

1 Laurence M. Rosen, Esq., Cal. Bar No. 219683  
2 Yu Shi, Esq. (*Pro Hac Vice*)  
3 THE ROSEN LAW FIRM, P.A.  
4 355 South Grand Avenue, Suite 2450  
5 Los Angeles, CA 90071  
6 Telephone: (213) 785-2610  
7 Facsimile: (213) 226-4684  
8 Email: [lrosen@rosenlegal.com](mailto:lrosen@rosenlegal.com)

9 *Counsel for Lead Plaintiff*

10 John R. Armstrong, Cal. Bar No. 183912  
11 **Horwitz + Armstrong** <sup>LLP</sup>  
12 26475 Rancho Parkway South  
13 Lake Forest, CA 92630  
14 Telephone: (949) 540-6540  
15 Facsimile: (949) 540-6583  
16 Email: [jarmstrong@horwitzarmstrong.com](mailto:jarmstrong@horwitzarmstrong.com)

17 *Counsel for Defendants*

18 UNITED STATES DISTRICT COURT  
19 CENTRAL DISTRICT OF CALIFORNIA

20 RANDY ROMERO; ET AL.,

21 Plaintiff,

22 v.

23 GROWLIFE, INC.; ET AL,

24 Defendants.

25 Master File No.  
26 CV14-3015-CAS(JEMx)

27 CLASS ACTION

28 **STIPULATION AND  
AGREEMENT OF  
SETTLEMENT**

29 AND RELATED CASES

30 This Document Relates To: All Actions

31 Stipulation and Agreement of Settlement  
32 CV14-3015-CAS(JEMx)



1           6. WHEREAS, in recognition of the attendant risks and costs of continued  
2 litigation and the benefits of resolving this Litigation, the parties to this Stipulation  
3 (the “Settling Parties”) desire to settle and resolve any and all actual or potential  
4 claims by, between, or among Plaintiffs, on the one hand, and Defendants, on the  
5 other hand, arising out of or relating to the subject matter of this Litigation;

6           7. WHEREAS, the Defendants deny any wrongdoing whatsoever, and this  
7 Stipulation shall in no event be construed as, or be deemed to be evidence of, an  
8 admission or concession on the part of the Defendants with respect to any actual or  
9 potential claim, liability, wrongdoing, or damage whatsoever, or any infirmity in  
10 the defenses that Defendants may have asserted. This Stipulation also shall not be  
11 construed as or be deemed to be a concession by the Plaintiffs of any infirmity in  
12 the claims asserted in this Litigation;

13           8. WHEREAS, the Settling Parties wish to settle and compromise any dispute  
14 regarding the Litigation or its subject matter, including but not limited to whether  
15 the Litigation was filed by Plaintiffs and defended by the Defendants in good faith  
16 and with adequate basis in fact under Rule 11 of the Federal Rules of Civil  
17 Procedure. The Settling Parties agree that the Litigation is being voluntarily settled  
18 after advice of counsel and that the terms of the Settlement are fair, adequate, and  
19 reasonable;

20           9. WHEREAS, Plaintiffs’ Counsel has conducted an investigation relating to  
21 the claims and the underlying events and transactions alleged in the Litigation.  
22 Plaintiffs’ Counsel has analyzed the facts and the applicable law with respect to the  
23 claims of the Plaintiffs against Defendants and the potential defenses thereto,  
24 which in the Plaintiffs’ judgment have provide an adequate and satisfactory basis  
25 for the evaluation of an agreement to settle, as described herein;

26           10. WHEREAS, based upon the investigation conducted by Plaintiffs’ Counsel,  
27 Plaintiffs’ Counsel has concluded that the terms and conditions of this Stipulation  
28 are fair, reasonable, and adequate to Plaintiffs, and in their best interests, and  
Plaintiff has agreed to settle the claims asserted in the Litigation pursuant to the  
terms and conditions of this Stipulation, after considering: (a) the substantial

1 benefits that Plaintiffs will receive from settlement of the Litigation; (b) the  
2 attendant risks of litigation; and (c) the desirability of permitting the Settlement to  
3 be consummated as provided by the terms of the Stipulation;

4 NOW THEREFORE, without any admission or concession on the part of the  
5 Plaintiffs or any lack of merit in the Litigation whatsoever, and without any  
6 admission or concession on the part of the Defendants of any liability, wrongdoing,  
7 or lack of merit in the defenses asserted in the Litigation whatsoever,

8 It is hereby STIPULATED AND AGREED, by and among the Settling Parties,  
9 through their respective attorneys, subject to approval of the Court pursuant to  
10 Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits  
11 flowing to the Settling Parties hereto from the Settlement, that any and all claims  
12 made, or that could have been made, including all Settled Claims (as defined  
13 below), by Plaintiffs against the Released Parties (as defined below) shall be  
14 compromised, settled, and released, and dismissed with prejudice as provided in  
15 this Stipulation and Agreement of Settlement, to the extent as hereafter provided,  
16 without costs as to Plaintiffs or Defendants, subject to the approval of the Court,  
17 upon and subject to the following terms and conditions;

18 A. CERTAIN DEFINITIONS

19 As used in this Stipulation, the following terms have the meanings specified  
20 below:

21 1. “Attorneys’ Fees and Expenses” means the portion of the Gross  
22 Settlement Fund approved by the Court for payment to Plaintiffs’ Counsel,  
23 including attorneys’ fees, costs, litigation expenses, and fees and expenses of  
24 investigators and experts (excluding Notice and Administration Expenses).

25 2. “Authorized Claimant” means any Claimant (as defined below) whose  
26 claims for recovery has been allowed pursuant to the terms of the Stipulation or by  
27 order of the Court.

