

## SETTLEMENT AGREEMENT

### 1. INTRODUCTION

**1.1 The Parties.** This Settlement Agreement is entered into by and between Gabriel Espinoza (“Espinoza”) and Grocery Outlet Inc. (“Grocery Outlet”). Together, Espinoza and Grocery Outlet are collectively referred to as the “Parties.” Espinoza is an individual who resides in the State of California, and seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances contained in consumer products. Espinoza alleges that Grocery Outlet is a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Health & Safety Code § 25249.6, et seq. (“Proposition 65”).

**1.2 General Allegations.** Espinoza alleges that Grocery Outlet has exposed individuals to cadmium from its sales of Sun Q sardines in tomato sauce, UPC # 850048917903 without first providing users and consumers of the product with a clear and reasonable health hazard exposure warning as required pursuant to Proposition 65. Cadmium is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects or other reproductive harm.

**1.3 Product Description.** The products covered by this Settlement Agreement are Sun Q sardines in tomato sauce, UPC # 850048917903 (the “Products”) that have been imported, distributed, offered for sale and/or sold in California by Grocery Outlet.

**1.4 Notice of Violation.** On September 12, 2024, Espinoza served Grocery Outlet and various public enforcement agencies with a document entitled “Notice of Violation of California Health & Safety Code § 25249.6, et seq.” (the “Notice”). The Notice provided Grocery Outlet and such others, including public enforcers, with notice that alleged that Grocery Outlet was in violation of California Health & Safety Code § 25249.6, for failing to warn California consumers and customers that use of the Products will expose them to cadmium. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

**1.5 No Admission.** Grocery Outlet denies the material factual and legal allegations contained in the Notice and maintains that, to the best of its knowledge, all products that are or have

been 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 Grocery Outlet of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Grocery Outlet of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Grocery Outlet. However, this § 1.5 shall not diminish or otherwise affect the obligations, responsibilities and duties under this Settlement Agreement. Notwithstanding the allegations in the Notice, Grocery Outlet maintains that it has not knowingly manufactured, or caused to be manufactured, the Products for sale in California in violation of Proposition 65.

**1.6 Effective Date.** For purposes of this Settlement Agreement, the term “Effective Date” shall mean the date this Agreement is last executed by the Parties.

## **2. INJUNCTIVE RELIEF: REFORMULATION AND/OR WARNINGS**

**2.1 Reformulation of Products.** Commencing within sixty (60) days after the Effective Date, and continuing thereafter, subject to Section 2.5 below, Products that Grocery Outlet directly manufactures, imports, distributes, sells, or offers for sale in California shall either be: (a) reformulated Products pursuant to § 2.2, below; or (b) labeled with a clear and reasonable exposure warning pursuant to §§ 2.3 - 2.4, below. For purposes of this Settlement Agreement, a “Reformulated Product” is a Product that is in compliance with the standard set forth in § 2.2, below. The warning requirement set forth in §§ 2.3 - 2.4 shall not apply to any Reformulated Product.

**2.2 Reformulation Standard.** “Reformulated Products” shall mean Products that expose a person to an exposure level of less than 4.1 micrograms of cadmium per serving size when analyzed pursuant to AOAC Official Method 2015.01. For the purpose of this Consent Judgment, the amount of cadmium a person is exposed to from a Product shall be calculated using the following formula: micrograms of cadmium per gram of Product, multiplied by grams of Product per serving size of the Product (using the largest serving size appearing on the Product label), multiplied by servings of the Product per day (using the largest number of servings in a recommended dosage appearing on the

label), which equates to micrograms of cadmium exposure per day. If the Product label contains no recommended daily servings, then the number of recommended daily servings shall be one (1).

**2.3 Clear and Reasonable Warning.** Commencing as of sixty (60) days after the Effective Date, and continuing thereafter, a clear and reasonable exposure warning as set forth in this §§ 2.1 and 2.2 must be provided for all Products that Grocery Outlet manufacturers, imports, distributes, sells, or offers for sale in California. The warning shall consist of either the **Warning** or **Alternative Warning** described in §§ 2.1(a) or (b), respectively:

(a) **Warning.** The “Warning” shall consist of the statement:

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

(b) **Alternative Warning:** Grocery Outlet may, but is not required to, use the alternative short-form warning as set forth in this § 2.1(b) (“**Alternative Warning**”) as follows:

**CA WARNING:** Risk of reproductive harm from exposure to cadmium. See [www.P65Warnings.ca.gov/food](http://www.P65Warnings.ca.gov/food).

