

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Environmental Health Advocates, Inc. (“EHA”), on the one hand, and Unichips Italia S.P.A. (“Unichips”), on the other hand, with EHA and Unichips each individually referred to as a “Party” and collectively as the “Parties.” EHA 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. Unichips 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

EHA alleges that Unichips manufactures, sells, and distributes for sale in California, potato chips that contain Acrylamide and that it does so without first providing the health hazard warning required by Proposition 65. Acrylamide is listed pursuant to Proposition 65 as a chemical known to cause cancer and birth defects or other reproductive harm.

1.3 Product Description

The product covered by this Settlement Agreement is defined as, and expressly limited to, San Carlo Wavy Potato Chips (“the Product”), that contains Acrylamide and that is manufactured, sold or distributed for sale in California by Unichips.

1.4 Notices of Violation

On September 23, 2021, EHA served Unichips, San Carlo Gruppo Alimentare S.P.A., Pai Industriale S.P.A, Cost Plus World Market, LLC, World Market, LLC, the California Attorney General and other requisite public enforcers with a 60-Day Notice of Violation (“Initial Notice”), alleging that Unichips and others violated Proposition 65 when they failed to warn its customers and consumers in California of the health risks associated with exposures to Acrylamide

from the Product.

On October 6, 2021, EHA served Unichips, Quercia Rossa Inc., San Carlo Gruppo Alimentare S.P.A., Pai Industriale S.P.A, Cost Plus World Market, LLC, World Market, LLC, the California Attorney General and other requisite public enforcers with a 60-Day Notice of Violation (“Amended Notice”), alleging that Unichips and others violated Proposition 65 when they failed to warn its customers and consumers in California of the health risks associated with exposures to Acrylamide from the Product. The Amended Notice added the manufacturer and distributor Quercia Rossa Inc.

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 Initial Notice or Amended Notice (hereinafter, the “Notices”).

1.5 No Admission

Unichips denies the material, factual, and legal allegations in the Notices and maintains that all of the products 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 Unichips 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 Unichips of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Unichips. This Section shall not, however, diminish or otherwise affect Unichips’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 fourteen (14) days following the execution of this Settlement Agreement by the Parties.

2. INJUNCTIVE RELIEF

2.1 Clear and Reasonable Warnings

As of the Effective Date, and continuing thereafter, a clear and reasonable Proposition 65 warning as set forth in this §§ 2.1 and 2.2 must be provided for all Products that Unichips

manufactures, supplies and distributes for sale or use in California. Unichips intends to either discontinue all sales including on-line sales in California, or provide the warning for all the products intended to be sold in California.

2.2 Warning Requirements

On or after the Effective Date, for Products that are set forth in §§ 2.1, Unichips shall provide one of the following warning statements:

Option 1:

WARNING: This product can expose you to chemicals including Acrylamide, 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.

Option 2:

WARNING: Cancer and Reproductive Harm –
www.P65Warnings.ca.gov

Option 3:

WARNING: Certain potato- and/or grain-based snack food products, such as potato chips contain acrylamide, 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. Certain other cooked foods that have been roasted or browned, such as French fries, crackers, cookies, coffee, breads, and cereals, also contain acrylamide, although in varying amounts. Acrylamide is not added to these foods but is created when these and certain other foods are browned.

This warning statement shall be prominently displayed on the Covered Products sold in stores in California, on the packing of the Covered Products, or on a placard, shelf tag, or sign provided that the statement 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 prior to sale. If the warning statement is displayed on the Covered Products' packaging, it must be in a type size no smaller than the largest type size used for other consumer information on the product. In no case shall a warning statement displayed on the Covered Products' packaging appear in a type size smaller than 6-point type. For internet sales fulfilled by Unichips from websites under the exclusive control of

Unichips where Covered Products are sold to purchasers with a California shipping address, Unichips will provide, either on the product page, at the checkout page, or both, the same warning, which shall appear on the internet page or by way of a hyperlink in bold capitalization stating "WARNING" which links to the text of the full warning. Unichips shall not be responsible for websites or internet sales that are not under its control.

2.3 Grace Period for Existing Inventory of Products

The injunctive requirements of Section 2 shall not apply to Products that are manufactured on or prior to the Effective Date, which Products are expressly subject to the releases provided in Section 4.1.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalty Payment

Pursuant to Health and Safety Code § 25249.7(b)(2), and in settlement of all claims alleged in the Notices or referred to in this Settlement Agreement, Unichips agrees to pay three thousand dollars (\$3,000.00) 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 the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty amount retained by EHA. Within ten (10) days of the date this Settlement Agreement is executed by the Parties, Unichips shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" in the amount of two thousand two hundred and fifty dollars (\$2,250.00) and (b) Environmental Health Advocates, Inc., in the amount of seven hundred and fifty dollars (\$750.00).