28 3. “Award to Lead Plaintiff” means any award by the Court to Lead  
Plaintiff Bryan Chong of reasonable costs and expenses (including lost wages)  
directly relating to the representation of the Settlement Class pursuant to 15 U.S.C.  
§ 78u-4(a)(4).

1           4.     “Claimant” means any Settlement Class Member who files a Proof of  
2 Claim and Release (as defined below) in such form and manner, and within such  
3 time, as set forth in this Stipulation, or as the Court shall prescribe.

4           5.     “Claims Administrator” means the accounting and claims  
5 administration firm, Strategic Claims Services, Inc., that Plaintiffs’ Counsel  
6 requests to be appointed by the Court to administer the Settlement and disseminate  
7 notice to the Settlement Class.

8           6.     “Class Period” means the period from November 14, 2013 to April 9,  
9 2014, both dates inclusive.

10          7.     “Court” means the United States District Court for the Central District  
11 of California.

12          8.     “Defendants” means GrowLife, Inc., Sterling Scott, John Genesi,  
13 Marco Hegyi, Rob Hunt, Eric Shevin, Alan Hammer, Anthony Ciabottoni, and Jeff  
14 Giarraputo.

15          9.     “Defendants’ Counsel” means the law firm of Horwitz & Armstrong  
16 LLP.

17          10.    “Effective Date” means the date on which all of the conditions set  
18 forth in paragraph K.1 shall have been satisfied and the Court’s Order and Final  
19 Judgment, substantially in the form of Exhibit B hereto, becomes “Final.” The  
20 Court’s Order and Final Judgment shall be deemed to be “Final” when either of the  
21 following has occurred: (a) if an appeal or review is not sought by any person from  
22 the Order and Final Judgment, the day following the expiration of the time to  
23 appeal or petition from the Order and Final Judgment; or (b) if an appeal or review  
24 is sought from the Order and Final Judgment, the day after such Order and Final  
25 Judgment is affirmed or the appeal or review is dismissed or denied and such  
26 Order and Final Judgment is no longer subject to further judicial review.

27          11.    “Escrow Account” means the interest-bearing account selected by the  
28 Escrow Agent. The Escrow Account shall be managed by the Escrow Agent for  
the benefit of the Plaintiffs and the Settlement Class until the Effective Date of the  
Settlement.

1           12. “Escrow Agent” means The Rosen Law Firm, P.A. or its duly  
2 appointed agent(s). The Escrow Agent shall perform the duties as set forth in the  
3 Stipulation.

4           13. “Gross Settlement Fund” means the Settlement Amount plus all  
5 interest earned thereon.

6           14. “Plaintiffs’ Counsel” means The Rosen Law Firm, P.A.

7           15. “Net Settlement Fund” means the Gross Settlement Fund, less: (i)  
8 Attorneys’ Fees and Expenses; (ii) Notice and Administration Expenses; (iii) taxes;  
9 (iv) any Award to Lead Plaintiff; and (v) other fees and expenses authorized by the  
10 Court.

11           16. “Notice and Administration Account” means the account to be  
12 established from the Gross Settlement Fund and maintained by Plaintiffs’ Counsel.  
13 The Notice and Administration Account may be drawn upon by Plaintiffs’ Counsel  
14 for Notice and Administration Expenses without further order of the Court.

15           17. “Notice and Administration Expenses” means all expenses incurred  
16 (whether or not paid) in connection with the preparation, printing, mailing, and  
17 publication of the Notice to the Settlement Class of the proposed settlement, and  
18 all expenses of Settlement administration; provided, however, that none of these  
19 expenses shall be deemed to include Attorneys’ Fees and Expenses through the  
20 Effective Date. All such Notice and Administration Expenses shall be paid from  
21 the Gross Settlement Fund.

22           18. “Order and Final Judgment” means the order and judgment entered by  
23 the Court, including a Bar Order, approving the Settlement and dismissing the  
24 Litigation as against the Defendants.

25           19. “Person” means any individual, corporation, partnership, limited  
26 liability company or partnership, limited partnership, professional corporation,  
27 association, affiliate, joint stock company, trust, estate, unincorporated association,  
28 government, or any political subdivision or agency thereof, any other type of legal  
or political entity, any legal representative, and, as applicable, their respective  
spouses, heirs, predecessors, successors, representatives, and assigns.

1           20. “Plaintiffs” means the Lead Plaintiff, Bryan Chong, and the  
2 Settlement Class.

3           21. “Plan of Allocation” means the plan for allocating the Net Settlement  
4 Fund (as set forth in the Notice of Pendency and Settlement of Class Action (the  
5 “Notice”), attached as Exhibit A-1 to the Order of Preliminary Approval of  
6 Settlement) to Authorized Claimants after payment of Notice and Administration  
7 Expenses, Taxes and Tax Expenses, and Attorneys’ Fees and Expenses. Any Plan  
8 of Allocation is not part of the Stipulation and the Released Parties shall have no  
9 liability with respect thereto.

10           22. “Released Parties” means each of the Defendants, Justin Manns, Craig  
11 Ellins, Elisabeth Wedam Scott, Robert “Bob” Kurilko, and any of their current,  
12 former, or future parents, subsidiaries, affiliates, partners, joint venturers, officers,  
13 directors, principals, shareholders, members, employees, attorneys, trustees,  
14 insurers, reinsurers, advisors, accountants, associates, and/or any other individual  
15 or entity in which any of the Defendants has or had a controlling interest or which  
16 is or was related to or affiliated with any of the Defendants, and the current,  
17 former, and future legal representatives, heirs, successors-in-interest, or assigns of  
18 any of the Defendants.

