

# PROPOSITION 65 SETTLEMENT AGREEMENT

## 1. INTRODUCTION

### 1.1 The Parties

This Settlement Agreement (“**Agreement**”) is entered into by and between Keep America Safe and Beautiful (“**KASB**”), Royal Case Company, Inc. (“**Royal Case**”), with KASB and Royal Case each individually referred to as a “**Party**” and, collectively, the “**Parties**.” KASB is a California-based non-profit organization proceeding in the public interest pursuant to California Health & Safety Code § 25249.7(d) to ensure chemicals known to the State of California to cause cancer, birth defects or other reproductive harm are disclosed in or eliminated from consumer products sold in California. KASB alleges Royal Case is a person in the course of doing business for purposes of California Health & Safety Code § 25249.11(b).

### 1.2 Consumer Product Description

KASB alleges Royal Case manufactures, imports, sells, and distributes for sale in and into California, the following vinyl carrying cases containing di(2ethylhexyl) phthalate (“**DEHP**”) without providing the warning KASB alleges is required by California Health & Safety Code § 25249.5 *et seq.* (“**Proposition 65**”): the *Lectrosonics Zippered Carrying Case for Compact Wireless Microphone Systems; Mfr. Part # CCMINI; Samy’s Part # S-043815*, referred to hereinafter as the “**Products**.” DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects and other reproductive harm.

### 1.3 Notices of Violation

On November 3, 2021, KASB served Lectrosonics Inc. dba Lectro (“**Lectro**”), the California Attorney General, and the requisite public enforcement agencies with a 60-Day Notice of Violation (“**Notice**”), alleging Lectro violated Proposition 65 by failing to warn its customers and consumers in California the Products can expose users to DEHP. Thereafter, on February 25, 2022, KASB served Lectro, Royal Case, the California Attorney General, and the requisite public enforcement agencies with a Supplemental 60-Day Notice of Violation

(“**Supplemental Notice**”, and, collectively, with “**Notice**”, the “**Notices**”), alleging, in addition to Lectro, Royal Case also violated Proposition 65 by failing to warn its customers and consumers in California the Products can expose users to DEHP. No public enforcer has commenced and is diligently prosecuting an action to enforce the allegations in the Supplemental Notice.

#### **1.4 No Admission**

Royal Case denies the factual and legal allegations contained in the Notices and maintains all products it manufactured, sold and distributed for sale, including the Products, have been, and are, in compliance with all laws. Nothing in this Agreement shall constitute or be construed as, nor shall compliance with this Agreement constitute or be construed as, an admission by Royal Case of any fact, finding, conclusion of law, issue of law, or violation of law. This section shall not, however, diminish or otherwise affect Royal Case’s obligations, responsibilities, and duties under this Agreement.

#### **1.5 Effective Date**

For purposes of this Agreement, “**Effective Date**” shall mean April 5, 2023.

## **2. INJUNCTIVE RELIEF: REFORMULATION & WARNINGS**

### **2.1 Commitment to Reformulate or Warn**

Commencing on the Effective Date and continuing thereafter, all Products Royal Case manufactures, imports, sells, ships, or distributes for sale, in or into California, directly or through third party retailers or e-commerce marketplaces, shall either meet the Reformulation Standard for Reformulated Products, as defined by Section 2.2, below, or shall bear an clear and reasonable Proposition 65-compliant warning, pursuant to Sections 2.3 and 2.4.

### **2.2 Reformulation Standard**

For purposes of this Agreement, “**Reformulated Products**” are defined as Products containing di(2-ethylhexyl) phthalate (“**DEHP**”) in a maximum concentration of less than 0.1 percent (1,000 parts per million) in any “**accessible component**” (i.e., any component that may be touched during a reasonably foreseeable use) when analyzed by a laboratory accredited by

the State of California, a federal agency, or a nationally recognized accrediting organization. For purposes of compliance with this reformulation standard, testing samples shall be prepared and extracted using Consumer Product Safety Commission (“CPSC”) methodology CPSC-CH-C1001.09.4 and analyzed using U.S. Environmental Protection Agency methodology 8270D, or other methodologies utilized by federal or state government agencies to determine phthalate content in a solid substance. “**Reformulation Standard.**”)

### **2.3 Clear and Reasonable Warnings**

Commencing on or before the Effective Date, and continuing thereafter, Royal Case shall provide clear and reasonable health hazard warnings for all Products Royal Case manufactures, imports, distributes, sells, or offers for sale, in or into California, that do not meet the Reformulation Standard. For purposes of this Agreement, a warning shall be deemed clear and reasonable, if it meets the criteria set forth in California Health & Safety Code § 25249.5 *et seq.* and title 27 California Code of Regulations (“Cal. Code Regs.”) § 25600 *et seq.*, as may be amended from time to time.

