

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 Verb Products Inc. (“Verb”), on the other hand, with EHA and Verb 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. EHA alleges that Verb 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 Verb manufactures, sells, and/or distributes for sale in California hair products that contain diethanolamine (“DEA”) and that it does so without first providing the health hazard warning required by Proposition 65. DEA is listed pursuant to Proposition 65 as a chemical known to cause cancer and developmental/reproductive harm. Verb denies these allegations.

1.3 Product Description

The products covered by this Settlement Agreement are defined as, and expressly limited to Verb Forming Fiber (“Covered Products”), that are manufactured, sold and/or distributed for sale in California by Verb.

1.4 Notices of Violation

On or around May 31, 2024, EHA served Verb, Ulta Beauty, Inc., the California Attorney General, and certain other public enforcement agencies with a 60-Day Notice of Violation of Proposition 65 (“May 31 Notice”). The May 31 Notice alleged that Verb and Ulta Beauty, Inc. had violated Proposition 65 by failing to sufficiently warn consumers in California of the health hazards associated with exposures to DEA contained in Covered Products. The Notice was subsequently amended on August 29, 2024 to remove Ulta Beauty, Inc. and add Ulta Salon, Cosmetics & Fragrance, Inc. (“August 29 Notice”).

The May 31 Notice and August 29 Notice are collectively referred to herein as the “Notices”.

To the best of the parties’ knowledge, no public enforcer has commenced or is otherwise prosecuting an action to enforce the violations alleged in the Notices.

1.5 No Admission

Verb denies the material, factual, and legal allegations in the Notices and maintains that all of the products it sold and/or distributed for sale in California, including Covered Products, have been, and are, in compliance with all laws as confirmed by independent accredited laboratory testing. Nothing in this Settlement Agreement shall be construed as an admission by Verb 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 Verb of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Verb. This Section shall not, however, diminish or otherwise affect Verb’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 the date this Settlement Agreement is executed by the Parties.

2. INJUNCTIVE RELIEF

2.1 Reformulation Standard

Beginning ninety (90) days after the Effective Date (“Compliance Date”), Verb shall be permanently enjoined from manufacturing, distributing, or directly selling in the State of California any Covered Product that is not a “Reformulated Product”. “Reformulated Product” shall mean a Covered Product with DEA content that is below the Reporting Limit (defined herein) when analyzed pursuant to liquid chromatography/tandem mass spectrometry (LC/MS/MS), inductively coupled mass-spectroscopy (ICP-MS), gas chromatography-flame ionization detection (GC-FID) or a method of analysis utilized by the International Organization for Standardization (ISO) for qualitative and quantitative screening of cosmetics and cosmetic raw materials (“Reformulation Standard”). The “Reporting Limit” is the higher of: (a) 10 mg/kg or (b) the lowest concentration at


which DEA can be detected in a sample of a Covered Product by an accredited testing laboratory selected by Verb employing LC/MS/MS, ICP-MS, GC-FID or a method of analysis utilized by the ISO for qualitative and quantitative screening of cosmetics and cosmetic raw materials.

In the event the Office of Environmental Health Hazard Assessment at any time adopts a safe harbor level for DEA that is different than the Reformulation Standard, Verb shall be permitted to use the safe harbor level without further notice to EHA. Moreover, should EHA reach a settlement with another manufacturer, distributor or reseller alleging a violation of Proposition 65 with respect to DEA, Verb may comply with the reformulation standard in that settlement and will be deemed in compliance with Proposition 65.


2.2 General Warning Requirements

Commencing on the Compliance Date, Verb agrees any Covered Product sold or distributed for sale in California, shall contain a Proposition 65 warning unless it meets the Reformulation Standard of Section 2.1. Verb 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* Covered Products 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 Covered Products shall consist of a warning affixed to the packaging, label, tag, directly to each Covered Products sold in California by Verb, or on a placard, shelf tag, sign or electronic device or automatic process that contains one of the following statements:

- 1)  **WARNING:** This product can expose you to [chemicals including] diethanolamine (“DEA”), which is known to the State of California to cause cancer. For more information go to www.P65Warnings.ca.gov.

OR

- 2)  **WARNING:** Cancer- www.P65Warnings.ca.gov

The triangle above shall be yellow on the warning statement. This warning statement shall be prominently displayed on the Covered Products, 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 Warning Option 2 above is utilized and 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. If Warning Option 2 above is utilized, in no case shall a warning statement displayed on the Covered Products' packaging appear in a type size smaller than 6-point type. If the Covered Products' packaging contains consumer information in a foreign language, a warning statement in that language is required. The same warning shall be posted on any e-commerce websites under the exclusive control of Verb where Covered Products are sold into California. Verb shall instruct any third-party website to which it directly sells its Covered Products to include the same warning where Covered Products are sold into California; however, Verb does not assume any duty to monitor any third-party websites for compliance. Such warning shall constitute compliance with Proposition 65 with respect to the Listed Chemical in the Covered Products for any Covered Products in existing inventory that had not been reformulated and were distributed and/or sold by Verb or any of the Releasees after the Effective Date. There shall be no obligation for Verb to provide a warning for Covered Products that entered the stream of commerce prior to the Compliance Date, and the Section 4 release applies to all such Covered Products.

(i) Changes in Warning Regulations or Statutes

In the event that the Office of Environmental Health Hazard Assessment promulgates one or more regulations requiring or permitting Proposition 65 warning text and/or methods of transmission applicable to the Covered Products and the chemical at issue, which are different than those set forth above, Verb 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 or legislation are enacted providing that Proposition 65 warnings as to DEA in this product or

generally are no longer required, a lack of warning by Verb will not thereafter be a breach of this Agreement.

