

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This settlement agreement ("Settlement Agreement") is entered into by and between CalSafe Research Center, Inc., ("CalSafe"), on the one hand, and Cereales Y Pastas, S.A. de C.V., ("Cereales" or "Defendant") on the other hand, with CalSafe and Cereales each individually referred to as a "Party" and collectively as the "Parties." CalSafe is a corporation in the State of California serving in the interest of the general public by seeking to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances used in consumer products. Cereales employs ten or more individuals and is a person in the course of doing business for purposes of The Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code § 25249.6 *et seq.* ("Proposition 65").

1.2 General Allegations

CalSafe alleges that Cereales distributes cereals for sale in California that contain lead and acrylamide and that it does so without first providing the health hazard warnings required by Proposition 65. Lead and acrylamide are listed pursuant to Proposition 65 as chemicals known to cause cancer and birth defects or other reproductive harm.

1.3 Product Description

The products covered by this Settlement Agreement are defined as, and expressly limited to, Cereales Y Pastas Golden Foods Special Bran Flakes, Cereales Y Pastas Golden Foods Noonies Miel y Almendras, Cereales Y Pastas Golden Foods Golden Fit Original, and Cereales Y Pastas Golden Foods Apple Bits, (hereinafter collectively "the Products") that contain lead and acrylamide and that are manufactured, sold or distributed for sale in California by Cereales.

1.4 Notice of Violation

On November 11, 2020, CalSafe served Cereales, the California Attorney General and the other requisite public enforcers with a 60-Day Notice of Violation ("Notice"), alleging that Cereales violated Proposition 65 when it failed to warn its customers and consumers in California of the health risks associated with exposures to lead and acrylamide from the Products.

To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting an action to enforce the violations alleged in the Notice.

1.5 No Admission

Cereales denies the material, factual and legal allegations in the Notice and maintains that all of the products it sold and/or distributed for sale 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 Cereales or any of its officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licensees, customers, suppliers, distributors, wholesalers, or retailers of any fact, finding, conclusion, issue of law or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Cereales or any of its officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licensees, customers, suppliers, distributors, wholesalers, or retailers of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Cereales. This Section shall not, however, diminish or

otherwise affect Cereales's obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean ninety (90) days following the execution of this Settlement Agreement by the Parties.

2. INJUNCTIVE RELIEF

2.1 Lead and Acrylamide Reduction

Target Level and Compliance Date. Beginning on the Effective Date, Defendant shall reduce the level of lead in the Products shipped for sale in California to .022 parts per million, and the level of acrylamide in the Products to 20 parts per billion (collectively the "Target Levels"), or be subject to the provisions of Paragraphs 2.3 and 2.4.

2.2 "Shipped for sale in California" means the Products that Defendant either directly ships into California for sale in California or that it sells to a distributor or retailer who Defendant knows will sell the Products to consumers in California. Where a retailer or distributor sells products both in California and other states, Defendant shall take commercially reasonable steps to ensure that, after the Target Levels have been reached, the only Products that are sold in California are either (i) Products for which Defendant has complied with Paragraph 2.1, or (ii) Products for which Defendant has complied with Paragraphs 2.3 and 2.4.

2.3 Clear and Reasonable Warnings

If Cereales does not achieve the Target Levels by the Effective Date, Cereales agrees to only manufacture for sale, purchase for sale, import for sale, or distribute for sale in or into California (in person or online) the Products that are sold with a warning as provided for in this paragraph and paragraph 2.4.

2.4 General Warning Requirements

Cereales agrees that each warning shall be prominently placed with such conspicuousness, as compared with other words, statements, designs, or devices, as to render it likely to be read and understood by an ordinary individual under customary conditions before purchase or use. Each warning shall be provided in a manner such that the consumer or user understands to which *specific* Product the warning applies, so as to minimize the risk of consumer confusion.

For purposes of this Settlement Agreement, a clear and reasonable warning for the Products shall consist of a warning affixed to the packaging, label, tag, or directly to each of the Products sold or distributed in California by Cereales that contain the following statements:

1) **WARNING:** Consuming this product can expose you to chemicals including Lead and Acrylamide which are known to the State of California to cause cancer, birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov/food.