19           23. “Settled Claims” means any and all claims, debts, demands, liabilities,  
20 rights, and causes of action of every nature and description whatsoever (including,  
21 but not limited to, any claims for damages, interest, attorneys’ fees, expert or  
22 consulting fees, and any other costs, expenses, or liabilities whatsoever), whether  
23 based on federal, state, local, statutory, or common law, or any other law, rule, or  
24 regulation, whether fixed or contingent, accrued or unaccrued, liquidated or  
25 unliquidated, at least or in equity, matured or unmatured, whether class or  
26 individual in nature, including both known claims and Unknown Claims (as  
27 defined below): (i) that have been asserted in the Litigation by Plaintiffs against  
28 any of the Released Parties, including, without limitation, all statements that  
Plaintiffs allege in the Litigation were made by the Defendants that Plaintiffs  
allege were false or misleading, or any of the alleged acts, omissions,  
representations, facts, events, matters, transactions, or occurrences asserted in or

1 relating to the Litigation, or otherwise alleged, asserted, or contended in the  
2 Litigation; or (ii) that relate to the purchase of Growlife securities by the Plaintiffs,  
3 including, without limitation, claims for fraud, negligent misrepresentation, or  
4 claims based upon or related in any way to the purchase, acquisition, or sale of  
5 Growlife securities during the Class Period by the Plaintiffs, their heirs, executors,  
6 administrators, successors, and assigns against the Released Parties or any of them.  
7 Settled Claims also include any and all claims arising out of, relating to, or in  
8 connection with the Settlement or resolution of the Litigation against the Released  
9 Parties (including Unknown Claims that arise out of, relate to, or are in connection  
10 with the Settlement or resolution of the Litigation against the Released Parties),  
except claims to enforce any of the terms of this Stipulation.

11 24. “Settled Defendants’ Claims” means all claims, demands, rights,  
12 remedies, liabilities, and causes of action of every nature and description  
13 whatsoever, whether based on federal, state, local, statutory, or common law, or  
14 any other law, rule, or regulation, including both known and Unknown Claims, that  
15 (i) have been or could have been asserted in the Litigation by any of the  
16 Defendants, or the successors and assigns of any of them, against any of the  
17 Plaintiffs or any of their attorneys, and (ii) arise out of or relate in any way to the  
18 institution, prosecution, or Settlement of this Litigation or the Settled Claims,  
19 including but not limited to all claims for malicious prosecution or sanctions;  
20 provided, however, that “Settled Defendants’ Claims” do not include (i) any claims  
21 that could be asserted in response to a claim excluded from the definition of  
22 “Settled Claims” in subparagraph A.23 above; (ii) any claims to enforce any of the  
terms of the Stipulation or of the Order and Final Judgment, and any claims that  
could be asserted in response to such a claim to enforce.

23 25. “Settlement Class” and “Settlement Class Members” mean, for  
24 purposes of this Settlement, all persons who purchased or otherwise acquired any  
25 common stock of Growlife during the period from November 14, 2013 to April 9,  
26 2014, inclusive, and were allegedly damaged thereby. Excluded from the  
27 Settlement Class are Defendants and all former officers and directors of Growlife,  
28 and all such excluded persons’ immediate families, legal representatives, heirs,



1 predecessors, successors, and assigns, and any entity in which any excluded person  
2 has or had a controlling interest, and any persons who have separately filed actions  
3 against one or more of Defendants, based in whole or in part on any claim arising  
4 out of or relating to any of the alleged facts, omissions, misrepresentations, facts,  
5 events, matters, transactions, or occurrences referred to in the Litigation or  
6 otherwise alleged, asserted, or contended in the Litigation. Also excluded from the  
7 Settlement Class are those persons who filed valid and timely requests for  
8 exclusion in accordance with the Court’s Order of Preliminary Approval of  
9 Settlement (“Preliminary Approval Order”) concerning this Stipulation as set forth  
10 in Exhibit A.

11 26. “Settlement Class Distribution Order” means the order entered by the  
12 Court, upon application of Plaintiffs’ Counsel following the occurrence of the  
13 events identified in Paragraph D.13 below, which authorizes the Claims  
14 Administrator to distribute the Net Settlement Fund to the Settlement Class.

15 27. “Settlement Class Period” means the period from November 14, 2013  
16 to April 9, 2014, inclusive.

17 28. “Settlement” means the settlement contemplated by this Stipulation.

18 29. “Settlement Amount” means \$700,000 (seven hundred thousand  
19 dollars) in cash and \$2 (two) million worth of shares of Growlife common stock  
20 (“Settlement Stock”) to be valued and paid in accordance with Paragraph C hereof.

21 30. “Settlement Fund” means the monies deposited into the Settlement  
22 Fund Escrow Account, the Settlement Stock issued in accordance with Paragraph  
23 C hereof, and any residual monies held in the Class Notice and Administration  
24 Fund Escrow Account, and any interest or income earned thereon.

25 31. “Settlement Hearing” means the final hearing to be held by the Court  
26 to determine: (1) whether the proposed Settlement should be approved as fair,  
27 reasonable, and adequate; (2) whether all Settled Claims should be dismissed with  
28 prejudice; (3) whether an order approving the Settlement should be entered  
thereon; (4) whether the allocation of the Settlement Fund should be approved; and  
(5) whether the application for an award of Attorneys’ Fees and Expenses and an  
Award to Lead Plaintiff should be approved.

