

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This settlement agreement (“**Settlement Agreement**”) is entered into by and between CRC Research Center, Inc., (“**CRC**”), on the one hand, and Sun Hing Foods, Inc, (“**Sun Hing**”) on the other hand, with CRC and Sun Hing each individually referred to as a “**Party**” and collectively as the “**Parties.**” CRC is a corporation in the State of California. Sun Hing 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

CRC alleges that Sun Hing distributes Fuyuki Brand Dried Mushroom (Shiitake) for sale in California that contains lead and that it did so without first providing the health hazard warnings required by Proposition 65. On October 1, 1992, the Governor of California added lead to the list of chemicals known to the State to cause cancer, and on February 27, 1987, the Governor added lead to the list of chemicals known to the state to cause developmental toxicity and male and female reproductive toxicity. Lead is referred to hereafter as the “**Listed Chemical.**”

1.3 Product Description

The product covered by this Settlement Agreement is defined as, and expressly limited to, Fuyuki Brand Dried Mushroom (Shiitake), (the “**Product**”) that allegedly contains the Listed Chemical and that is manufactured, sold, and/or distributed for sale in California by Sun Hing.

1.4 Notice of Violation

On or about September 16, 2021, CRC served Sun Hing, the California Attorney General and the other requisite public enforcers with a 60-Day Notice of Violation (“**Notice**”), alleging that Sun Hing violated Proposition 65 by failing to warn consumers in California that the Product can expose users to the Listed Chemical.

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

Sun Hing denies the material, factual and legal allegations in the Notice and maintains that all of the products it manufactured, sold and/or distributed for sale in California, including the Product, have been, and are, in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Sun Hing or any of its past or present owners, officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, sister and related companies, affiliates, franchisees, licensees, employees, shareholders, insurers, attorneys, assigns, customers, suppliers, distributors, wholesalers, or retailers of any fact, finding, conclusion, 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 Sun Hing or any of its past or present owners, officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, sister and related companies, affiliates, franchisees, licensees, employees, shareholders, insurers, attorneys, assigns, customers, suppliers, distributors, wholesalers, or retailers in any administrative or judicial proceeding or litigation in any court, agency, or forum, such being specifically denied by Sun Hing. This Section shall not, however, diminish or otherwise affect Sun Hing’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 Clear and Reasonable Warnings

Sun Hing 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 Product if it is sold with a warning as provided for in paragraph 2.2.

2.2 General Warning Requirements

Sun Hing 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 Product shall consist of a warning affixed to the packaging, label, tag, or directly to each of the Product sold or distributed in California by Sun Hing that contains the following statement:

- 1) **WARNING:** Consuming this product can expose you to chemicals including lead 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/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 California Office of Environmental Health Hazard Assessment (“**OEHHA**”) 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, Sun Hing 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. 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 Product, then Sun Hing may provide written notice to CRC 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 Product is so affected.

2.3 Grace Period for Existing Inventory of Products

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

3. MONETARY SETTLEMENT TERMS

3.1 Total Settlement Amount

In full satisfaction of all potential civil penalties, attorneys' fees, and costs, Sun Hing shall make a total settlement payment of Twenty-Five thousand dollars (**\$25,000.00**) ("**Total Settlement Amount**") by separate checks and allocated as follows:

3.2 Civil Penalty Payment

Pursuant to Health and Safety Code § 25249.7(b)(2), and in settlement of all claims alleged or that could have been alleged in the Notice or referred to in this Settlement Agreement, Sun Hing agrees to pay Two thousand dollars (\$2,000.00) 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 OEHHA and the remaining 25% of the penalty amount retained by CRC. Within ten (10) days of the date this Settlement Agreement is executed by the Parties, Sun Hing shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" in the amount of One-Thousand Five-Hundred dollars and Zero cents (\$1,500.00) and (b) CRC in the amount of Five Hundred Dollars and Zero cent (\$500.00).