2) **WARNING:** Cancer and Reproductive Harm-www.P65Warnings.ca.gov/food.

The warning shall be offset in a box with black outline. The same warning shall be posted on any websites where the Product is sold in California.

(i) Changes in Warning Regulations or Statutes

In the event that the Office of Environmental Health Hazard Assessment or another authorized agency promulgates one or more regulations requiring or permitting warning text and/or methods of transmission different than those set forth above, or legislation is enacted by the California legislature, United States Congress or voters with such requirements or permission, Cereales shall be entitled to use, at its discretion, such other warning text and/or method of transmission without being deemed in breach of this Agreement. If regulations, legislation or judicial rulings are enacted or issued providing that warnings as to lead or acrylamide in these types of food products are no longer required, a lack of warning by Cereales will not thereafter be a breach of this Agreement.

2.5 Grace Period for Existing Inventory of Products

The injunctive requirements of Section 2 shall not apply to Products that are already in the stream of commerce as of the Effective Date, which Products are expressly subject to the releases provided in Section 4.1.

3. MONETARY SETTLEMENT TERMS

3.1 Total Settlement Penalty

In full satisfaction of all potential civil penalties, additional settlement payments, attorneys' fees, and costs, Cereales shall make a total settlement payment of forty-five thousand dollars (**\$45,000.00**) ("Total Settlement Amount"). The Total Settlement Amount shall be apportioned into a Civil Penalty, Attorney's Fees and Costs, an Additional Settlement Payment and a Cost Reimbursement as set forth in Sections 3.2, 3.3, 3.4 and 3.5 below.

3.2 Civil Penalty Payment

Pursuant to Health and Safety Code§ 25249.7(b)(2), and in settlement of all claims alleged in the Notice or referred to in this Settlement Agreement, Cereales agrees to pay six thousand seven hundred fifty dollars (**\$6,750.00**) in civil penalties. The penalty payment will be allocated in accordance with California Health and Safety Code§§ 25249.12(c)(1) & (d), with 75% of the penalty amount paid to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty amount retained by CalSafe. Within ten (10) days of the date this Settlement Agreement is executed by the Parties, Cereales shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" in the amount of five thousand sixty-two dollars and fifty cents (**\$5,062.50**) and (b) CalSafe in the amount of one thousand six hundred eighty-seven dollars and fifty cents (**\$1,687.50**).

All payments owed to OEHHA (EIN: 68-0284486) pursuant to this Section shall be delivered directly to OEHHA (Memo Line "Prop 65 Penalties") at the following addresses:

For United States Postal Delivery Service:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010, MS 19B
Sacramento, CA 95812-4010

For Non-United States Postal Delivery Service:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street MS #19B
Sacramento, CA 95814

All penalty payments owed to CalSafe shall be sent to:
Manning Law APC
Client Trust and CalSafe Research Center (taxpayer identification number 84-4419173)
20062 SW Birch Street, Suite 200
Newport Beach, CA 92660

3.3 Attorney Fees and Costs

The Parties reached an accord on the compensation due to CalSafe and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, within twenty-one (21) days of the date this Settlement Agreement is executed by the Parties, Cereales agrees to begin paying thirty-six thousand dollars (**\$36,000.00**) to CalSafe and its counsel for all fees and costs incurred in investigating, bringing this matter to the attention of Cereales, and negotiating a settlement. The \$36,000.00 in Attorney's Fees and Costs shall be paid as follows: one check for \$16,000.00 payable to "Manning Law APC" within twenty-one (21) days of the date this Settlement Agreement is executed by the Parties; one check for \$10,000.00 payable to "Manning Law APC" within fifty-one (51) days of the date this Settlement Agreement is executed by the Parties; and one check for \$10,000.00 payable to "Manning Law APC" within eighty-one (81) days of the date this Settlement Agreement is executed by the Parties.

3.4 Cost Reimbursement

Within twenty-one (21) days of the date this Settlement Agreement is executed by the Parties, Cereales shall pay two thousand two hundred fifty dollars (**\$2,250.00**) to CalSafe as reimbursement to CalSafe for reasonable costs for testing and bringing this action. This payment shall be made payable to Manning Law APC, Attorney-Client Trust Account and delivered to Manning Law, APC, 20062 SW Birch St. Suite 200, Newport Beach, CA 92660.

