

SETTLEMENT AND RELEASE AGREEMENT

1. INTRODUCTION

1.1. Ecological Alliance, LLC and DGL Group Ltd.

This Settlement Agreement is entered into by and between Ecological Alliance, LLC (“Ecological”), on the one hand, and DGL Group, Ltd. (“DGL”), on the other hand, with Ecological and DGL collectively referred to as the “Parties.”

1.2. General Allegations

Ecological alleges that DGL manufactured and distributed and offered for sale in the State of California earbud cords containing Di(2-ethylhexyl)phthalate (“DEHP”) 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”). California has identified and listed DEHP under Proposition 65 as a chemical known to the State of California to cause cancer, birth defects or other reproductive harm.

1.3. Product Description

The products that are covered by this Settlement Agreement are defined as earbud cords that DGL has sold, offered for sale or distributed in California and that contain DEHP. All such items shall be referred to herein as the “Products.”

1.4. Notice of Violation

On November 7, 2017, Ecological served DGL, 99 Cents Only Stores LLC, and the requisite public enforcement agencies eligible to initiate Proposition 65 actions on behalf of the People of the State of California with documents entitled “60-Day Notice of Violation” (“Notice”) that provided DGL and such public enforcers with notice that DGL was allegedly 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 DEHP. To the best of the Parties' knowledge, no public enforcer has commenced or is diligently prosecuting the allegations set forth in the Notice.

1.5. No Admission

The Parties enter into this Settlement Agreement to settle disputed claims between them as set forth herein and in the Notice concerning DGL's compliance with Proposition 65. Specifically, DGL denies the material factual and legal allegations contained in Ecological's Notice and maintains that all products that it has manufactured for sale and distribution in California, including the Products, have been and are in compliance with Proposition 65 or any other statutory, regulatory, common law or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by DGL 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 DGL of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by DGL. However, nothing in this section shall diminish or otherwise affect the obligations, responsibilities, and duties of DGL 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: WARNING

2.1. Compliant Products

Commencing ninety (90) days after the Effective Date, DGL shall only sell or offer for sale in California Products that are Compliant Products unless the product is sold with a warning as set forth in Section 2.2. For purposes of this Settlement Agreement, Compliant Products are

defined as those Products containing DEHP in its “Accessible Component Parts” in a concentration of less than or equal to 1000 parts per million (“ppm”) or 0.1 percent DEHP. For purposes of this Settlement Agreement, “Accessible Component Part” shall mean components of the Products to which a person would be exposed to DEHP by direct contact during normal use of the Product. DGL may rely upon its suppliers’ test results in order to determine whether the Products are Compliant Products.

2.2. Warning

Products that are not Compliant Products shall be accompanied by a warning as described in Section 2.3 below, no later than ninety (90) days after the Effective Date. The warning requirements set forth in Section 2.3 below shall apply only to Products that are distributed, 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 or that DGL places into the stream of commerce within ninety (90) days of the Effective Date.

2.3. Warning Language

Where required, DGL shall provide Proposition 65 warnings as follows:

(a) DGL may use any of the following warning statements in full compliance with this Section:

- (1) **WARNING:** This product contains a chemical known to the State of California to cause birth defects or other reproductive harm.
- (2) **WARNING:** This product contains chemicals known to the State of California to cause cancer and birth defects or other reproductive harm.

(3) **WARNING:** This product can expose you to DEHP, which is known to the State of California to cause birth defects or other reproductive harm. For more info go to www.P65Warnings.ca.gov.

(4) **WARNING:** Reproductive Harm – www.P65Warnings.ca.gov.

(b) If DGL elects to use the warning statements identified in either 2.3(a)(3) or (4), it may also include a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline. Where the sign, label or shelf tag for the product is not printed using the color yellow, the symbol may be printed in black and white. The symbol shall be placed to the left of the text of the warning, in a size no smaller than the height of the word “WARNING.”

(c) 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.

(d) If Proposition 65 warnings for DEHP should no longer be required, DGL 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, DGL shall pay a total of \$500 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. Ecological’s counsel

shall be responsible for delivering OEHHA's portion of any penalty payment made under this Settlement Agreement.

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, DGL shall reimburse Ecological's counsel for fees and costs, incurred as a result of investigating and bringing this matter to DGL's attention. DGL shall pay Ecological's counsel \$10,000 for all attorneys' fees, expert and investigation fees, and related costs associated with this matter and the Notice.

5. PAYMENT INFORMATION

By August 17, 2018, DGL shall make a total payment of Ten Thousand Five Hundred Dollars (\$10,500) for the civil penalties and attorney's fees by wire transfer to Plaintiff's counsel Custodio & Dubey LLP:

Bank: Bank of America, N.A.

Routing No.: 026009593

Account No.: 325054144600

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 DGL, Downstream Customers and Upstream Vendors

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 (a) DGL, (b) each of DGL's downstream distributors, wholesalers, vendors, licensors, licensees, auctioneers, retailers (including 99 Cents Only Stores LLC), franchisees, dealers, shareholders, cooperative members, customers, owners, purchasers, users, and (c) DGL's parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees"). The Parties agree that compliance with the terms of this Settlement Agreement by DGL shall be deemed to be compliance with Proposition 65 by Releasees with respect to any exposures to DEHP in the Products manufactured, distributed, or sold by DGL after the Effective Date.

Ecological also, 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 DGL 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, 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.

6.2. DGL's Release of Ecological

DGL 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.

6.3 Public Benefit

It is the Parties understanding that the commitments DGL has agreed to herein, and the actions to be taken by DGL under this Settlement Agreement, would confer a significant benefit to the general public, as set forth in California Civil Procedure Code section 1021.5 and Cal. Admin. Code tit. 11, section 3201. As such, it is the Parties' intent that to the extent any other private party initiates an action alleging a violation of Proposition 65 with respect to DGL's or any Releasees' failure to provide a warning concerning exposure to DEHP with respect to the Products they have respectively 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 Defendant is in material compliance with 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 by reason of law generally, or as to the Products, then DGL 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 DGL: Peg Carew Toledo, Esq.
Peg Carew Toledo, Law Corporation
3001 Douglas Blvd., Suite 340
Roseville, CA 95661

For Ecological: Vineet Dubey, Esq.
Custodio & Dubey LLP
448 S. Hill St., Suite 612
Los Angeles, CA 90013

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/E-SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile or e-signatures, 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. ENTIRE AGREEMENT

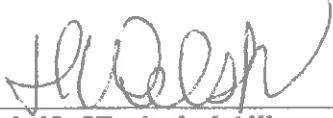

This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and all related prior discussions, negotiations, commitments and understandings. No other agreements, oral or otherwise, exist to bind either of the Parties.

12. MODIFICATION

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

13. 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.

AGREED TO:	AGREED TO:
Date: August <u>7</u> , 2018	Date: August <u> </u> , 2018
By:  On Behalf of Ecological Alliance, LLC	By:  On Behalf of DGL Group Ltd.