**2.4 A Warning or Alternative Warning** provided pursuant to § 2.1 must print the word “**WARNING:**” in all capital letters and in bold font, followed by a colon. The **Warning** or **Alternative Warning** shall be affixed to or printed on the Products’ packaging or labeling, or on a placard, shelf tag, sign or electronic device or automatic process only if such electronic device or automatic process provides the **Warning** or **Alternative Warning** without the purchaser having to seek it out, provided that the **Warning** or **Alternative Warning** 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 under customary conditions of purchase or use. The **Warning** or **Alternative 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 Product and shall be at least the same size as those other safety warnings. Where the **Warning** or **Alternative Warning** is provided on the food product label, it must be set off from other surrounding information, and Grocery Outlet shall enclose the **Warning** or **Alternative Warning** in a black box and comply

with the content requirements specified in Section 25607.2. If “consumer information,” as that term is defined in Title 27, California Code of Regulations, Section 25600.1(c) as it may be amended from time to time, is provided in a foreign language, Grocery Outlet shall provide the **Warning** or **Alternative Warning** in the foreign language in accordance with applicable warning regulations adopted by the State of California’s Office of Environmental Health Hazard Assessment (“OEHHA”).

In addition to affixing the **Warning** or **Alternative Warning** to the Product’s packaging or labeling, the **Warning** or **Alternative Warning** shall be posted on websites where Grocery Outlet offers Products for sale to consumers in California. The requirements of this Section shall be satisfied if the **Warning** or **Alternative Warning**, or a clearly marked hyperlink using the word “**WARNING**,” appears on the product display page, or by otherwise prominently displaying the warning to the purchaser prior to completing the purchase. To comply with this Section, Grocery Outlet shall (a) post the **Warning** or **Alternative Warning** on its own website and, if it has the ability to do so, on the websites of its third-party internet sellers; and (b) if it does not have the ability to post the **Warning** or **Alternative Warning** on the websites of its third-party internet sellers, provide such sellers with written notice in accordance with Title 27, California Code of Regulations, Section 25600.2. Third-party internet sellers of the Product that have been provided with written notice in accordance with Title 27, California Code of Regulations, Section 25600.2 are not released in Section 5 of this Agreement if they fail to meet the warning requirements of this Section.

## **2.5 No Obligation for Products in the Stream of Commerce**

Notwithstanding any other provision in this Agreement, the warning and reformulation requirements set forth in this Section 2 or otherwise in this Agreement shall not apply to any Products that entered the stream of commerce prior to a date that is 60 days after the Effective Date.

**2.6 Compliance with Warning Regulations.** The Parties agree that Grocery Outlet shall be deemed to be in compliance with this Settlement Agreement by either adhering to § 2 of this Settlement Agreement or by complying with warning regulations adopted by the State of California’s OEHHA applicable to the Product and the exposure at issue.

**3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE § 25249.7(b)**

**3.1 Total Settlement Payment.** In full satisfaction of all potential civil penalties, attorneys' fees, and costs, Grocery Outlet shall make a total settlement payment of Twenty-Nine Thousand Dollars (\$29,000.00) ("Total Settlement Amount"). The Total Settlement Amount shall be apportioned into a Civil Penalty and Attorney's Fees and Costs as set forth in Sections 3.2 and 3.3 below. Payment of the Total Settlement Amount shall be made within thirty (30) business days after the Effective Date, and shall be sent to:

Evan J. Smith, Esquire  
Brodsky Smith  
Two Bala Plaza, Suite 805  
Bala Cynwyd, PA 19004

**3.2 Civil Penalty Payment.** Pursuant to Health and Safety Code § 25249.7(b)(2), and in settlement of all claims alleged in the Notice or referred to in this Settlement Agreement, Grocery Outlet agrees that Two-Thousand Dollars (\$2,000.00) of the Total Settlement Payment shall be allocated as 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 Espinoza. Within ten (10) days after receiving the Total Settlement Payment from Grocery Outlet pursuant to Section 3.1 above, Espinoza's counsel shall issue a check to OEHHA in the amount of One-Thousand and Five-Hundred Dollars (\$1,500) and shall pay to Espinoza the amount of Five-Hundred Dollars (\$500.00).

**3.3 Reimbursement of Fees and Costs.** The Parties acknowledge that Espinoza and his counsel offered to reach preliminary agreement on the material terms of this dispute before reaching terms on the amount of fees and costs to be reimbursed to them. The Parties thereafter reached an accord on the compensation due to Espinoza and his counsel under general contract principles and the private attorney general doctrine and principles codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. Under these legal principles, Grocery Outlet shall reimburse Espinoza's counsel in the amount of Twenty-Seven

Thousand dollars (\$27,000) for fees and costs incurred as a result of investigating and bringing this matter to the attention of Grocery Outlet, and negotiating a settlement in the public interest.

**3.4 Tax Documentation.** Grocery Outlet agrees to provide a completed IRS 1099 for its payment to Espinoza, and Espinoza agrees to provide IRS W-9 forms for Brodsky Smith” (EIN: 23-2971061) at the address provided in Section 3.1.

