

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 The Parties. This Settlement Agreement is entered into by and between Center for Advanced Public Awareness, Inc. ("CAPA") and MiWorld Accessories, LLC ("MiWorld"). Together, CAPA and MiWorld are collectively referred to as the "Parties." CAPA is a California non-profit company acting in the interest of the general public seeking to further, among other causes, the protection of the environment, improving human health, and environmentally sound practices. MiWorld is alleged to be a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Health & Safety Code § 25249.6, *et seq.* ("Proposition 65").

1.2 General Allegations. CAPA alleges that MiWorld has imported, distributed and/or sold in the State of California the Tech Queen Pouch that contains Di(2-ethylhexyl) phthalate (DEHP) without providing a requisite Proposition exposure 65 warning. On January 1, 1988, the State of California listed DEHP as a chemical known to the State to cause cancer. On October 24, 2003, the State of California listed DEHP as a chemical known to cause reproductive toxicity.

1.3 Product Description. The products covered by this Settlement Agreement are the Tech Queen Pouches, UPC 400231942771 (the "Product" or "Products"), that have been imported, distributed, offered for sale and/or sold in California by MiWorld, that contain DEHP.

1.4 Notice of Violation. On May 9, 2018, CAPA served rue21, Inc. 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 rue21, MiWorld and such others, including public enforcers, with notice that alleged that MiWorld 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 DEHP. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission. MiWorld 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 MiWorld 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 MiWorld of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by MiWorld. However, Section 1.5 shall not diminish or otherwise affect the obligations, responsibilities and duties under this Settlement Agreement. Notwithstanding the allegations in the Notice, MiWorld maintains that it has not knowingly 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: WARNINGS

2.1 Commencing ninety (90) days after the Effective Date, and continuing thereafter, MiWorld shall not manufacture or order from any supplier any Products intended for retail sale in California that contains DEHP on any component to which consumers are exposed in excess of 0.1% (1,000 ppm) (hereinafter “Reformulated Products”) unless the Product is accompanied by a warning that complies with Article 6 of Title 27 of the California Code of Regulations. Products sold by MiWorld before the date this Settlement Agreement is signed by both Parties may sell through without a warning even if not Reformulated Products. For products manufactured before August 30, 2018, the warning shall consist of either:

- (a) The statement: “WARNING: This product contains a chemical known to the State of California to cause cancer and birth defects or other reproductive harm.”; or (b) (1) A symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline to the left of the word “warning” in bold all capital letters, followed by the statement “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.”; or (2) a

warning consisting of a symbol that is a black exclamation point in a yellow equilateral triangle with a bold black outline to the left of the word “warning” in bold all capital letters, followed by the statement “Cancer and Reproductive Harm - www.P65Warnings.ca.gov.”¹

For Products manufactured on and after August 30, 2018, the warning set forth in Section 2.1(b) shall be used.

2.2 The warning provided pursuant to this Section, shall be affixed to or printed on the Covered Product’s packaging or labeling, or on a placard, shelf tag, sign or electronic device or automatic process, providing that the warning is displayed with such conspicuousness, as compared with other words, statements, or designs as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use. A warning may be contained in the same section of the packaging, labeling, or instruction booklet that states other safety warnings, if any, concerning the use of the product and shall be at least the same size as those other safety warnings.

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

In settlement of all the claims referred to in this Settlement Agreement, MiWorld shall pay \$2,000.00 as a Civil Penalty in accordance with this Section. The Civil Penalty payment shall 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 CAPA. The Civil Penalty payment(s) shall be delivered to the addresses identified in Section 3.2, below.

3.1 Civil Penalty. Within ten (10) days of the Effective Date, MiWorld shall issue two separate checks for the Civil Penalty payment to (a) “OEHHA” in the amount of \$1,500.00; and (b) “Kawahito Law Group in Trust for Center for Advanced Public Awareness” in the amount of \$500.00. The Civil Penalty payment(s) shall be delivered to the following address

James Kawahito
Kawahito Law Group APC

¹ The triangular symbol need only be in yellow where the sign, label, shelf tag or other transmission format is being printed in color for purposes of other language, symbols or designs.