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 prior to 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 Agreement, the following warning shall be deemed clear and reasonable:

**(a) Warning:**

**⚠WARNING:** This product can expose you to chemicals, including DEHP, which is known to the State of California to cause cancer, birth defects or other reproductive harm. For more information go to [www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov).

The Parties agree, should Royal Case determine additional chemical endpoints need to be included in the above warnings, Royal Case may modify the content of such warnings to

address the new chemical, provided the revised warnings comply with title 27 Cal. Code Regs. § 25600 *et seq.*

(b) **Foreign Language Requirement.** Where a consumer product sign, label or tag is used to provide a warning including “consumer information”, as the term is defined in Title 27 California Code of Regulations § 25600.1(c) (“**Consumer Information**”), in languages other than English, then the accompanying warnings must also be provided in those languages.

#### **2.4 On-Product Warning Requirements**

Royal Case shall affix a warning on the Product Label, its packaging or directly on each Product that is manufactured, imported, distributed, sold or otherwise provided for sale to consumers in or into California. “Product Label” is defined as a display of written, printed or graphic material printed on or affixed to a Product or its immediate container or wrapper. The entire warning shall appear in at least 6-point type, and in no event shall it be smaller than the largest type size used for other consumer information on the Product.

Warnings provided pursuant to Section 2.3 must print the word “WARNING:” in all capital letters and in bold font, followed by a colon. The warning symbol to the left of the word “WARNING:” must be a black exclamation point in a yellow equilateral triangle with a black outline, except, if the sign or label for the Products does not use the color yellow, the symbol may be in black and white. The symbol must be in a size no smaller than the height of the word “WARNING:”. The 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 Products and shall be at least the same size as those other safety warnings.

#### **2.5 Internet Product Warning Requirements**

For all Products manufactured, imported, distributed, sold or offered for sale after the Effective Date via the internet to customers located in California, or sold in or into California, by Royal Case directly or through third-party websites over which Royal Case has the ability to control the application of warnings, Royal Case shall provide warnings for each Product, both on the Product label, in accordance with Section 2.4, and by prominently displaying the warning

to customers prior to purchase or during the checkout process such that the consumer does not have to seek out the information being provided. The warning or a clearly marked hyperlink to the warning, using the word “WARNING” and given in conjunction with the sale of Products via the internet, shall appear on: (a) the same web page on which the Product is displayed; (b) the same web page as the order form for the Product; (c) on the same page as the price for any Product; or (d) on one or more web pages displayed to a purchaser during the checkout process. The warning shall appear in any of the above instances adjacent to or immediately following the display, description or price of the Product for which it is given in the same type size or larger than other consumer information provided for the Product. For third-party websites, as a condition of sale, Royal Case shall notify the sellers the Products must be accompanied by a warning, prior to and as a condition of sale, in or into California, and shall supply the warning requirements, as detailed above.

### **3. MONETARY SETTLEMENT TERMS**

#### **3.1 Civil Penalty**

Pursuant to Health and Safety Code § 25249.7(b), Royal Case agrees to pay a civil penalty of \$5,000 within five (5) business days of the Effective Date. Royal Case’s civil penalty payment will be allocated according to Health and Safety Code §§ 25249.12(c)(1) and (d), with seventy-five percent (75%) of the penalty paid to the California Office of Environmental Health Hazard Assessment (“**OEHHA**”) and the remaining twenty-five percent (25%) retained by KASB. Royal Case shall issue its payment in two checks made payable to: (a) “**OEHHA**” in the amount of \$3,750; and (b) “**Seven Hills LLP in Trust for KASB**” in the amount of \$1,250 and deliver its payments to the address listed in Section 3.3. KASB’s counsel shall deliver to OEHHA and KASB their respective portions of the penalty payments.

#### **3.2 Reimbursement of Attorneys’ Fees and Costs; Payment Schedule; Terms**

KASB and its counsel offered to resolve the allegations in the Notice and Supplemental Notice without reaching terms on the amount of reimbursement of attorneys’ fees and costs. Shortly after the Parties finalized the other material settlement terms, they negotiated and

reached an accord on the amount of reimbursement to be paid to KASB's counsel, under general contract principles and the private attorney general doctrine, codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution and reporting of this Agreement to the Office of the California Attorney General. Royal Case agrees to pay a total of \$35,000 for all fees and costs incurred in investigating, bringing this matter to Royal Case's attention, negotiating a settlement in the public interest, and reporting its terms to the Office of the Attorney General, pursuant to Section 9.

The Parties agree to the following payment schedule and terms. Within five (5) days of the Effective Date, Royal Case agrees to issue two checks, each in the amount of \$17,750 and payable to "Seven Hills LLP", totaling \$35,000. The first check shall be deposited on receipt, and the remaining individual check shall be deposited ninety (90) days after the Effective Date, or no later than June 30, 2023. The entire balance must be paid in full no later than June 30, 2023.

