities, shareholders, directors, officers, agents, employees, attorneys, successors and assignees (collectively, the “Releasees”), from all claims for violations of Proposition 65 relating to Products manufactured, distributed, sold and/or offered for sale by Mercury Luggage to customers and consumers in the State of California through the Effective Date.

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4 above, Bell, on behalf of herself, her past and current agents, representatives, attorneys, successors and/or assignees, hereby covenants not to sue and waives any right to institute, participate in, directly or indirectly, any form of legal action and releases all claims that he may have, including without limitation, all actions and causes of action in law and in equity, all obligations, expenses (including without limitation all attorneys’ fees, expert fees, and investigation fees, and costs), damages, losses, liabilities and demands of any nature whatsoever, whether known or unknown, fixed or contingent, suspected or unsuspected, past or present against Mercury Luggage, H&M Military and/or any of the Releasees relating to the Products.

5.2 Mercury Luggage’s Release of Bell

Mercury Luggage, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against Bell, her attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken

or made) by Bell and/or her 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 Products.

5.3 California Civil Code Section 1542

It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Products will develop or be discovered. Bell on behalf of herself only, on the one hand, and Mercury Luggage, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all claims of every nature and kind whatsoever, known or unknown through the Effective Date relating to the Products, including all rights of action therefor. The Parties acknowledge that the claims released in Sections 5.1 and 5.2 above may include unknown claims, and nevertheless waive California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads 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.

Bell and Mercury Luggage each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

5.4 Deemed Compliance with Proposition 65

Compliance by Mercury Luggage with this Settlement Agreement constitutes compliance with Proposition 65 with respect to exposures to DINP in the Products.

5.5. Public Benefit

It is Mercury Luggage's understanding that the commitments it has agreed to herein, and actions to be taken by Mercury Luggage under this Settlement Agreement, would confer a significant benefit to the general public, as set forth in Code of Civil Procedure section 1021.5 and Cal. Admin. Code tit. 11, section 3201. As such, it is the intent of Mercury Luggage that to the extent any other private party initiates an action alleging a violation of Proposition 65 with respect to Mercury Luggage's failure to provide a warning concerning exposure to DINP with respect to the Products it

has manufactured, distributed, sold, or offered for sale in California, or will manufacture, distribute, sell, or offer for sale in California, such private party action would not confer a significant benefit on the general public as to those Products addressed in this Settlement Agreement, provided that Mercury Luggage is in material compliance with this Settlement Agreement.

6. 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 but only to the extent the deletion of the provision deemed unenforceable does not materially affect, or otherwise result in the effect of the Settlement Agreement being contrary to the intent of the Parties in entering into this Settlement Agreement.

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 or limited by reason of law generally, or as to the Products, Mercury Luggage shall provide written notice to Bell 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, a Product is so affected.

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

For Mercury Luggage:

Alan S. Wachs
Smith, Gambrell & Russell, LLP
Bank of America Tower
50 N. Laura Street, Suite 2600
Jacksonville, FL 32202

For Bell:

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.

9. 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.

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

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

11. MODIFICATION

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

12. 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: _____

Date: 3/6/17

By: _____
Ema Bell

By: 
Mercury Luggage Manufacturing Company

12. 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: 3/13/17

Date: _____

By: 
Ema Bell

By: _____
Mercury Luggage Manufacturing Company