

SETTLEMENT AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

FOREVER LINK INTERNATIONAL, INC.

Consumer Advocacy Group, Inc. (“CAG”) and Forever Link International, Inc. (“Forever Link”), (CAG and Forever Link collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) for the purpose of avoiding prolonged and costly litigation to settle CAG’s allegations that Forever Link violated Proposition 65. The effective date of this Settlement Agreement shall be the date of the latest signature of the Parties below (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.

Forever Link previously sold, at various times, footwear, including:

(a) Link®, “dd’s DISCOUNTS”, Black Sandals with Yellow Smiley Face, “ALL MANMADE MATERIALS”, “MADE IN CHINA”, “BLACK PTRN009”, “400153024890”, “COMPARABLE VALUE \$8.99 YOU PAY \$7.99”, style no. Izzy-17K, and

(b) “dd’sSM DISCOUNTS”, “Forever”, Fuzzy Fur Ball Type Decoration, “D5201 C922 400153750652”, “PINK467 H 649 19 JR H 0127”, “YOU PAY \$7.99”, “COMPARABLE VALUE \$12.99”, “400153750652”, “38EU 5UK

7US”, “STYLE: IZZY-16 ALL MANMADE MATERIALS MADE IN CHINA”, style no. Izzy-16, and

(c) “forever” “size 6” women’s clear grey sandals with buckled straps “dd’s Discounts” “400160137507” “711” “D5201” “C908” “comparable value \$8.99” “you pay \$4.99” “STYLE: CHARMING- 1” “All manmade materials made in China”, style no. Charming-01, and

(d) Children’s Plastic Sandals, “Link ®” “dd’s DISCOUNTS”, “0041”, “400159641190”, “SILVER007 710 K SIZE”, “YOU PAY \$6.99”, “STYLE: CLOUD-5 K”, “ALL MANMADE MATERIALS”, “MADE IN CHINA” style no. Cloud-5K, and

(e) Plastic yellow sandals, “Link” “2”, “dd’s DISCOUNTS”, “H”, “GOLD154”, “714 D5210 C925”, “0054”, style no. Jedi-28K

(collectively referred to throughout as the “Covered Products”). The Covered Products are with respect to and limited to those sold by Forever Link only.

1.2 CAG alleges that Covered Products contain Di-n-Butyl Phthalate (“DBP”) and Di (2-ethylhexyl) phthalate (“DEHP”), also known as Bis (2-ethylhexyl) phthalate, and that Forever Link 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”)).

1.3 On December 2, 2005, the Governor of California added DBP to the list of chemicals known to the State to cause developmental, female, and 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.

1.4 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 DBP and DEHP are collectively referred to hereafter as the “Listed Chemicals”.

1.6 On or about February 7, 2018, CAG served Forever Link International, Inc., Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.7 On or about and November 13, 2017, CAG served Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.8 On or about and December 22, 2017, CAG served Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.9 On or about and January 30, 2018, CAG served Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.10 On or about February 20, 2018, CAG served, Forever Link International, Inc., Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.11 On or about April 3, 2018, CAG served Forever Link International, Inc., Ross Stores, Inc., Ross Stores, Inc. dba dd’s Discounts, 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 Footwear containing the Listed Chemicals.

1.12 The Sixty-Day Notices referred to in paragraphs 1.6 through 1.11 (collectively referred to as “Notices”) alleged that Forever Link 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 Chemicals.

1.13 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").

1.14 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 Forever Link, 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 Forever Link may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute, Covered Products, and/or claims released herein.

2.0 Release

This Settlement Agreement is a full, final, and binding resolution between CAG, acting in its individual capacity and in the public interest, on the one hand, and (a) Forever Link, (b) Forever Link's owners, parents, subsidiaries, affiliates, sister

and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, agents, and assigns (collectively, “Affiliates;” Forever Link and Affiliates may be collectively referred to as the “Releasees”) and (c) all entities to whom Releasees directly or indirectly provide, distribute, or sell the Covered Products, including but not limited to, distributors, wholesalers, customers, retailers , franchisees, cooperative members, marketplace hosts and platforms, and licensees (collectively, “Downstream Releasees”), on the other hand, of any violation(s) or claimed violation(s) 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/or Downstream Releasees regarding exposing persons to the Listed Chemicals and the failure to warn about exposure to the Listed Chemicals arising only in connection with the Covered Products manufactured, shipped, and/or otherwise distributed prior to the Effective Date, even if sold by Downstream Releasees after the Effective Date. The Covered Products are limited to those sold by Forever Link.

CAG, on behalf of itself and its past and current agents, representatives, 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 claims, 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”), whether known or unknown, suspected or unsuspected, 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 respect of any Covered Products sold up to the Effective Date, only 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/or 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 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, on behalf of itself and its past and current agents, representatives, attorneys, successors, and assignees, hereby expressly waives and relinquishes any and all rights and benefits which any of them 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. The release in this section shall have no force or effect until the full amount of payments set forth in Section 4.0 below are paid in full.

On February 8, 2018, CAG filed a lawsuit in Alameda Superior Court styled *Consumer Advocacy Group, Inc. v. Ross Stores, Inc., et al.*, case no. RG18892449 (“Lawsuit”). In order to effect a full and final release as provided in Section 2, within ten (10) business days of the Effective Date, CAG shall dismiss without prejudice defendants Ross Stores, Inc. and Ross Stores, Inc. dba dd’s Discounts (collectively “Ross”) from the third cause of action in the Lawsuit which relates to the Covered Products.

