

SETTLEMENT AND RELEASE AGREEMENT

1. **INTRODUCTION**

1.1. **Ecological Alliance, LLC and Carter's Retail, Inc.**

This Settlement Agreement is entered into by and between Ecological Alliance, LLC ("Alliance"), on the one hand, and Carter's Retail, Inc. ("Carter's"), on the other hand, with Alliance and Carter's collectively referred to as the "Parties."

1.2. **General Allegations**

Alliance alleges that Carter's manufactured and/or distributed and/or offered for sale in the State of California Skip Hop diaper backpacks, that allegedly contain Perfluorooctanoic Acid ["PFOA"] and that such sales have not included warnings pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code sections 25249.6 *et seq.* ("Proposition 65"). California has identified and listed PFOA under Proposition 65 as a chemical known to the State of California to cause cancer, birth defects or other reproductive harm.

1.3. **Product Description**

The Products that are covered by this Settlement Agreement are defined as Skip Hop diaper backpacks that Carter's, its subsidiaries, affiliates, related companies, or distributors have sold, offered for sale or distributed in California (the "Product").

1.4. **Notice of Violation**

On November 11, 2024, Alliance served Carter's, Target Corporation, and the requisite public enforcement agencies eligible to initiate Proposition 65 actions on behalf of the People of the State of California with documents entitled "60-Day Notice of Violation" ("Notice") that provided Carter's and such public enforcers with notice that Carter's was allegedly in violation

of California Health & Safety Code section 25249.6 for failing to warn consumers and customers that the Product exposed users in California to PFOA. To the best of the Parties' knowledge, no public enforcer has commenced or is diligently prosecuting the allegations set forth in the Notice.

1.5. No Admission

The Parties enter into this Settlement Agreement to settle disputed claims between them as set forth herein and in the Notice concerning Carter's compliance with Proposition 65. Specifically, Carter's denies the material factual and legal allegations contained in Alliance's Notice and maintains that all products that it has manufactured for sale and distribution in California, including the Products, have been and are in compliance with Proposition 65 or any other statutory, regulatory, common law or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by Carter's 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 Carter's of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Carter's. However, nothing in this section shall diminish or otherwise affect the obligations, responsibilities, and duties of Carter's 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 fully executed.

2. INJUNCTIVE RELIEF: REFORMULATION OR WARNINGS


2.1. Reformulation or Warnings


Within 30 days of the Effective Date, Carter's shall not manufacture or cause to be manufactured any Product that will be sold or offered for sale to California consumers that contains (1) any intentionally added PFOA, or (2) any intentionally added fluorinated ingredient that causes PFOA to be in a Product, including but not limited to C9-15 fluoroalcohol phosphate, unless the Product has a Proposition 65 warning. Carter's shall not be obligated to provide a warning for Products that were manufactured prior to 30 days after the Effective Date or that were already in the stream of commerce as of 30 days after the Effective Date.

2.2. Warning Language

If a warning is required for any Products pursuant to Section 2.1, Carter's shall provide Proposition 65 warnings as follows:

- (a) Carter's may use any of the following warning statements in full compliance with this Section:

(1)  **WARNING:** This product can expose you to chemicals including Perfluorooctanoic Acid [PFOA], which is known to the State of California to cause cancer and birth defects or other reproductive harm. For more info go to www.P65Warnings.ca.gov.

(2)  **WARNING:** Risk of Cancer and Reproductive Harm from exposure to Perfluorooctanoic Acid [PFOA], See www.P65Warnings.ca.gov.

(b) Where the sign, label or shelf tag for the product 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".

(c) The requirements for warnings, set forth in subsection (a) above are imposed pursuant to the terms of this Settlement Agreement. The Parties recognize that these are not the exclusive methods of providing a warning under Proposition 65 and its implementing regulations.

(d) Foreign Languages. Additionally, 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 language other than English, the warning will be provided in that language in addition to English.

(e) Online Sales. If Carter's sells Products via an internet website it controls to customers located in California, the warning requirements of this section shall be satisfied if the foregoing warning appears either: (a) on the same web page on which a Product is displayed and/or described; (b) on the same page as the price for the Products; (c) on one or more web pages displayed to a California purchaser prior to purchase during the checkout process; or (d) via a hyperlink taking the customer to a separate page containing the warning language, provided that the hyperlink appears on the same page as either the product description or product price are displayed, or appears prior to completion of the sale at checkout. Alternatively, a symbol consisting of a black exclamation point in a yellow or

white equilateral triangle may appear adjacent to or immediately following the display, description, price, or checkout listing of the Products, if the warning statement appears elsewhere on the same web page in a manner that clearly associates it with the product(s) to which the warning applies.

(f) If Proposition 65 warnings for PFOA should no longer be required, Carter's shall have no further obligations pursuant to this Settlement Agreement.

(g) If the Office of Environmental Health Hazard Assessment promulgates one or more regulations requiring or permitting warning text and/or methods of transmission different than those set forth above, Carter's shall be entitled to use, at their discretion, such other warning text and/or method of transmission without being deemed in breach of this Agreement.