In the event any of the payments under this Section 3 fails due to lack of funds or failure to adhere to the terms detailed herein, KASB and Seven Hills LLP reserve their rights under this agreement to pursue all available remedies at law, including for breach of contract. Failure to comply with Royal Case's payment obligations herein shall render this Agreement invalid, except that the statute of limitations shall not be negatively affected. The Parties specifically agree and intend that no time shall be deemed to have passed for purposes of enforcing this Agreement, its terms, or the alleged violations in the Notice, based on failure to adhere to this Section. By this Section, KASB reserves its rights to enforce the noticed violations and the legal claims and defenses related thereto.

### **3.3 Payments; Reporting**

All payments payable and due under this Settlement Agreement shall be delivered to KASB's counsel at the following address:

Seven Hills LLP  
Attn: Kimberly Gates Johnson  
4 Embarcadero Center, Suite 1400

San Francisco, CA 94111

When this Settlement Agreement is fully executed by the Parties, counsel for KASB shall deliver to counsel for Royal Case, by electronic mail, a copy of the final Agreement and Federal Form W9s for all payees, allowing Royal Case to comply with its year-end Federal 1099 reporting requirements. In return, counsel for Royal Case agrees to communicate payment tracking information for monies due under this Section.

#### **4. CLAIMS COVERED AND RELEASED**

##### **4.1 KASB's Release of Royal Case**

This Agreement is a full, final and binding resolution between KASB, as an individual and *not* on behalf of the public, and Royal Case, of any violation of Proposition 65 that was or could have been asserted by KASB on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, against Royal Case, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Royal Case directly or indirectly distributes or sells Products, including its downstream distributors, including, without limitation Lectrosonics, Inc., wholesalers, customers, retailers, franchisees, cooperative members, and licensees (collectively, “**Releasees**”), based on the failure to provide a warning under Proposition 65 about alleged exposures to DEHP contained in Products that were manufactured, distributed, sold and/or offered for sale by Royal Case in California prior to the Effective Date, as alleged in the Notices.

In further consideration of the promises and agreements herein contained, KASB as an individual and *not* on behalf of the public, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all of KASB's rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims KASB may have, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, expenses, investigation fees, expert fees, and attorneys' fees arising under Proposition 65 with respect to

DEHP in Products manufactured, distributed, sold and/or offered for sale by Royal Case, before the Effective Date (collectively, “**Claims**”), against Royal Case and Releasees.

The Parties further understand and agree this Section 4.1 release shall not extend upstream to any entities that manufactured the Products or any component parts thereof. Nothing in this Section affects KASB’s right to commence or prosecute an action under Proposition 65 against a Releasee that does not involve Royal Case’s Products. The Parties also agree this Section 4.1 release shall not extend downstream to any third-party entities who sell the Products and fail to provide a warning pursuant to Section 2.

#### **4.2 Royal Case’s Release of KASB**

Royal Case, on behalf of itself, its past and current agents, representatives, attorneys, successors, and assignees, hereby waives any and all claims against KASB and its attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by KASB and its attorneys and other representatives, whether in the course of investigating claims or otherwise seeking to enforce Proposition 65 against it in this matter with respect to the Products.

#### **5. SEVERABILITY**

If, subsequent to the execution of this Agreement, any provision of this Agreement is deemed by a court to be unenforceable, the validity of the remaining provisions shall not be adversely affected.

#### **6. GOVERNING LAW**

The terms of this Agreement shall be governed by the laws of the State of California and apply within California. In the event Proposition 65 is repealed, preempted, or is otherwise rendered inapplicable by reason of law generally, or as to the Products, Royal Case may provide KASB with written notice of any asserted change in the law, and shall have no further injunctive obligations pursuant to this Agreement, with respect to, and to the extent that, the Products are so affected. Nothing in this Agreement shall be interpreted to relieve Royal Case from its obligation to comply with any pertinent state or federal law or regulation.



**7. NOTICE**

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

For Royal Case:

Bryce J. Denny  
Law Office Of Bryce Denny, L.L.C.  
209 Polk Street  
Mansfield, Louisiana 71052

For KASB:

Kimberly Gates Johnson, Partner  
Seven Hills LLP  
4 Embarcadero Center, Suite 1400  
San Francisco, CA 94111

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

**8. COUNTERPARTS, FACSIMILE AND PDF SIGNATURES**

This Agreement may be executed in counterparts and by 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 REPORTING REQUIREMENTS**

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

**10. ENTIRE AGREEMENT**

This 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 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.

11. **MODIFICATION**


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

12. **AUTHORIZATION**

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

**AGREED TO:**

Date: 04/05/2023

By:   
My Nguyen, CFO  
Keep America Safe and Beautiful

**AGREED TO:**

Date: 4.5.23

By:   
Zoltan Poeza, CEO  
Royal Case Company, Inc.