

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Audrey Kallander (“Kallander”) and DSL Holding Ltd. (“DSL”), as indemnitor to Walmart Inc. (“Walmart”). Kallander and DSL shall each be referred to as a “Party” and collectively as the “Parties.” Kallander is an individual residing in the State of California who seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances used in consumer products. Kallander alleges that DSL 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 section 25249.6 *et seq.* (“Proposition 65”).

1.2 General Allegations

Kallander alleges that DSL manufactures, sells, and distributes for sale in California, string lights with PVC components containing the phthalate chemical di(2-ethylhexyl) phthalate (“DEHP”). DEHP is listed pursuant to Proposition 65 as a chemical known to cause cancer and birth defects and other reproductive harm. Kallander alleges that DSL failed to provide the health hazard warning required by Proposition 65 for exposures to DEHP. DSL denies these allegations and contends that none of the products it has sold or distributed for sale in California violates Proposition 65.

1.3 Product Description

The products covered by this Settlement Agreement are defined as, and specifically limited to the “*Lunar New Year Lantern*” *String Lights*; UPC: 8 72671 08982 6 that are manufactured, sold, or distributed for sale in California by DSL (hereinafter the “Products”).

1.4 Notice of Violation

On September 2, 2022, Kallander served Walmart, and the requisite public enforcement agencies with a 60-Day Notice of Violation (“Notice”), alleging that the notice recipient violated Proposition 65 by failing to warn its customers and consumers in California of the health hazards associated with exposures to DEHP from the Products. DSL was subsequently identified as the manufacturer/supplier of the Products. No public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

DSL denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products that it has sold and distributed 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 DSL 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 DSL of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by DSL. This Section shall not, however, diminish or otherwise affect DSL’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 December 10, 2022.

2. INJUNCTIVE RELIEF: REFORMULATION/WARNINGS

2.1 Reformulation Standards

“Reformulated Products” are defined as those Products containing DEHP in concentrations less than 0.1 percent (1,000 parts per million) when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C, or any

other methodologies utilized by federal or state agencies for the purpose of determining the DEHP content in a solid substance.

2.2 Reformulation/Warning Commitment

As of the Effective Date, DSL shall not sell or offer the Products for sale in the State of California unless they are Reformulated Products pursuant to Section 2.1 or contain a warning as set forth in Section 2.3 below. The Parties agree and intend that compliance with the terms of this Settlement Agreement shall constitute compliance with Proposition 65 with respect to exposures to DEHP from the Products.

2.3 Warnings

As of the Effective Date, all Products DSL sells and/or distributes for sale in California that do not qualify as Reformulated Products, shall bear a clear and reasonable warning pursuant to this Section. DSL further agrees that the warning shall be prominently placed with such conspicuousness when 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 of use. For purposes of this Settlement Agreement, a clear and reasonable warning for the Products shall consist of a warning affixed directly to the product or product packaging, label, or tag, for Products sold in California and containing one of the following statements:

⚠ WARNING: Reproductive Harm- www.P65Warnings.ca.gov

OR

⚠ WARNING: This product can expose you to chemicals, including DEHP, which are known to the State of California to cause birth defects and other reproductive harm. For more information go to www.P65Warnings.ca.gov

The above warning statements shall also include a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline. Where the label 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."

2.3 Exclusion for Product in the Stream of Commerce

The warning/reformulation requirements do not apply to Products that are in the stream of commerce as of the Effective Date, as they have been included in the calculation of civil penalties. Products that have been shipped by DSL on or before the Effective Date regardless of whether they have landed in the United States are considered to be in the stream of commerce.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalty Payment

Pursuant to Health and Safety Code section 25249.7(b)(2), and as consideration for the releases contained in Sections 4.1 and 4.2 below, DSL agrees to pay \$3,200 in civil penalties no later than the Effective Date. The penalty payment will be allocated in accordance with California Health and Safety Code section 25249.12(c)(1) & (d), with 75% of the penalty amount (\$2,400) remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty amount paid (\$800) to Kallander. Kallander's attorney will be responsible for delivering OEHHA's portion of any penalty payment made under this Settlement Agreement to the California Office of Environmental Health Hazard Assessment and Kallander's portion of any penalty to Kallander.

3.2 Attorneys' Fees and Costs

The Parties acknowledge that Kallander and her counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed, thereby leaving the issue to be resolved after the material terms of the agreement had been settled. Shortly after the other settlement terms had been reached, DSL expressed a desire to resolve the attorneys' fees and costs. The Parties reached an accord on the compensation due to Kallander's counsel under general contract principles and the private attorney

general doctrine codified at Code of Civil Procedure section 1021.5 for all work performed in this matter. Under these legal principles, DSL agrees to pay, no later than the Effective Date, \$16,800 to Voorhees & Bailey, LLP, for all fees and costs incurred investigating, bringing this matter to the attention of DSL's management, and negotiating a settlement.