1           32. “Unknown Claims” means (a) any Settled Claim that the Plaintiffs or  
2 any Settlement Class Member does not know or suspect to exist in his, her, or its  
3 favor at the time of the release of the Released Parties, which if known by him, her  
4 or it, might have affected his, her, or its decision(s) with respect to the Settlement,  
5 including, but not limited to, the decision not to object to the Settlement, provided  
6 such claim arises out of or relates to the purchase or sale of Growlife securities,  
7 and (b) any Settled Defendants’ Claims that any Defendant does not know or  
8 expects to exist in his, her, or its favor, which if known by him, her or it, might  
9 have affected his, her, or its decision(s) with respect to the Settlement. With  
10 respect to any and all Settled Claims and Settled Defendants’ Claims, the Settling  
11 Parties shall expressly waive, and each of the Settlement Class Members shall be  
12 deemed to have waived and by operation of the Order and Final Judgment shall  
13 have waived, any and all provisions, rights, and benefits conferred by any law of  
14 any state or territory of the United States, or principle of common law that is  
15 similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides: “A  
16 general release does not extend to claims which the creditor does not know or  
17 suspect to exist in his or her favor at the time of executing the release, which if  
18 known by him or her must have materially affected his or her settlement with the  
19 debtor.”

18           **B. SCOPE AND EFFECT OF SETTLEMENT AND RELEASE**

19           1. The obligations incurred pursuant to this Stipulation shall be in full  
20 and final disposition of the Litigation and any and all Settled Claims as against all  
21 Released Parties and any and all Settled Defendants’ Claims as against the  
22 Plaintiffs, the Settlement Class Members, and their attorneys.

23           2. Pursuant to the Order and Final Judgment, upon the Effective Date of  
24 this Settlement, the Settlement Class Members on behalf of themselves, their  
25 current and future heirs, executors, administrators, successors, attorneys, insurers,  
26 agents, representatives, and assigns, and any person they represent, shall, with  
27 respect to each and every Settled Claim, release and forever relinquish and  
28 discharge, and shall forever be enjoined from prosecuting, all Settled Claims and  
any and all claims arising out of, or relating to, or in connection with the

1 Settlement, the Litigation, or the resolution of the Litigation against the Released  
2 Parties, whether or not such Settlement Class Member executes and delivers the  
3 Proof of Claim and Release, except claims to enforce any of the terms of this  
4 Stipulation. Further, all Settlement Class Members of behalf of themselves, their  
5 current and future heirs, executors, administrators, successors, attorneys, insurers,  
6 agents, representatives, and assigns, expressly covenant not to assert any claim or  
7 action against any of the Released Parties that: (i) arises out of or relates to the  
8 purchase or sale of Growlife securities, or (ii) that could have been alleged,  
9 asserted, or contended in any forum by the Settlement Class Members or any of  
10 them against any of the Released Parties, arising out of or relating to the purchase  
11 or sale of Growlife securities, and shall forever be enjoined from commencing,  
12 instituting, or prosecuting any such claim, so long as such claim relates to the  
purchase or sale of Growlife securities.

13 3. The Proof of Claim and Release to be executed by the Settlement  
14 Class Members shall be substantially in the form and content contained in Exhibit  
15 A-4 to the Preliminary Approval Order attached hereto as Exhibit A.

16 4. Pursuant to the Order and Final Judgment, upon the Effective Date of  
17 this Settlement, the Defendants shall release and forever discharge each and every  
18 one of the Settled Defendants' Claims, and shall forever be enjoined from  
19 prosecuting the Settled Defendants' Claims as against the Plaintiffs, Settlement  
20 Class Members, or their attorneys, including but not limited to claims for malicious  
prosecution or sanctions.

### 21 C. THE SETTLEMENT CONSIDERATION

22 1. In consideration of the full and final settlement of this Litigation,  
23 Defendants shall pay the Settlement Amount into the Escrow Account as set forth  
24 herein. Within fifteen (15) business days of Defendants' Counsel's receipt of all of  
25 the following: (a) the signed Preliminary Approval Order entered by the Court  
26 preliminarily approving the Settlement; (b) the Escrow Account wiring  
27 instructions; and (c) the tax identification number for the Escrow Account, the  
28 Defendants shall direct certain of its insurers to pay by wire transfer \$700,000 in  
cash to the Escrow Account. Growlife shall issue \$2.0 million worth of its

1 unrestricted common stock to the Settlement Class Members. The number of  
2 shares of stock issued to the Settlement Class Members shall be calculated based  
3 on the average of the closing prices for Growlife common stock for the ten trading  
4 days prior to the hearing date for final approval of the Settlement. Growlife shall  
5 issue the Settlement Stock into an escrow held by a mutually agreeable escrow  
6 agent within thirty-seven (37) calendar days after final approval of the Settlement  
7 (i.e., seven calendar days after the Effective Date of the Settlement). The  
8 Settlement Stock shall be duly and validly issued, fully paid, non-assessable and  
9 free from all liens and encumbrances and the Settling Parties stipulate and request  
10 the Court to find and order in the Order and Final Judgment, that the stock is  
11 exempt from registration under Section 3(a)(10) of the Securities Act of 1933, as  
12 amended. In the event the Court does not make such a finding, Growlife will  
13 either (a) pay all expenses necessary to register and issue the Stock, or (b)  
14 substitute \$2 million in cash in lieu of the Settlement Stock within fifteen (15) days  
15 after the Order and Final Judgment is entered by the Court. Plaintiffs' Counsel  
16 shall hold the Settlement Stock as fiduciary for the benefit of the Settlement Class  
17 Members prior to the distribution of such Settlement Stock and prior to the  
18 distribution of the Settlement Stock to the Settlement Class Members, Plaintiffs'  
19 Counsel shall have the option, in its sole discretion but consistent with its fiduciary  
20 duties to the Settlement Class Members, of selling all or any portion of the  
21 Settlement Stock for the benefit of the Settlement Class Members, provided that  
22 the proceeds of any such sale shall be placed in the Escrow Account established by  
23 the Escrow Agent. Neither Lead Plaintiff, the Settling Class Members, nor the  
24 Defendants shall have a claim against Plaintiffs' Counsel or Lead Plaintiff, or any  
25 of their agents, based on the disposition of the Settlement Stock or distribution  
26 made in accordance with this Stipulation.