#### **4. RELEASE OF ALL CLAIMS**

**4.1 Release of Grocery Outlet and Downstream Customers and Entities.** This Settlement Agreement is a full, final and binding resolution between Espinoza, acting on his own behalf, and Grocery Outlet, of any violation of Proposition 65 that was or could have been asserted by Espinoza or on behalf of his past and current agents, representatives, attorneys, successors, and/or assigns (“Releasors”) for failure to provide warnings for alleged exposures to cadmium from use of the Products, and Releasors hereby release any such claims against Grocery Outlet and its parents, subsidiaries, affiliated entities, shareholders, marketplaces, directors, officers, agents, employees, attorneys, successors and assignees, and each entity to whom Grocery Outlet directly or indirectly distributes or sells the Products, including but not limited to, downstream distributors, wholesalers, customers, retailers, including but not limited to Grocery Outlet, its respective subsidiaries, affiliates and parents, franchisees, Independent Operators, cooperative members and licensees (collectively, the “Releasees”), from all claims for violations of Proposition 65 before the Effective Date or within 60 days after the Effective Date based on exposure to cadmium from use of the Products.

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to § 3 above, Espinoza, on behalf of himself, his past and current agents, representatives, attorneys, successors and/or assignees, hereby covenants not to sue and waives any right to institute, participate in, directly or indirectly, any form of legal action and releases all claims that he may have, including without limitation, all actions and causes of action in law and in equity, all obligations, expenses (including without limitation all attorneys’ fees, expert fees, and investigation fees, and costs), damages, losses, liabilities and demands against any of the Releasees of

any nature, character, or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of the alleged or actual exposure to cadmium from use of the Products.

**4.2 Grocery Outlet's Release of Espinoza.** Grocery Outlet, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against Espinoza, his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Espinoza and/or his attorneys and other representatives, whether in the course of investigating claims or otherwise seeking to enforce Proposition 65 against it in this matter or with respect to exposure to cadmium from the Products.

**4.3 California Civil Code § 1542.** It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Products will develop or be discovered. Espinoza on behalf of himself only, on one hand, and Grocery Outlet, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims up through 60 days after the Effective Date, including all rights of action therefor. The Parties acknowledge that the claims released in §§ 4.1 and 4.2, above, may include unknown claims, and nevertheless waive California Civil Code § 1542 as to any such unknown claims. California Civil Code § 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 HER OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HER OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Espinoza and Grocery Outlet each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

**4.4 Deemed Compliance with Proposition 65.** The Parties agree that compliance by Grocery Outlet with this Settlement Agreement constitutes compliance with Proposition 65 with respect to exposure to cadmium from use of the Products.

**4.5 Public Benefit.** It is Grocery Outlet's understanding that the commitments it has agreed to herein, and actions to be taken by Grocery Outlet under this Settlement Agreement, would 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 Grocery Outlet that to the extent any other private party initiates an action alleging a violation of Proposition 65 with respect to Grocery Outlet's failure to provide a warning concerning exposure to cadmium prior to use of the 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 Products addressed in this Settlement Agreement, provided that Grocery Outlet is in material compliance with this Settlement Agreement.

**5. SEVERABILITY**

If, subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are deemed by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected but only to the extent the deletion of the provision deemed unenforceable does not materially affect, or otherwise result in the effect of the Settlement Agreement being contrary to the intent of the Parties in entering into this Settlement Agreement.

**6. GOVERNING LAW**

The terms of this Settlement Agreement shall be governed by the law of the State of California and apply within the State of California.

**7. NOTICES**

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class (registered or certified mail) return receipt requested; or (ii) overnight or two-day courier on any party by the other party to the following addresses:

For Grocery Outlet:

Joshua Bloom  
Bay Law Group LLP  
P.O. Box 8554  
Berkeley, CA 94707

For Espinoza:

Evan J. Smith  
Brodsky Smith



Two Bala Plaza, Suite 805  
Bala Cynwyd, PA 19004

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

**8. COUNTERPARTS: SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile or .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)**

Espinoza agrees to comply with the reporting requirements referenced in Health & Safety Code § 25249.7(f).

**10. MODIFICATION**

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

**11. ENTIRE AGREEMENT**

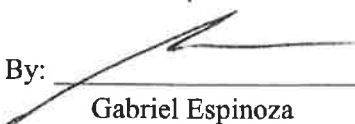
This Settlement Agreement contains the sole and entire agreement of the Parties and any and all prior negotiations and understandings related hereto shall be deemed to have been merged within it. No representations or terms of agreement other than those contained herein exist or have been made by any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

**12. AUTHORIZATION**

The undersigned are authorized to execute this Settlement Agreement and have read, understood and agree to all of the terms and conditions contained of this Settlement Agreement.


**AGREED TO:**

Date: 4 / 4 / 25

By:   
Gabriel Espinoza

**AGREED TO:**

Date: 4/1/2025 | 13:45:55 PDT

By:   
338F79C6FF0C43B  
Grocery Outlet Inc.