3.0 Forever Link’s Duties

3.1 Forever Link agrees, promises, and represents that after the Effective Date Forever Link shall reformulate any Covered Products manufactured after the Effective Date and offered for sale in California to a point where the level of DEHP and DBP in the Covered Products does not exceed 0.1% by weight (1,000 parts per million).

3.2 Forever Link agrees, promises, and represents that, as of the Effective Date, to the extent it ships or sells any Covered Products in existing inventory that have not been reformulated, it will provide warnings on such Covered Products 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 and birth defects, or other reproductive harm” shall constitute

compliance with Proposition 65 with respect to the Listed Chemicals in the Covered Products for any Covered Products in existing inventory that had not been reformulated and were distributed and/or sold by Releasees or Downstream Releasees after the Effective Date. Notwithstanding anything to the contrary in this Settlement Agreement, in the event that the state of California or any of its agencies, offices, or departments, including but not limited to, 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 in this Settlement Agreement, Forever Link shall be entitled to use, at its discretion, such other warning text and/or method of transmission without being deemed in breach of this Settlement Agreement.

4.0 Payments

4.1 Forever Link agrees to pay a total of eighty-five thousand dollars (\$85,000) by separate checks apportioned as follows:

4.1.1 Penalty: Forever Link shall issue two separate checks for a total amount of Eight thousand dollars (\$8,000) within five (5) business days of the Effective Date as follows: (a) one check made payable to the State of California's Office of Environmental Health Hazard Assessment (OEHHA) in the amount of Six Thousand dollars, (\$6,000) representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of Two Thousand dollars (\$2,000), representing 25% of the total penalty. OEHHA's check shall be

delivered to Office of Environmental Health Hazard Assessment, P.O. Box 4010 Sacramento, CA 95812-4010, Attn: Mike Gyurics or, for non-USPS delivery, to Office of Environmental Health Hazard Assessment, 1001 I Street, Sacramento, CA 95814, Attn: Mike Gyurics. CAG's check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Yeroushalmi, 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 95812-4010, Attn: Mike Gyurics (EIN: 68-0284486) in the amount of \$6,000. The second 1099 shall be issued in the amount of \$2,000 to CAG and delivered to Yeroushalmi & Yeroushalmi, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, CA 90212. By the Effective Date, CAG shall provide Forever Link with its Employer Identification Number.

4.2.2. Attorneys' Fees and Costs: Seventy-Seven Thousand dollars (\$77,000) of such payment shall be paid to Yeroushalmi & Yeroushalmi, 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 Forever Link's attention. This amount shall be payable in two installments per Section 4.2.2.1 and 4.2.2.2 below. The checks shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Yeroushalmi, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. By the Effective Date, Yeroushalmi & Yeroushalmi shall provide Forever Link

with its Employer Identification Number.

4.2.2.1 The first installment of the payment shall be in the amount of Thirty-Eight thousand five hundred (\$38,500) and paid within five (5) business days of the Effective Date.

4.2.2.2 The second installment of the payment shall be in the amount of Thirty-Eight thousand five hundred (\$38,500) and paid within ten (10) business days of the Effective Date.

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 Forever Link represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Forever Link 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 Entire Agreement

8.1 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 any of the Parties.

9.0 Modification of Settlement Agreement

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

10.0 Application of Settlement Agreement

10.1 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.

11.0 Enforcement of Settlement Agreement

11.1 Any party may file suit before the Superior Court of the County of Los Angeles, consistent with the terms and conditions set forth in paragraphs 11.2 and 11.3 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.

11.2 No action to enforce this Settlement Agreement may be commenced or maintained, and no notice of violation related to the Covered Products may be served or filed against Forever Link by CAG, unless the party seeking

enforcement or alleging violation notifies the other party of the specific acts alleged to breach this Settlement Agreement at least 60 days before serving or filing any action or Notice of Violation and the entity receiving the notice fails to comply with the requirements set forth in Section 11.3 below. Any notice to Forever Link must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation, (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.

11.3 Within 30 days of receiving the notice described in Section 11.2, Forever Link shall either (1) send the store or other place at which the product was available for sale to the public a letter directing that the offending product be immediately removed from inventory and returned to Forever Link for full credit, including shipping costs, or (2) refute the information provided under Section 11.2. Should the parties be unable to resolve the dispute, any party may seek relief under Section 11.1.

12.0 Notification Requirements

12.1 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, Esq.
YEROUSHALMI & YEROUSHALMI
9100 Wilshire Boulevard, Suite 240W
Beverly Hills, CA 90212

For Forever Link:

Audrey Khoo
Chang & Coté, LLP
19138 East Walnut Drive North, Suite 100
Rowland Heights, CA 91748

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 Forever Link 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.

[Signature Page Follows]

CONSUMER ADVOCACY GROUP, INC.

Dated: 06/19/18

By: 

Printed Name: Michael Marcus

Title: Director

FOREVER LINK INTERNATIONAL, INC.

Dated: 6/19/18

By: 

Printed Name: Charles Cui

Title: Manager