27 2. The Gross Settlement Fund, net of any Taxes (as defined below) on  
28 the income thereof and any Tax Expenses (as defined below), shall be used to pay  
(i) the Notice and Administration Expenses as authorized by this Stipulation; (ii)  
Attorneys' Fees and Expenses as authorized by the Court; (iii) any Award to Lead  
Plaintiff authorized by the Court; and (iv) other fees and expenses authorized by

1 the Court. The balance of the Gross Settlement Fund remaining after the above  
2 payments shall be the Net Settlement Fund, which shall be distributed to the  
3 Authorized Claimants in accordance with this Stipulation.

4 3. Any sums required to be held in escrow hereunder shall be held by the  
5 Escrow Agent for the benefit of the Plaintiffs and the Settlement Class until the  
6 Effective Date. Until the date the Order and Final Judgment is entered, all  
7 payments made from the Settlement Fund shall require the signature of an  
8 authorized representative of both the Escrow Agent and Defendants' Counsel.  
9 After the Order and Final Judgment is entered, payments made from the Settlement  
10 Fund shall require only the signature of an authorized representative of the Escrow  
11 Agent and shall not require the signature of Defendants' Counsel. All funds held  
12 by the Escrow Agent shall be deemed to be in custodia legis and shall remain  
13 subject to the jurisdiction of the Court until such time as the funds shall be  
14 distributed or returned pursuant to the Stipulation and/or further order of the Court.  
15 Other than amounts disbursed for providing notice to the Settlement Class,  
16 customary administration costs, and Taxes and Tax Expenses, and the Attorneys'  
17 Fees and Expenses (which shall be paid to Plaintiffs' Counsel within two (2)  
18 business days after the Court executes an order awarding such fees and expenses),  
19 the Settlement Fund shall not be distributed until the Effective Date. The Escrow  
20 Agent shall not disburse the Gross Settlement Fund, or any portion thereof, except  
21 as provided in this Stipulation, or upon Order of the Court.

22 4. The Escrow Agent shall invest any funds in excess of \$150,000 in  
23 short-term United States Treasury Securities (or mutual fund invested solely in  
24 such instruments), and shall collect and reinvest all interest accrued thereon. Any  
25 funds held in escrow in an amount of less than \$150,000 may be held in a bank  
26 account insured to the extent possible by the FDIC. Interest earned on the money  
27 deposited into the Escrow Account shall be part of the Gross Settlement Fund.

28 5. The Notice and Administrative Expenses shall be paid from the Gross  
Settlement Fund. In order to pay Notice and Administration Expenses, up to  
\$125,000 may be withdrawn from the Gross Settlement Fund and deposited into a  
Notice and Administration Account upon the entry of the preliminary Approval

1 Order. Any monies from the Notice and Administration Fund that remain after  
2 administration shall be returned to the Net Settlement Fund. The Notice and  
3 Administration Account may be drawn upon by Plaintiffs' Counsel for Notice and  
4 Administration Expenses without further Court approval. The Notice and  
5 Administration Account shall be administered solely by the Escrow Agent. Any  
6 taxes or other expenses incurred in connection with the Notice and Administration  
7 Account shall be paid from the Notice and Administration Account or from the  
8 remainder of the Gross Settlement Fund. The Released Parties shall not have any  
9 obligation for Payment of Taxes or other expenses associated with the Notice and  
10 Administration Account. Notice and Administration Expenses in excess of  
11 \$125,000 shall not be paid out of the Gross Settlement Fund by the Escrow Agent  
12 until after the Effective Date. In no event shall an amount more than the  
13 Settlement Amount be paid for Notice and Administration Expenses, and in no  
14 event shall the Released Parties be responsible to pay any amount for Notice and  
15 Administration Expenses.

16 6. The Defendants shall have access to all records of the Escrow  
17 Account, and upon request made to the Escrow Agent, shall receive copies of all  
18 records of disbursements, deposits, and statements of accounts.

19 7. After the Effective Date, the Released Parties shall have no interest in  
20 the Gross Settlement Fund or in the Net Settlement Fund. The Released Parties  
21 shall not be liable for the loss of any portion of the Settlement Fund, nor have any  
22 liability, obligation, or responsibility for the payment of claims, taxes, legal fees, or  
23 any other expenses payable from the Gross Settlement Fund.

24 **D. ADMINISTRATION AND CALCULATION OF CLAIMS, FINAL**  
25 **AWARDS, AND DISTRIBUTION OF NET SETTLEMENT FUND**

26 1. The Claims Administrator shall administer and calculate the claims  
27 that shall be allowed and oversee distribution of the Net Settlement Fund, under  
28 the supervision of Plaintiffs' Counsel, and subject to appeal to, and jurisdiction of,  
the Court. The Released Parties shall have no liability, obligation, or responsibility  
for the administration of the Gross Settlement Fund or Net Settlement Fund, or for  
the distribution of the Net Settlement Fund.