3.5 Payment Address

All payments required under this section to Manning Law APC shall be delivered to:

Manning Law APC (taxpayer identification number 83-0502205)
20062 SW Birch Street, Suite 200
Newport Beach, CA 92660

3.6 Tax Documentation

Cereales agrees to provide a completed IRS 1099 form for its payments to, and CalSafe and Manning Law agree to provide IRS W-9 forms to Cereales. The Parties acknowledge that Cereales cannot issue any settlement payments pursuant to Section 3 above until after Cereales receives the requisite W-9 forms from CalSafe's counsel.

4. **CLAIMS COVERED AND RELEASED**

4.1 CalSafe's Release of Cereales

This Settlement is a full, final, and binding resolution between CalSafe, on behalf of itself and its officers, directors, shareholders, employees, agents, parent companies, subsidiaries and divisions, and Cereales and its respective officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, affiliates, franchisees, licensees, customers, suppliers, distributors (the "Defendant Releasees") and all entities to which Defendant Releasees directly or indirectly distribute or sell Covered Products, including but not limited to 99 Cents Only Stores and any other distributors, wholesalers, customers, retailers, franchisees, licensors, and licensees, (collectively, the "Released Parties" and individually, a "Released Party"). CalSafe, on behalf of itself and its officers, directors, shareholders, employees, agents, parent companies, subsidiaries and divisions hereby fully releases and discharges the Released Parties from any and all claims, actions, causes of action, suits, demands, liabilities, damages, penalties, fees, costs, and expenses asserted, or that could have been asserted base on or related to the handling, use, sale, distribution or consumption of the Products in California, as to any alleged violation of Proposition 65 or its implementing regulations, including without limitation any failure to provide Proposition 65 warnings on the Products with respect to exposures to lead and / or acrylamide.

4.2 Cereales's Release of CalSafe

Cereales on behalf of its past and current agents, representatives, attorneys, successors and assignees hereby waives any and all claims against CalSafe and its attorneys and other representatives, for any and all actions taken, or statements made by CalSafe and its attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

4.3 California Civil Code Section 1542

It is possible that other claims not known to the Parties, arising out of the facts alleged in the Notices and Complaint, and relating to the Products, will develop or be discovered. CalSafe on behalf of itself only, and Cereales on behalf of itself only, acknowledge that this Settlement Agreement is expressly intended to cover and include all such claims up through and including the Effective Date, including all rights of action therefore. CalSafe and Cereales acknowledge that the claims released in Sections 4.1 and 4.2 above may include unknown claims, and nevertheless waive California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

5. **SEVERABILITY**

In the event that any of the provisions of this Settlement Agreement are held by a court to be unenforceable, the validity of the remaining enforceable provisions shall not be adversely affected.

6. **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.

7. NOTICE

When any Party is entitled to receive any notice under this Settlement Agreement, the notice shall be sent by first class mail or electronic mail to the address set forth in this Paragraph. Any Party may modify the person and address to whom the notice is to be sent by sending the other Party notice by certified mail, return receipt requested. Said change shall take effect on the date the return receipt is signed by the Party receiving the change.

Notices shall be sent to:

For CalSafe

Joseph R. Manning, Jr.
Manning Law, APC
20062 SW Birch St. Suite 200
Newport Beach, CA 92660

For Cereales:

Matthew Lewis
White and Case LLP
555 South Flower Street, Suite 2700
Los Angeles, CA 90071-2433

8. COUNTERPARTS: FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile or portable document format (PDF) signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

9. COMPLIANCE WITH HEALTH AND SAFETY CODE §25249.7(f)

CalSafe and its attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code §25249.7(f).

10. MODIFICATION

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

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11. AUTHORIZATION

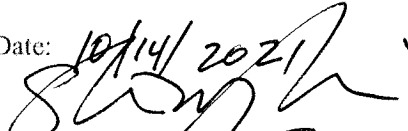
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

Date:

By:

CalSafe Research Center, Inc.


10/14/2021

ERIL M. FAIRON

AGREED TO:

Date:

By:

Cereales Y Pastas, S.A. de C.V.

13-October-2021

JUAN ANTONIO ESPERANZA
CONCEALAS