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 CRC shall be sent to:

Manning Law APC
Client Trust and CRC Research Center (taxpayer identification number 84-4419173)
20062 SW Birch Street, Suite 200
Newport Beach, CA 92660

3.3 Attorneys' Fees and Costs

The Parties reached an accord on the compensation due to CRC and its counsel under the private attorney general doctrine. Under these legal principles, within twenty-one (21) days of the date this Settlement Agreement is executed by the Parties, Sun Hing agrees to pay Twenty-Three thousand Five Hundred dollars (**\$23,000.00**) payable to "Manning Law APC, Attorney Client Trust Account" as CRC's

attorneys, for investigation fees and costs, attorneys' fees, and any and all other fees and costs incurred in investigating, bringing this matter to the attention of Sun Hing, and negotiating a settlement.

3.4 Tax Documentation

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

4. CLAIMS COVERED AND RELEASED

4.1 CRC's Release of Sun Hing

This Settlement is a full, final, and binding resolution between CRC, on behalf of itself and its officers, directors, shareholders, employees, agents, parent companies, subsidiaries and divisions ("**Releasor**"), and (a) Sun Hing and its respective past or present owners, officers, directors, shareholders, employees, agents, parent companies, subsidiaries, divisions, sister and related companies, affiliates, franchisees, licensees, employees, shareholders, insurers, attorneys, assigns, customers, suppliers, distributors, wholesalers, or retailers ("**Sun Hing Releasees**"), as well as (b) all entities to which Sun Hing Releasees directly or indirectly provide, distribute, sell, or offer for sale the Product, including but not limited to **99 Ranch Market** and any other distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors, and licensees, ("**Downstream Releasees**") (collectively, the "**Released Parties**" and individually, a "**Released Party**"). Releasor, 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 based on or related to the handling, use, sale, distribution or consumption of the Product in California, as to any alleged or actual violation of Proposition 65, its implementing regulations, or any statutory or common law claim that has been, could have been, or may in the future be asserted by the Releasor against the Released Parties, including without limitation for any failure to provide Proposition 65 warnings on the Product with respect to exposures to lead and/or acrylamide.

The Parties to this agreement understand and agree that CRC is acting is on its own behalf and **not on behalf of the public**, with respect to this release and discharge of Sun Hing.

4.2 Sun Hing's Release of CRC

Sun Hing on behalf of its past and current agents, representatives, attorneys, successors and assignees hereby waives any and all claims against CRC and its attorneys and other representatives, for any and all actions taken, or statements made by CRC 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 Product.

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 relating to the Product, will develop or be discovered. Releasor on behalf of itself only, and Sun Hing 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. CRC Releasor and Sun Hing 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 delivered in person or sent by first class mail, certified or registered mail return receipt requested, traceable overnight delivery service, 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 providing written notice of such change pursuant to this Paragraph. 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 CRC:

Joseph R. Manning, Jr.
Babak Hashemi
P65@ManningLawOffice.com
Manning Law, APC
20062 SW Birch St. Suite 200
Newport Beach, CA 92660

For Sun Hing:

Malcolm Weiss and Jennifer MikoLevine
mweiss@Hunton.com and jmikolevine@hunton.com
Hunton Andrews Kurth LLP
550 South Hope Street
Suite 2000
Los Angeles, CA 90071

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)

CRC and its attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code § 25249.7(f) and shall report this Settlement agreement to the Attorney General's Office within five (5) days of the Effective Date.

10. MODIFICATION

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

11. AUTHORIZATION

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

12. 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 any and all prior discussions, negotiations, commitments, or understandings related thereto, if any, are hereby merged herein and therein. There are no warranties, representations, or other agreements between the Parties except as expressly set forth herein. No representations, oral or otherwise, express or implied, other than those specifically referred to in this Settlement Agreement have been made by any Party hereto. No other agreements not specifically contained or referenced herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties hereto.

AGREED TO:

Date: 4/14/22

By: [Signature]

CalSafe Research Center, Inc.

AGREED TO:

Date: 4/25/2022

By: [Signature]

Sun Hing Foods, Inc.