1           2.     Except as otherwise provided below, on and after the Effective Date,  
2 the Gross Settlement Fund shall be applied as follows:

- 3           a. To the extent not paid from the Notice and Administration  
4 Account, to pay following an order of the Court approving any  
5 such payment, the expenses incurred in connection with providing  
6 notice to Settlement Class Members, administering and distributing  
7 the Net Settlement Fund to Settlement Class Members, processing  
8 Proofs of Claim, processing requests for exclusion, escrow fees  
9 and costs, and any applicable taxes.
- 10           b. Subject to the approval and further order(s) of the Court, the Net  
11 Settlement Fund shall be allocated to Authorized Claimants as set  
12 forth in Paragraph F below.
- 13           c. After the Claims Administrator calculates the recognized losses of  
14 each Authorized Claimant, Plaintiffs' Counsel shall file a motion  
15 for distribution of the Settlement Fund with the Court listing each  
16 Authorized Claimant, the amount of each claim that Plaintiffs'  
17 Counsel believes should be allocated and distributed to each such  
18 Authorized Claimant, accounting for all Notice and Administration  
19 Expenses, and requesting Court approval to distribute the  
20 Settlement Fund to the Authorized Claimants and pay any further  
21 Notice and Administration expenses.

22           3.     Each Settlement Class Member wishing to participate in the  
23 Settlement shall be required to submit a Proof of Claim and Release (in  
24 substantially the form set forth in Exhibit A-4 hereto, which inter alia releases all  
25 Settled Claims against all Released Parties), signed under penalty of perjury by the  
26 beneficial owner(s) of the securities that are the subject of the Proof of Claim and  
27 Release, or by someone with documented authority to sign for the beneficial  
28 owners and supported by such documents as specified in the instructions  
accompanying the Proof of Claim and Release.

          4.     All Proofs of Claims must be postmarked or received within the time  
prescribed in the Preliminary Approval Order unless otherwise ordered by the

1 Court. Any Settlement Class Member who fails to submit a properly completed  
2 Proof of Claim within such period as shall be authorized by the Court shall be  
3 forever barred from receiving any payments pursuant to this Stipulation or from  
4 the Net Settlement Fund (unless Plaintiffs' Counsel in its discretion deems such  
5 late filing to be a formal or technical defect, or unless by order of the Court a later  
6 submitted Proof of Claim by such Settlement Class Member is approved), but will  
7 in all other respects be subject to the provisions of this Stipulation and Order and  
8 Final Judgment, including, without limitation, the release of the Settled Claims and  
9 dismissal of the Litigation. Provided that it is received before the motion for the  
10 Settlement Class Distribution Order is filed, a Proof of Claim shall be deemed to  
11 have been submitted when posted if received with a postmark indicated on the  
12 envelope and if mailed by first-class mail and addressed in accordance with the  
13 instructions thereon. In all other cases, the Proof of Claim shall be deemed to have  
14 been submitted when actually received by the Claims Administrator.

14 5. Each Proof of Claim shall be submitted to the Claims Administrator  
15 who shall determine, under the supervision of Plaintiffs' Counsel, in accordance  
16 with this Stipulation and any applicable orders of the Court, the extent, if any, to  
17 which each claim shall be allowed, subject to appeal to the Court. No later than  
18 seven (7) days prior to the disbursement of the Net Settlement Fund, Plaintiffs'  
19 Counsel shall provide Defendants with a list of Proofs of Claim received by the  
20 Claims Administrator indicating which Proofs of Claim have been allowed by the  
21 Claims Administrator.

21 6. Following notice to Defendants' Counsel, Plaintiffs' Counsel shall  
22 have the right, but not the obligation, to waive what they deem to be formal or  
23 technical defects in any Proofs of Claims filed, where doing so is in the interest of  
24 achieving substantial justice.

24 7. Proofs of Claim that do not meet the filing requirements may be  
25 rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall  
26 communicate with the Claimant in order to remedy curable deficiencies in the  
27 Proof of Claim submitted. The Claims Administrator, under the supervision of  
28 Plaintiffs' Counsel, shall notify in a timely fashion and in writing, all Claimants



1 whose Proofs of Claim they propose to reject in whole or in part, setting forth the  
2 reasons thereof, and shall indicate in such notice that the Claimants whose claims  
3 are to be rejected has the right to review by the Court if the Claimant so desires and  
4 complies with the requirements of Paragraph D.8 below.

5 8. If any Claimant whose claim has been rejected in whole or in part  
6 desires to contest such rejection, the Claimant must, within twenty (20) days after  
7 the date of mailing of the notice required by Paragraph D.7 above, serve upon the  
8 Claims Administrator a notice and statement of reasons indicating the Claimant's  
9 ground for contesting the rejecting along with any supporting documentation, and  
10 requesting a review thereof by the Court. If a dispute concerning a claim cannot be  
11 otherwise resolved, Plaintiffs' Counsel shall thereafter present the request for  
12 review to the Court.

13 9. The administrative determination of the Claims Administrator  
14 accepting and rejecting claims shall be presented to the Court, on notice to  
15 Defendants' Counsel, for approval by the Court in the Settlement Class  
16 Distribution Order.

17 10. Each Claimant shall be deemed to have submitted to the jurisdiction  
18 of the Court with respect to the Claimant's claim, and the claim will be subject to  
19 investigation and discovery under the Federal Rules of Civil Procedure, provided  
20 that such investigation and discovery shall be limited to that Claimant's status as a  
21 Settlement Class Member and the validity and amount of the Claimant's claim. No  
22 discovery shall be allowed on the merits of the Litigation or Settlement in  
23 connection with processing of the Proofs of Claim.