222N. Sepulveda, Blvd. Suite2222
El Segundo, CA 90245

4. **REIMBURSEMENT OF FEES AND COSTS**

The Parties acknowledge that CAPA and its 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. The Parties thereafter reached an accord on the compensation due to CAPA 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, MiWorld shall reimburse CAPA's counsel for fees and costs incurred as a result of investigating and bringing this matter to MiWorld attention, and negotiating a settlement in the public interest. Within ten (10) business days of the Effective Date, MiWorld shall issue a check payable to "Kawahito Law Group APC" in the amount of 18,000.00, delivered to the following address

James Kawahito
Kawahito Law Group APC
222N. Sepulveda, Blvd. Suite2222
El Segundo, CA 90245

5. **RELEASE OF ALL CLAIMS**

5.1 Release of MiWorld and Downstream Customers and Entities. This Settlement Agreement is a full, final and binding resolution between CAPA, acting on its own behalf, and MiWorld, of any violation of Proposition 65 that was or could have been asserted by CAPA or on behalf of her past and current agents, representatives, attorneys, successors, and/or assigns ("Releasers") for failure to provide warnings for alleged exposures to DEHP contained in the Products, and Releasers hereby release any such claims against MiWorld and its parents, subsidiaries, affiliated entities, shareholders, marketplaces, directors, officers, agents, employees, attorneys, successors and assignees, and each entity to whom MiWorld directly or indirectly distributes or sells the Products, including but not limited to, downstream distributors, wholesalers, customers, retailers, including but not limited to rue21 and its respective subsidiaries, affiliates and parents, 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 DEHP that is contained in the Products, and were manufactured, distributed, sold and/or offered for sale by MiWorld to 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 Sections 3 and 4 above, CAPA, on behalf of itself, its 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 against any of 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 DEHP in the Products.

5.2 MiWorld's Release of CAPA. MiWorld, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against CAPA, its attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by CAPA and/or its 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 § 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. CAPA on behalf of itself only, on one hand, and MiWorld, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims up through the Effective Date, 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 § 1542 as to any such unknown claims. California Civil Code § 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.

CAPA and MiWorld each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

5.4 Deemed Compliance with Proposition 65. Compliance by MiWorld with this Settlement Agreement constitutes compliance with Proposition 65 with respect to exposures to DEHP in the Products.

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

6. ENFORCEMENT

6.1 The terms of this Agreement shall be enforced exclusively by the Parties hereto. A Party may enforce any of the terms and conditions of this Agreement only after that Party first meet and confer as provided below in an open and good faith manner.

6.2 Notice of Violation. Prior to bringing any proceeding to enforce the terms of this Agreement, CAPA shall provide written notice ("NOV") to MiWorld that includes information sufficient for MiWorld to be able to understand and correct the violation, including but not limited to: (a) the date the Product that is the subject of this Agreement was purchased in California, (b) 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, including all test data obtained by CAPA regarding the Product.

6.3 Response to NOV. Within 30 days of receiving an NOV, MiWorld shall respond to the NOV. The parties shall then attempt to resolve any dispute in good faith, which may include providing CAPA with the shipping date for the specific Product at issue, the exchange of test results or other information, the exchange of samples to be sent to a third party for additional testing, the removal of Products from retailers, etc.

6.4 Resolution of NOV. CAPA will not take further action on an NOV under the following conditions:

6.3.1 The Product was manufactured or purchased by MiWorld before 90 days after the Effective Date.

6.3.2 Third-party laboratory testing establishes that the Product meets the reformulation standard of Section 2.1.

6.3.3 The Product failed to comply with Section 2 despite MiWorld taking good faith steps to comply with Section 2, and MiWorld corrects the alleged violation by either instructing its customers to remove unlabeled Products from sale in California or by taking steps to ensure that such Products are sold with warnings that comply with Section 2.

6.5 In any proceeding brought by either Party to enforce this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and costs.

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 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.

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 or limited by reason of law generally, or as to the Products, MiWorld shall provide written notice to CAPA 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.

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 MiWorld:

Martin Erani
MiWorld Accessories, LLC
1 East 33rd Street, 11th Floor
New York, NY 10016

With a copy to:

Jeffrey Margulies
Norton Rose Fulbright US LLP
555 South Flower Street, Forty-First Floor
Los Angeles, California 90071

For CAPA:

James Kawahito
Kawahito Law Group APC
222N. Sepulveda, Blvd. Suite2222
El Segundo, CA 90245

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)

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

12. MODIFICATION

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

13. ENTIRE AGREEMENT

This Settlement Agreement contains the sole and entire agreement of the Parties and any and all prior negotiations and understandings related hereto shall be deemed to have been merged within it. No representations or terms of agreement other than those contained herein exist or have been made by any Party with respect to the other Party or the subject matter hereof.

14. 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: _____

By:  _____
Digitally signed by
Linda DeRose-Droubay
Date: 2018.09.10 12:04:42
EDT

By: _____

Center for Advanced Public Awareness

MiWorld Accessories, LLC

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.

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14. 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: September 14, 2018

By: _____
Center for Advanced Public Awareness

By:  _____
MiWorld Accessories, LLC