

SETTLEMENT AND RELEASE AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

CHATEAU INTERNATIONAL, INC.

Consumer Advocacy Group, Inc. ("CAG") and Chateau International, Inc. ("Chateau"), each individually referred to as a "Party" and collectively as the "Parties", enter into this agreement ("Settlement Agreement") for the purpose of avoiding prolonged and costly litigation to settle CAG's allegations that Chateau allegedly violated the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code section 25249.5, *et seq.* ("Proposition 65"). The effective date of this Settlement Agreement shall be the date upon which it is fully executed by all Parties hereto (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.

1.2 Chateau previously sold in the State of California, structured clutch handbags with metallic underlay and floral perforated patterning, including but not limited to: Black Handbag with Flowers; "dd's DISCOUNTS"; "ONE SIZE D5363 C1992"; "Citi Trends"; "HANDBAGS CB-2597BK"; "Div 19 Dept # 122 Type MU"; "0565 01421 0117 001"; "2387-2435" "400151577268"; "COMPARABLE VALUE \$12.00 YOU PAY \$5.99"; "MADE IN CHINA 99

H729954"; 400238724356 (referred to throughout the Settlement Agreement as the "Covered Products"). The Covered Products are with respect to and limited to those sold by Chateau only.

1.3 CAG alleges that the Covered Products contain Di (2-ethylhexyl) phthalate ("DEHP"), also known as Bis (2-ethylhexyl) phthalate, and that Chateau did not provide a clear and reasonable warning in compliance with Proposition 65.

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 DEHP is referred to hereafter as the "Listed Chemical".

1.6 On or about April 3, 2018 CAG served, Chateau International, Inc., dd's Discounts, Citi Trends, Inc., and Ross Stores, Inc. and certain relevant public enforcement agencies with a document titled "Sixty-Day Notice Of Intent To Sue For Violation Of The Safe Drinking Water And Toxic Enforcement Act of 1986" regarding Handbags containing the Listed Chemical (the "Notice").

1.7 The Notice alleged that Chateau and the other noticed parties violated Proposition 65 by failing to warn consumers in California that use of the Covered Products exposes consumers to the Listed Chemical.

1.8 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").

1.9 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine.

Nothing in this Settlement Agreement shall be construed as, nor shall compliance with this Settlement Agreement constitute or be construed, considered, offered, or admitted as evidence of an admission or evidence of fault, wrongdoing, or liability by Chateau, 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 Chateau may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

## **2.0 Release**

This Settlement Agreement is a full, final, and binding resolution between (a) CAG, acting in its individual capacity, on the one hand, and Chateau, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns (collectively "Releasees") and (b) 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, and licensees and their owner owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns ("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 Downstream Releasees regarding exposing persons to the Listed Chemical and the failure to warn about exposures to the Listed Chemical arising only in connection with the Covered Products manufactured, sold, 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 Chateau only.

CAG, on its own behalf, and on behalf of its past and current agents, principals, employees, insurers, entities under its ownership or direction, representatives, attorneys, predecessors, 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 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 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 alleged failure by Releasees and 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, 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 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.

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### **3.0 Reformulation and Warnings**

3.1 Commencing on the Effective Date and continuing thereafter, Chateau agrees, promises, and represents to only sell or distribute for sale in California reformulated Covered Products as specified in subsection 3.2, below.

3.2 For purposes of subsection 3.1 of this Settlement Agreement, commencing on the Effective Date and continuing thereafter, Chateau shall reformulate any Covered Products manufactured after the Effective Date and offered for sale in California to a point where the level of DEHP in the Covered Products does not exceed 0.1% (1,000 parts per million) by weight when analyzed pursuant to applicable U.S. Environmental Protection Agency testing methodologies or other methodology utilized by federal or state government agencies for the purposes of determining DEHP content in a solid substance.

3.3 Chateau agrees, promises, and represents that to the extent it ships or sells or distributes for sale in California any Covered Products, in existing inventory as of the Effective Date, that have not been reformulated, Chateau will provide clear and reasonable warnings on such Covered Products that comply with Proposition 65. The warnings shall be prominently placed on the product's packaging with such conspicuousness when compared with other words, statements, designs on the packaging, or devices as to render it likely to be read and understood by an ordinary individual under customary conditions before purchase or use. For purposes of this Settlement Agreement, a clear and reasonable warning for the Covered Products satisfying the above criteria that is affixed to the Covered

Products' label or otherwise directly to each Covered Product containing the following statement shall be deemed clear and reasonable:

**⚠ WARNING:** This product can expose you to chemicals including Di(2-ethylhexyl) phthalate (DEHP), which is known to the State of California to cause cancer and birth defects or other reproductive harm. For more information go to [www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov).

or

**⚠ WARNING:** Cancer and Reproductive Harm  
[www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov)

The above warnings shall constitute compliance with Proposition 65 with respect to the Listed Chemical 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.

#### **4.0 Monetary Settlement Terms**

4.1 Chateau agrees, to pay a total of Fifty-Eight thousand dollars (\$58,000) by separate checks apportioned as follows:

4.1.1 Civil Penalty Payments: Chateau shall issue two separate checks for a total amount of twelve thousand dollars (\$12,000) as follows: (a) one check made payable to the State of California's Office of Environmental Health Hazard Assessment (OEHHA) in the amount of nine thousand dollars, (\$9,000), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of three thousand

dollars (\$3,000), 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. 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). The second 1099 shall be issued to CAG and delivered to Yeroushalmi & Yeroushalmi, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, CA 90212.

4.1.2 Attorneys' Fees and Costs: Forty-six thousand dollars (\$46,000) 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 Chateau's attention. The check 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 Chateau with its Employer Identification Number.

**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 Chateau represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Chateau 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 ten (10) 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.

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**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 in California Superior Court to enforce the terms and conditions contained in this Settlement Agreement, consistent with the terms and conditions set forth in paragraphs 11.2 and 11.3 of 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 related to Covered Products may be commenced or maintained, and no notice of violation described in this section may be served or filed against Chateau 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 sixty (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 Chateau 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 a clear and reasonable warning as specified in subsection 3.3, as to existing inventory, of the Settlement Agreement, (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.

11.2.1 Notwithstanding the above, CAG may bring an action to enforce any breach of the Monetary Settlement Terms in Section 4.0, above, upon five (5) business days written notice by CAG to Chateau of the alleged breach in accordance with the notification requirements set forth in Section 12.0, below.

11.3 Within thirty (30) days of receiving the notice described in Section 11.2, related to the Covered Products, Chateau shall either (1) send the store or other place at which the product was available for sale to the public in California a letter directing that the offending product be immediately removed from inventory and returned to Chateau 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

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For Chateau:

Todd O. Maiden  
REED SMITH LLP  
101 Second St.  
Suite 1800  
San Francisco, CA 94105-3659

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 Chateau 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.

[SIGNATURES ON NEXT PAGE]

CONSUMER ADVOCACY GROUP, INC.

Dated: 11/23/18

By: [Signature]

Printed Name: Michael Marcus

Title: Director

CHATEAU INTERNATIONAL, INC.

Dated: NOV. 20, 2018

By: [Signature]

Printed Name: Karina Hsueh

Title: VP/CHO