24 11. Payment pursuant to this Stipulation shall be deemed final and  
25 conclusive against all Settlement Class Members. All Settlement Class Members  
26 whose claims are not approved by the Court shall be barred from participating in  
27 distributions from the Net Settlement Fund, but are otherwise bound by all of the  
28 terms of the Order and Final Judgment to be entered in the Litigation and the  
releases provided for herein, and will be barred from bringing any action against  
the Released Parties arising out of or relating to the Settled Claims.

1           12. All proceedings with respect to the administration, processing, and  
2 determination of claims described by this paragraph of this Stipulation and the  
3 determination of all controversies relating hereto, including disputed questions of  
4 law and fact with respect to the validity of claims, shall be subject to the  
5 jurisdiction of the Court.

6           13. The Net Settlement Fund shall be distributed to Authorized Claimants  
7 by the Claims Administrator upon application to the Court by Plaintiffs' Counsel  
8 for a Settlement Class Distribution Order only after all of the following having  
9 occurred: (i) the Effective Date; (ii) all claims have been processed, and all  
10 Claimants whose claims have been rejected or disallowed, in whole or in part, have  
11 been notified and provided the opportunity to be heard concerning such rejection  
12 or disallowance; (iii) all objections with respect to all rejected or disallowed claims  
13 have been resolved by the Court, and all appeals therefrom have been resolved or  
14 the time therefor has expired; (iv) all matters with respect to Attorneys' Fees and  
15 Expenses, costs, and disbursements have been resolved by the Court, and all  
16 appeals therefrom have been resolved or the time therefor has expired; and (v) all  
17 costs of administration have been paid.

18           14. If any funds remain in the Net Settlement Fund by reason of uncashed  
19 checks or otherwise, then, after the Claims Administrator has made reasonable and  
20 diligent efforts to have Settlement Class Members who are entitled to participate in  
21 the distribution of the Net Settlement Fund cash their distribution checks, and  
22 balance remaining in the Net Settlement Fund one (1) year after the initial  
23 distribution of such funds shall be re-distributed, after payment of any unpaid costs  
24 or fees incurred in administering the Net Settlement Fund for such re-distribution,  
25 to Settlement Class Members who have cashed their checks and who would  
26 receive at least \$10.00 from such re-distribution. If any funds shall remain in the  
27 Net Settlement Fund six (6) months after such re-distribution, then such balance  
28 shall be contributed to the Legal Aid Foundation of Los Angeles or any not-for-  
profit successor of it.

          15. Before the Effective Date, Plaintiffs' Counsel shall file with the Court  
a declaration under penalty of perjury describing how notice of the Settlement was

1 given to the Settlement Class and listing the names and addresses of all persons to  
2 whom individual notice of the Settlement was mailed.

3 E. TAX TREATMENT

4 1. The Parties agree to treat the Gross Settlement Fund as being at all  
5 times a qualified settlement fund within the meaning of Treasury Regulation §  
6 1.468B-1 and Section 468B of the Internal Revenue Code, as amended, for the  
7 taxable years of the Gross Settlement Fund, beginning with the date it is created.  
8 In addition, the Escrow Agent and, as required, the Settling Parties, shall jointly  
9 and timely make such elections as are necessary or advisable to carry out the  
10 provisions of this paragraph, including the “relation-back election” (as defined in  
11 Treas. Reg. § 1.468B-1(j)(2)) back to the earliest permitted date. Such elections  
12 shall be made in compliance with the procedures and requirements contained in  
13 such regulations. It shall be the responsibility of Plaintiffs’ Counsel to timely and  
14 properly prepare and deliver the necessary documentation for signature by all  
15 necessary parties, and therefore to cause the appropriate filing to occur.

16 2. For purpose of Section 468B of the Internal Revenue Code, as  
17 amended, and the regulations promulgated thereunder, the “administrator” shall be  
18 Plaintiffs’ Counsel. Plaintiffs’ Counsel shall timely and properly file all tax returns  
19 necessary or advisable with respect to the Gross Settlement Fund, and make all  
20 required tax payments, including deposits of estimated tax payments in accordance  
21 with Treas. Reg. § 1.468B-2(k). Such returns (as well as the election described in  
22 paragraph E.1 hereof) shall be consistent with this paragraph and reflect that all  
23 taxes (including any interest or penalties) on the income earned by the Gross  
24 Settlement Fund shall be paid out of the Gross Settlement Fund as provided in  
25 paragraph E.3 hereof.

26 3. All (i) taxes (including any interest or penalties) arising with respect  
27 to the income earned by the Gross Settlement Fund, including any taxes or tax  
28 detriments that may be imposed upon the Defendants with respect to any income  
earned by the Gross Settlement Fund for any period during which the Gross  
Settlement Fund does not qualify as a qualified settlement fund for federal or state  
income tax purposes (“Taxes”); and (ii) expenses and costs incurred in connection

1 with the operation and implementation of this paragraph (including, without  
2 limitation, expenses of tax attorneys and/or accountants, and mailing and  
3 distribution costs and expenses relating to filing (or failing to file) the returns  
4 described in this paragraph) (“Tax Expenses”), shall be paid out of the Gross  
5 Settlement Fund. In all events, the Released Parties shall have no liability for  
6 Taxes or the Tax Expenses, and Plaintiffs and Plaintiffs’ Counsel agree to  
7 indemnify and hold the Released Parties harmless for Taxes and Tax Expenses.  
8 Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of  
9 administration of the Settlement and shall be timely paid by the Escrow Agent out  
10 of the Gross Settlement Fund without prior order from the Court. The Escrow  
11 Agent shall be obligated (notwithstanding anything herein to the contrary) to  
12 without from distribution to the Settlement Class Members any funds necessary to  
13 pay such Taxes and Tax Expenses, including the establishment of adequate  
14 reserves for any Taxes and Tax Expenses (as well as any amounts that may be  
15 required to be withheld under Treas. Reg. § 1.468B-2(1)(2)). The Released Parties  
16 shall have no responsibility or liability therefor. The Settling Parties hereto agree  
17 to cooperate with the Escrow Agent, each other, and their tax attorneys and  
18 accountants to the extent reasonably necessary to carry out the provisions of this  
19 paragraph.