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 Service Delivery:

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

For Federal Express 2-Day Delivery:

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

All penalty payments owed to EHA shall be sent to:

Samantha Dice
Environmental Health Advocates
225 Broadway, Suite 1900
San Diego, CA 92101

3.2 Attorney Fees and Costs

The Parties reached an accord on the compensation due to EHA and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, within fourteen (14) days of the date this Settlement Agreement is executed by the Parties, Unichips agrees to pay twenty-two thousand dollars (\$22,000.00) to EHA and its counsel for all fees and costs incurred in investigating, bringing this matter to the attention of Unichips' negotiating a settlement. Unichips shall provide their payment to EHA's counsel in one check for twenty-two thousand dollars (\$22,000.00) payable to "Entorno Law, LLP".

3.3 Payment Address

All payments required under this Section shall be delivered to:

Noam Glick
Entorno Law, LLP
225 Broadway, Suite 1900
San Diego, CA 92101

3.4 Tax Documentation

Unichips agrees to provide a completed IRS 1099 for its payments to, and EHA agrees to provide IRS W-9 forms for, each of the payees under this Settlement Agreement. The Parties acknowledge that Unichips cannot issue any settlement payments pursuant to Section 3.1 and 3.2 above until after Unichips receives the requisite W-9 forms from EHA's counsel.

4. CLAIMS COVERED AND RELEASED

4.1 EHA's Release of Unichips

This Settlement Agreement is a full, final, and binding resolution of all claims under Proposition 65 between EHA, on its own behalf and not on behalf of the public, and Unichips of any violation of Proposition 65 that was or could have been asserted by EHA, on its own behalf, on behalf of its past and current agents, representatives, attorneys, successors and assignees, against Unichips and each of its respective parents, subsidiaries, affiliated entities under common ownership, directors, officers, members, employees, attorneys, each upstream entity from whom the Product was purchased by Unichips, and each entity to whom Unichips directly or indirectly distributes or sells the Product, including, but not limited to, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members and licensees ("Releasees"), based on the failure to warn about exposures to Acrylamide required under Proposition 65 in the Product manufactured, sold or distributed for sale in California by Unichips before the Effective Date, as alleged in the Notices.

In further consideration of the promises and agreements herein contained, EHA on its own behalf and not on behalf of the public, on behalf of its past and current agents, representatives, attorneys, successors and assignees hereby waives any and all rights it may have to institute or participate in, directly or indirectly, any form of legal action and releases all claims against Unichips and Releasees including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses including, but not exclusively, investigation fees, expert fees and attorney fees arising under Proposition 65 with respect to the alleged or actual failure to warn about exposures to Acrylamide required under Proposition 65 in the Product manufactured, distributed, sold or offered for sale by Unichips, before the Effective Date.

4.2 Unichips's Release of EHA

Unichips, on its own behalf and on behalf of its past and current agents, representatives, attorneys, successors, and assignees, hereby waives any and all claims against EHA and its

attorneys and other representatives, for any and all actions taken or statements made by EHA 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. EHA on behalf of itself only, on one hand, and Unichips on behalf of itself only, on the other hand, acknowledge that this Settlement Agreement is expressly intended to cover and include all such claims up through the Effective Date. The Parties acknowledge that the claims released in Sections 4.1 and 4.2 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

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining 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. In the event that Proposition 65 is repealed, amended, modified, or is otherwise rendered inapplicable for any reason, including but not limited to changes in the law regarding concentration levels for acrylamide that trigger a warning, then Unichips' obligations pursuant to this Agreement shall be correspondingly eliminated or modified in conformity with such developments in the law.

7. ENFORCEMENT

In any action to enforce the terms of this Settlement Agreement, the prevailing party shall be entitled to its reasonable attorneys' fees and costs.

8. NOTICE

Unless specified herein, all correspondence and notice required to be provided pursuant to this Settlement Agreement shall be in writing and sent by: (a) personal delivery; (b) first-class, registered or certified mail, return receipt requested; or (c) a recognized overnight courier on any Party by the other at the following addresses:

For Unichips:

Christopher J. Cox, Esq
Hogan Lovells US LLP
4085 Campbell Ave #100
Menlo Park, CA 94025

For EHA:

Noam Glick
Entorno Law, LLP
225 Broadway, Suite 1900
San Diego, CA 92101

Any Party may, from time to time, specify in writing to the other a change of address to which all notices and other communications shall be sent.

9. 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.

10. COMPLIANCE WITH HEALTH & SAFETY CODE § 25249.7(f)

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

11. MODIFICATION

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

12. 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:

AGREED TO:

Date: 01/19/2022

Date: 01/25/2022

By: 
ENVIRONMENTAL HEALTH
ADVOCATES, INC.

By: 
UNICHIPS ITALIA S.P.A.