

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 Lilian USA LLC ("Lilian"), on the other hand, with EHA and Lilian 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 Lilian 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 Lilian, through its franchisees, sells and/or distributes for sale in California, thermal receipt paper products that contain Bisphenol S (BPS) and that it does so without first providing the health hazard warning required by Proposition 65. BPS is listed pursuant to Proposition 65 as a chemical known to cause reproductive harm.

1.3 Product Description

The product covered by this Settlement Agreement is defined as, and expressly limited to thermal receipt paper ("Covered Product"), that is used, distributed, and/or provided to customers in California by Lilian.

1.4 Notice of Violation

On or around July 11, 2025, EHA served Lilian, the California Attorney General, and certain other public enforcement agencies with a 60-Day Notice of Violation of Proposition 65 ("Notice"). The Notice alleged that Lilian had violated Proposition 65 by failing to sufficiently warn consumers in California of the health hazards associated with exposures to BPS contained in Covered Product.

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 Notice.

1.5 No Admission

Lilian denies the material, factual, and legal allegations in the Notice and maintains that all of the products its franchisees sold and/or distributed for sale in California, including the Covered Product, have been, and are, in compliance with all laws. Further, Lilian denies that it had any control over the receipt paper purchased by any of its franchisees. Nothing in this Settlement Agreement shall be construed as an admission by Lilian 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 Lilian of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by Lilian. This Section shall not, however, diminish or otherwise affect Lilian'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 thirty (30) days after the Effective Date, with respect to its own direct operations, Defendant shall be permanently enjoined from purchasing for use, distributing, providing, or offering to provide thermal receipt paper in California that is not BPS Free. With respect to its franchisees, Lilian shall, within sixty (60) days of the Effective Date, notify in writing all its franchisees operating in California of the requirement to use BPS Free thermal paper as defined herein. "BPS Free" means thermal paper that contains less than 100 parts per million ("ppm") of BPS or Bisphenol A ("BPA") when tested for total content using a Liquid Chromatography Mass-Spectrometer, and does not contain either BPA or BPS as an intentionally added ingredient.

2.2 Grace Period for Existing Inventory of the Covered Product

The injunctive requirements of Section 2 shall not apply to Covered Product that is already in the stream of commerce as of the Effective Date, which Covered Product is expressly subject to the releases provided in Section 4.1. For the avoidance of doubt, Covered Product that is in the stream of commerce specifically includes, but is not limited to, Covered Product that was procured by Lilian's franchisees prior to its receipt of the Notice.

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 Notice or referred to in this Settlement Agreement, Lilian agrees to pay three thousand dollars (\$3,000.00) 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. Lilian shall issue two separate checks for the initial civil penalty payment to (a) "OEHHA" and (b) Environmental Health Advocates, Inc. as follows:

- One payment of \$2,250.00 to OEHHA, due fourteen (14) days after the Effective Date.
- One payment of \$750.00 to EHA, due fourteen (14) days after the Effective Date.

All payments owed to OEHHHA (EIN: 68-0284486), pursuant to this Section shall be delivered directly to OEHHHA (Memo Line "Prop 65 Penalties") at the following addresses:

For United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010 Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

All penalty payments owed to EHA shall be sent to:

Environmental Health Advocates
225 Broadway, Suite 1900
San Diego, CA 92101

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, Lilian agrees to pay twenty-seven thousand dollars (\$27,000.00) to EHA and its counsel for all fees and costs incurred in investigating, bringing this matter to the attention of Lilian, and negotiating a settlement. The twenty-seven thousand dollars (\$27,000.00) in Attorney's Fees and Costs shall be payable to Entorno Law, LLP as one payment of \$27,000.00 due fourteen (14) days after the Effective Date.

All payments required under this Section shall be payable to Entorno Law, LLP and delivered to:

Attn: Isaac Fayman
Entorno Law, LLP
225 Broadway, Suite 1900 San Diego, CA 92101

3.3 Tax Documentation

Lilian 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 Lilian cannot issue any settlement payments pursuant to Section 3.1 and 3.2 above until after Lilian receives the requisite W-9 forms from EHA's counsel. EHA agrees to ensure that its counsel provides such W-9 forms to Lilian within five (5) business days of the Effective Date. Notwithstanding the due dates in Sections 3.1 and 3.2, if Lilian has not received the required W-9 forms by the seventh (7th) day after the Effective Date, the due date for Lilian's payments shall be automatically extended to five (5) business days after its receipt of such W-9 forms, and Lilian shall not be deemed in breach of this Agreement for such delayed payment.

4. CLAIMS COVERED AND RELEASED

4.1 EHA's Release of Lilian

This Settlement Agreement is a full, final, and binding resolution of all claims between EHA, on its own behalf, and Lilian 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 Lilian 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 Lilian directly or indirectly distributes or sells the Covered Product, including, but not limited to, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members and licensees ("Releasees"), based on the failure to warn about exposures to BPS required under Proposition 65 in the Covered Product sold or distributed for sale in California by Lilian before the Effective Date, as alleged in the Notice. Lilian shall have no liability under this Agreement for the actions or omissions of its franchisees. Except for existing inventory of Covered Product as set forth in Section 2.2 herein, this release shall not extend to any franchisee that, within 30 days after receiving notice of the compliance requirement as set forth in Section 2.1 and in no event no later than 90 days after the Effective Date, fails to use BPS-Free paper as defined in section 2.1 herein.

In further consideration of the promises and agreements herein contained, EHA on its own behalf, 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 Lilian 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 BPS required under Proposition 65 in the Covered Product sold or distributed for sale in California before the Effective Date.

4.2 Lilian's Release of EHA

Lilian, 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 Product.

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 Notice and relating to the Covered Product will develop or be discovered. EHA on behalf of itself only, on one hand, and Lilian 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 Lilian each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code § 1542.

5. PUBLIC BENEFIT

It is Lilian's understanding that the commitments it has agreed to herein, and actions to be taken by Lilian 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 Lilian 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 Lilian's alleged failure to provide a warning concerning actual or alleged exposure to BPS prior to use of the Covered Product 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 the Covered Product addressed in this Settlement Agreement, provided that Lilian is in material compliance with this Settlement Agreement. In the event that any other private party initiates such an action against Lilian based on the same factual allegations set forth in the Notice, EHA agrees to reasonably cooperate with Lilian in seeking a dismissal of such action.

6. 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.

7. GOVERNING LAW AND JURISDICTION

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

The Parties agree that any action or proceeding arising out of or relating to this Settlement Agreement shall be exclusively filed in and adjudicated by the state courts of San Diego County, California, or the United States District Court for the Southern District of California. Each Party hereby consents to the personal and subject matter jurisdiction of such courts.

8. 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.

9. 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 Lilian:

Jeffrey Blank
Garcia Rainey Blank & Bowerbank LLP
4 Park Plaza, Suite 520 Irvine, CA 92614
jblank@garciarainey.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.

10. 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.

11. COMPLIANCE WITH HEALTH & SAFETY CODE § 25249.7(f)

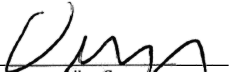
EHA and its attorneys agree to comply with the reporting form requirements referenced in California Health and Safety Code § 25249.7(f).

12. MODIFICATION

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

AGREED TO: Date: <u>10/31/25</u> By: <u></u> ENVIRONMENTAL HEALTH ADVOCATES, INC.	AGREED TO: Date: <u>10-30-25</u> By: <u></u> LILIAN USA LLC
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