2.3 Grace Period for Existing Inventory of Covered Products

The injunctive requirements of Section 2 shall not apply to Covered Products that are already in the stream of commerce as of the Compliance Date, which Covered Products are expressly subject to the releases provided in Section 4.1. For the avoidance of doubt, Covered Products in the stream of commerce specifically include, but are not limited to, Covered Products that have already been manufactured or are in the process of being manufactured.

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, Verb agrees to pay \$2,500 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 shall issue two separate payments for the civil penalty payment to (a) “OEHHA” and (b) Environmental Health Advocates, Inc. as follows:

- One payment of \$1,875.00 to OEHHA, due ten (10) days after the Effective Date.
- One payment of \$625.00 to EHA, due ten (10) days after the Effective Date.

All payments owed to OEHHA (EIN: 68-0284486), pursuant to this Section shall be delivered directly to OEHHA (Reference: "P-65") by wire as follows:

Bank of America
2000 Clayton Road, Bldg. D, 5th FL
Concord, CA 94520

Account # 01482-80005
ABA # 026009593

For Further Credit to (Beneficiary): OEHHA (3980)
Reference: P-65

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All penalty payments owed to EHA shall be sent to:

Beneficiary Name: Environmental Health Advocates, Inc.
Beneficiary Account Address: 225 Broadway Suite 1900 San Diego, CA 92101
Bank Name: Citibank
Bank Address: 100 Citibank Drive San Antonio, TX 78245

International Wires:
SWIFT Code: CITIUS33

Account and routing number as provided by EHA.

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, Verb agrees to pay Twenty Thousand Dollars (\$20,000.00) to EHA and its counsel for all fees and costs incurred in investigating, bringing this matter the attention of Verb, and negotiating a settlement. The Attorney's Fees and Costs shall be payable to Entorno Law, LLP and due ten (10) days after the Effective Date.

All payments required under this Section shall be delivered to:

Beneficiary Name: Entorno Law LLP
Beneficiary Account Address: 225 Broadway, Suite 1900, San Diego, CA 92101
Bank Name: Wells Fargo, N.A.
Bank Address: 420 Montgomery St., San Francisco, CA 94104.

For International Transfers
Swift Code: WFBIUS6S

Account and routing number as provided by Entorno Law.

3.3 Tax Documentation

Verb 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 Verb cannot issue any settlement payments pursuant to Section 3.1 and 3.2 above until after Verb receives the requisite W-9 forms from EHA's counsel.

4. CLAIMS COVERED AND RELEASED

4.1 EHA's Release of Verb

This Settlement Agreement is a full, final, and binding resolution of all claims between EHA, on its own behalf and not on behalf of the public, and Verb for all claims that can 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 Verb and each of its respective parents, subsidiaries, affiliated entities under common ownership, directors, officers, members, employees, attorneys, and any entity, including, but not limited to each entity to whom Verb directly or indirectly distributes or sells the Covered Products, including, but not limited to, Verb and Ulta Salon, Cosmetics & Fragrance, Inc., and each of their downstream distributors, wholesalers, resellers, customers, retailers, franchisees, cooperative members and licensees ("Releasees"), based on the failure to warn about exposures to DEA required under Proposition 65 in the Covered Products manufactured, sold or distributed for sale in California by Verb before the Compliance Date, as alleged in the Notices, or for any other reason.

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 Verb 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 any Proposition 65-listed chemicals required under Proposition 65 in the Covered Products manufactured, distributed, sold or offered for sale by Verb, before the Compliance Date.

4.2 Verb's Release of EHA

Verb, 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 Covered 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 relating to the Covered Products will develop or be discovered. EHA on behalf of itself only, on one hand, and Verb 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.

EHA and Verb each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

5. DEEMED COMPLIANCE WITH PROPOSITION 65

The Parties agree that compliance by Verb with this Settlement Agreement constitutes compliance with Proposition 65 with regard to exposure to DEA from the Covered Products.

6. PUBLIC BENEFIT

It is Verb's understanding that the commitments it has agreed to herein, and actions to be taken by Verb under this Settlement Agreement confer a significant benefit to the general public, as set forth in Code of Civil Procedure § 1021.5 and Cal. Admin. Code tit. 11, § 3201. As such, it is the intent of Verb that to the extent any other private party serves a notice and/or initiates an action alleging a violation of Proposition 65 with respect to Verb's or Releasee's alleged failure to provide a warning concerning actual or alleged exposure to DEA prior to use of the Covered Products it has manufactured, distributed, sold, or offered for sale in California, or will manufacture, distribute, sell, or offer for sale in California, such private party action would not confer a significant benefit

on the general public as to those Covered Products addressed in this Settlement Agreement, provided that Verb is in material compliance with this Settlement Agreement.

7. 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.

8. 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.

9. 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. In the event that EHA contends that Verb is in breach of the injunctive terms of this Agreement, it shall provide thirty (30) days' written notice to Verb. EHA shall take no further action regarding any alleged violation if, within sixty (60) days of receipt of this notice, Verb affirms in writing (a) that the Covered Product was subject to the grace period of Section 2.3; (b) that Verb provided an appropriate warning in connection with the Covered Product distributed or sold in California in compliance with Section 2.2; or (c) that the Covered Product meets the Reformulation Standard pursuant to Section 2.1 as supported by a test report from an independent third party laboratory.

10. 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 Verb:

Kim Sandell
Thompson Hine LLP
3130 Wilshire Blvd, Suite 500
Santa Monica, CA 90403
Kim.Sandell@thompsonhine.com

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.

11. 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.

12. 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).

13. MODIFICATION

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

14. 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: 10/22/24

Date: 10/23/2024

By: 

By: 

ENVIRONMENTAL HEALTH
ADVOCATES, INC.

VERB PRODUCTS INC.