

## SETTLEMENT AND RELEASE AGREEMENT

### 1. INTRODUCTION

#### 1.1. Ecological Alliance, LLC and Hobby Lobby Stores, Inc.

This Settlement Agreement is entered into by and between Ecological Alliance, LLC ("Ecological"), on the one hand, and Hobby Lobby Stores, Inc. ("Hobby Lobby"), on the other hand, with Ecological and Hobby Lobby collectively referred to as the "Parties."

#### 1.2. General Allegations

Ecological alleges that Hobby Lobby manufactured and/or distributed and/or offered for sale in the State of California pouch sets and crochet hook sets containing Di(2-ethylhexyl)phthalate ("DEHP"), and jump ropes containing Di-n-butyl Phthalate ("DBP"), 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. California has identified and listed DBP under Proposition 65 as a chemical known to the State of California to cause birth defects or other reproductive harm.

#### 1.3. Product Description

The products that are covered by this Settlement Agreement are defined as pouch sets and crochet hook sets containing DEHP, and jump ropes containing DBP (collectively, the "Products"), that Hobby Lobby has sold, offered for sale or distributed in California.

#### 1.4. Notices of Violation

On February 26, 2020 and September 2, 2020, 2018, Ecological served Hobby Lobby 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" ("Notices") that provided Hobby Lobby and such public enforcers with notice that Hobby Lobby 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 and DBP. To 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 Notices concerning Hobby Lobby's compliance with Proposition 65. Specifically, Hobby Lobby denies the material factual and legal allegations contained in Ecological's Notices 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 Hobby Lobby 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 Hobby Lobby of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Hobby Lobby. However, nothing in this section shall diminish or otherwise affect the obligations, responsibilities, and duties of Hobby Lobby 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: REFORMULATION OR WARNING**

### **2.1. Reformulation or Warning for Products**

No later than 90 days after the Effective Date, and continuing thereafter, Products that Hobby Lobby directly manufactures, imports, distributes, sells, or offers for sale in California shall be: (a) Reformulated Products pursuant to Section 2.2 below; or (b) labeled with a clear and reasonable exposure warning pursuant to Section 2.3 below; or (c) discontinued for sale. Section 2 of this Settlement Agreement shall not apply to Products that are already in the stream of commerce as of the Effective Date or that Hobby Lobby places into the stream of commerce within 90 days after the Effective Date.

### **2.2. Reformulation Standard**

“Reformulated Products” shall mean Products that contain concentrations less than or equal to 0.1% (1,000 parts per million (ppm)) of DEHP or DBP when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C or other methodology utilized by federal or state government agencies for the purpose of determining the phthalate content in a solid substance.

### **2.3. Warning**

Where required, Hobby Lobby shall provide Proposition 65 warnings as follows:

(a) Hobby Lobby may use any of the following warning statements in full compliance with this Section for the Products:

- (1) **WARNING:** This product can expose you to Phthalates, which are 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).

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

(b) If Hobby Lobby elects to use the warning statements identified in Section 2.3(a)(1) or (2), 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 and/or DBP should no longer be required, Hobby Lobby shall have no further obligations pursuant to this Settlement Agreement.

(e) 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, Hobby Lobby shall be entitled to use, at their 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 SECTION**

**25249.7(b)**

In settlement of all the claims referred to in this Settlement Agreement, Hobby Lobby shall pay a total of \$200 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, Hobby Lobby shall reimburse Ecological's counsel for fees and costs, incurred as a result of investigating and bringing this matter to Hobby Lobby's attention. Hobby Lobby shall pay Ecological's counsel \$10,000 for all attorneys' fees, expert and investigation fees, and related costs associated with this matter and the Notices.

**5. PAYMENT INFORMATION**

On the Effective Date, Ecological shall provide Hobby Lobby with an IRS W-9 form for Custodio & Dubey LLP. Within fourteen (14) days after the Effective Date, Hobby Lobby shall send a check payable to "Custodio & Dubey LLP" in the amount of Ten Thousand Two Hundred Dollars (\$10,200) to the Ecological address listed in Section 8 below for the civil penalties and attorney's fees / costs described in Sections 3 and 4 above.

Other than this payment, each side is to bear its own attorneys' fees and costs.

**6. RELEASE OF ALL CLAIMS**

**6.1. Release of Hobby Lobby, Downstream Distributors 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) Hobby Lobby, (b) each of Hobby Lobby's downstream distributors, wholesalers, vendors, licensors, licensees, auctioneers, retailers, franchisees, dealers, shareholders, cooperative members, customers, owners, purchasers, users, and (c) Hobby Lobby's parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees").

Ecological also, in its capacity, 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 Hobby Lobby 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, in its capacity only, and 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. Hobby Lobby's Release of Ecological**

Hobby Lobby 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.

**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 Hobby Lobby 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 Hobby Lobby: Megan P. Caldwell, Esq.  
Husch Blackwell LLP  
1801 Wewatta St., Suite 1000  
Denver, CO 80202

For Ecological: Vineet Dubey, Esq.  
Custodio & Dubey LLP  
448 S. Hill St., Suite 615  
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.

<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: April <u>14</u>, 2021</p> <p>By:  _____ On Behalf of Ecological Alliance, LLC</p>	<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: April __, 2021</p> <p>By: _____ On Behalf of Hobby Lobby Stores, Inc.</p>
--	---


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.

<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: April __, 2021</p> <p>By: _____ On Behalf of Ecological Alliance, LLC</p>	<p style="text-align: center;"><b>AGREED TO:</b></p> <p>Date: April 16, 2021</p> <p>By:  On Behalf of Hobby Lobby Stores, Inc.</p>
---	--