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

In settlement of all the claims referred to in this Settlement Agreement, Carter's shall pay a total of \$750 in civil penalties in accordance with this Section. The penalty payment will be allocated in accordance with California Health & Safety Code section 25249.12(c)(1) & (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty remitted to Alliance. Alliance's counsel shall be solely responsible for distributing the civil penalty to OEHHA and Alliance as set forth in this Settlement Agreement and shall provide Carter's counsel with confirmation of such delivery at the time it is made pursuant to Paragraph 8 below.

4. REIMBURSEMENT OF FEES AND COSTS

The Parties reached an accord on the compensation due to Alliance and its counsel under the private attorney general doctrine and principles of contract law. Under these legal principles,

Carter's shall reimburse Alliance's counsel for fees and costs, incurred because of investigating and bringing this matter to Carter's attention. Carter's shall pay Alliance's counsel \$14,000 for all attorneys' fees, expert and investigation fees, and related costs associated with this matter and the Notice.

5. PAYMENT INFORMATION

Within thirty (30) days of the Effective Date or receipt of W9 form, whichever is later, Carter's shall make a total payment of Fourteen Thousand Seven Hundred Fifty Dollars (\$14,750) for the civil penalties and attorney's fees / costs by wire transfer or check to Plaintiff's counsel Custodio & Dubey LLP:

Bank: Bank of America, N.A.

Routing No.: 026009593

Account No.: 325149324377

Beneficiary: Custodio & Dubey LLP

If paying by check made out to "Custodio & Dubey LLP, client trust account", mailed to:
Custodio & Dubey LLP, 445 S. Figueroa St., Suite 2520, Los Angeles, CA 90071.

Custodio & Dubey LLP shall be solely responsible for allocating the payments to each payee pursuant to Sections 3 and 4 of this Settlement Agreement. Other than this payment, each side is to bear its own attorneys' fees and costs.

6. RELEASE OF ALL CLAIMS

6.1. Release of Carter's, Downstream Customers and Upstream Vendors

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4 above, Alliance, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims relating to the Products, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses (including, but not limited to, investigation fees, expert fees and attorneys' fees) of any nature whatsoever, whether known or unknown, fixed or contingent (collectively "Claims"), against (a) Carter's, (b) each of Carter's downstream distributors, wholesalers, vendors, licensors, licensees, auctioneers, retailers, franchisees, dealers, shareholders, cooperative members, customers, owners, purchasers, users, including but not limited to Target Corporation, and each of their related entities, and (c) Carter's parent companies, corporate affiliates, subsidiaries, related entities as well as their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees").

Alliance also, in its capacity, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees and *not* in its representative capacity, provides a general 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 any nature, character or kind, known or

unknown, suspected or unsuspected, against Carter's and the Releasees. Alliance acknowledges that it is familiar with California Civil Code section 1542, which provides 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.

Alliance, in its capacity only, and on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on it by the provisions of California Civil Code section 1542 as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that it may lawfully waive such rights or benefits pertaining to the released matters.

6.2. Carter's Release of Alliance

Carter's waives any and all claims against Alliance, its attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Alliance and its attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against it in this matter, and/or with respect to the Products.

7. 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. If Proposition 65 is repealed or is otherwise rendered inapplicable by reason of law generally, or as to the Products, then Carter's shall have no further obligations pursuant to this Settlement Agreement.

8. 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; (ii.) email; or (iii) overnight courier on any party by the other party at the following addresses:

For Carter's:	Charlie Lyu Carter's Retail, Inc. 3438 Peachtree Road NE, Suite 1800 Atlanta, GA 30326 Charlie.Lyu@carters.com Lauren Shoor, Esq. Norton Rose Fulbright US LLP 555 South Flower Street, Forty-First Floor, Los Angeles, CA 90071 Lauren.shoor@nortonrosefulbright.com
For Alliance:	Vineet Dubey, Esq. Custodio & Dubey LLP 445 S. Figueroa St., Suite 2520 Los Angeles, CA 90071 dubey@cd-lawyers.com

Any 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.

9. COUNTERPARTS; FACSIMILE/E-SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile or e-signatures, 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 SECTION 25249.7(f)

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

11. ENTIRE AGREEMENT


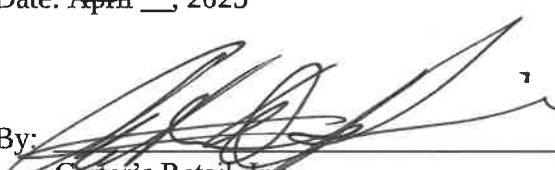
This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and all related prior discussions, negotiations, commitments and understandings. No other agreements, oral or otherwise, exist to bind either of the Parties.

12. MODIFICATION

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

13. 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.

<p style="text-align: center;">AGREED TO:</p> <p>Date: April <u>21</u>, 2025</p> <p>By:  On Behalf of Ecological Alliance, LLC</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: April <u>May 1</u>, 2025</p> <p>By:  Carter's Retail, Inc.</p>
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