3.3 Method of Payment

DSL shall pay the civil penalty and the attorney's fees directly to Voorhees & Bailey, LLP who will distribute the money as indicated above. Payment may be made by wire transfer. Voorhees & Bailey, LLP will provide information as to how to wire to its IOLTA account.

4. CLAIMS COVERED AND RELEASED

4.1 Kallander's Release of Proposition 65 Claims

This Settlement Agreement is a full, final and binding resolution between Kallander acting on her own behalf, and *not* on behalf of the public, releases (a) DSL, its owners, parents, subsidiaries, affiliated entities under common ownership, employees, shareholders, members, directors, officers, agents employees, attorneys, predecessors, successors and assigns (collectively the "Releasees") and (b) each entity to whom Releasees directly or indirectly provide, distribute or sell Products, including, but not limited, to downstream distributors, wholesalers, customers, retailers including, but not limited to Wal-Mart Stores, Inc., franchisees, cooperative members, importers, and licensees (collectively, "Downstream Releasees"), for any violations or claimed violations of Proposition 65 that has been, could have been, asserted against the Releasees and/or the Downstream Releasees relating to exposing persons to DEHP and the failure to warn about exposure to DEHP arising in connection with the Products manufactured, shipped, and/or otherwise distributed prior to the Effective Date, even if sold by Downstream Releasees after the Effective Date.

The Parties further understand and agree that this Section 4.1 release shall not extend upstream to any entities that manufactured the Products or any component parts thereof, or any distributors or suppliers who sold the Products or any component parts thereof to DSL or Releasees.

The Parties agree that compliance with the terms of this Settlement Agreement by the Releasees shall be deemed to be in compliance with Proposition 65 by Releasees and Downstream Releasees with respect to any exposures to DEHP in the Products manufactured, distributed, or sold by Releasees and Downstream Releasees.

4.2 Kallander's Individual Release of Claims

Kallander, in her individual capacity only and *not* in her representative capacity, provides a 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 Kallander of any nature, character, or kind, whether known or unknown, suspected or unsuspected, arising out of alleged or actual exposures to DEHP in the Products manufactured, imported, distributed, or sold by DSL and Releasees prior to the Effective Date and imported, distributed, or sold by the Downstream Releasees after the Effective Date. The Parties further understand and agree that this Section 4.2 release shall not extend upstream to any entities that manufactured the Products, or any component parts thereof, or any distributors or suppliers who sold the Products, or any component parts thereof to DSL.

Kallander acknowledges that she 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.

Kallander, in her individual capacity only and *not* in her representative capacity, expressly waives and relinquishes any and all rights and benefits which she may have under, or which may be conferred on her by the provisions of California Civil Code section 1542 as well as any other state or federal statute or common law principle of similar effect, to the fullest extent that she may lawfully waive such rights or benefits pertaining to the released matters.

4.3 DSL's Release of Kallander

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

5. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement 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 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 DSL may provide written notice to Kallander of any asserted change in the law and shall have no further injunctive obligations pursuant to this Settlement Agreement with respect to, and to the extent that, the Products are so affected.

7. 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 DSL:

Lawrence Letham
Letham Law Firm PLLC
3916 N Potsdam Ave #1193
Sioux Falls, SD 57104

For Kallander:

Voorhees & Bailey, LLP
Proposition 65 Coordinator
535 Ramona Street; Suite 5
Palo Alto, CA 94301

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.

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 & SAFETY CODE § 25249.7(f)

Kallander and her attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code section 25249.7(f).

10. MODIFICATION

Except as otherwise provided herein, this Settlement Agreement may be modified only by written agreement of the Parties.

11. ENTIRE AGREEMENT

This Settlement Agreement contains the sole and entire agreement of the Parties and any and all prior negotiations and understandings related hereto shall be deemed to have been merged within it. No representations or terms of agreement other than those contained herein exist or have been made by any Party with respect to the other Party or the subject matter hereof.

12. AUTHORIZATION

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

AGREED TO:

Date: Dec 6, 2022

By: 
AUDREY KALLANDER

AGREED TO:

Date: Dec 5, 2022


For and on behalf of
DSL HOLDING LIMITED
By: 
Authorized Signature(s)
DSL HOLDING LTD.