#### 18 F. ALLOCATION OF NET SETTLEMENT FUND

19 1. The Plan of Allocation is based upon Plaintiffs’ Counsel’s assessment  
20 of the merits and the relative strengths and weaknesses, including recoverable  
21 damages, of the claims of the Settlement Class Members.

22 2. Defendants do not and shall not take any position as to the proposed  
23 Plan of Allocation.

24 3. The Released Parties shall have no responsibility for and no  
25 obligations or liabilities of any kind whatsoever in connection with the  
26 determination, administration, calculation, or payment of claims to Settlement  
27 Class Members.

28 4. Defendants shall have no involvement in the solicitation of, or review  
of Proofs of Claim, or involvement in the administration process itself, which shall

1 be conducted by the Claims Administrator in accordance with this Stipulation and  
2 the Order and Final Judgment entered by the Court. No Claimant or Authorized  
3 Claimant shall have any claim against the Released Parties or their counsel based  
4 on, or in any way relating to, the distribution from either the Gross Settlement  
5 Fund or the Net Settlement Fund.

6 5. No Authorized Claimant shall have any claim against Plaintiffs'  
7 Counsel or the Claims Administrator based on, or in any way relating to, the  
8 distribution from the Net Settlement Fund that have been made substantially in  
9 accordance with this Stipulation and any applicable orders of the Court.

10 6. Any change in the allocation of the Net Settlement Fund ordered by  
11 the Court shall not affect the validity or finality of this Settlement.

12 G. OBLIGATIONS OF AND LIMITATIONS OF LIABILITY OF ESCROW  
13 AGENT

14 1. The Escrow Agent shall not be responsible for the payment of any  
15 sums due to Authorized Claimants or other Persons, except to the extent of  
16 maintaining account of and properly paying sums as required by this Stipulation to  
17 the limited extent that such sums have been delivered into the Escrow Account or  
18 Notice and Administration Account as required by this Stipulation. The Escrow  
19 Agent shall be liable only for acts of gross negligence or willful misconduct.

20 H. PLAINTIFFS' COUNSEL'S REQUEST FOR AN AWARD OF  
21 ATTORNEYS' FEES AND EXPENSES

22 1. Plaintiffs' Counsel intends to submit an application to the Court, on  
23 notice to Defendants' Counsel, for the payment of Attorneys' Fees and Expenses,  
24 including: (i) an award of attorneys' fees up to 25% of the Settlement Amount  
25 (including up to 25% of the shares to be issued pursuant to Paragraph C above); (ii)  
26 reimbursement of litigation costs and expenses, plus interest, including fees and  
27 expenses of experts and investigators, incurred in connection with the prosecution  
28 of this Litigation; and (iii) an Award to Lead Plaintiff (for reimbursement of time  
and expenses).

2. Any cash portion of the Attorneys' Fees and Expenses award, as  
awarded by the Court, shall be payable to Plaintiffs' Counsel solely from the Gross

1 Settlement Fund within seven (7) business days after the Court executes an order  
2 awarding such fees and expenses. In accordance with Paragraph C above, any  
3 stock portion of the Attorneys' Fees and Expenses award, as awarded by the Court,  
4 shall be transferred to the Parties' agreed upon escrow agent shall be paid or  
5 transferred to Plaintiffs' Counsel no later than thirty-seven (37) calendar days after  
6 final approval of the Settlement (i.e., seven calendar days after the Effective Date  
7 of the Settlement). If there is an appeal of the Attorneys' Fees and Expenses award  
8 only, the shares to be issued to Plaintiffs' Counsel shall remain with the escrow  
9 agent, to be transferred to Plaintiffs' Counsel no later than seven (7) calendar days  
10 after the entry of an order by the Court of Appeals or Supreme Court awarding  
11 Plaintiffs' Counsel either the amount of stock requested in the Attorneys' Fees and  
12 Expenses award application or such other amount as set forth in the order of the  
Court of Appeals or the Supreme Court.

13 3. Plaintiffs' Counsel waives the right to make an additional application  
14 or applications for payment from the Gross Settlement Fund for fees and expenses  
15 incurred after the Settling Hearing. The other Settling Parties shall take no  
16 position on any application concerning Plaintiffs' Counsels request or award of  
attorneys' fees and reimbursement of expenses, or Award to Lead Plaintiff.

17 4. It is agreed that the procedure for and the allowance or disallowance  
18 by the Court of any applications by Plaintiffs' Counsel for Attorneys' Fees and  
19 Expenses, including fees for experts and investigators to be paid out of the Gross  
20 Settlement Fund, and any order or proceeding relating thereto, shall not operate to  
21 terminate or cancel this Stipulation or affect its finality, and shall have no effect on  
22 the terms of this Stipulation or on the enforceability of this Settlement.

#### 23 I. THE PRELIMINARY APPROVAL ORDER

24 1. Promptly after execution of this Stipulation, the Settling Parties shall  
25 submit the Stipulation together with its exhibits to the Court and shall jointly apply  
26 for entry of a Preliminary Approval Order in connection with settlement  
27 proceedings substantially in the form annexed hereto as Exhibit A, providing for,  
28 among other things, preliminary approval of the Settlement and notice to the  
Settlement Class of the Settlement Hearing. The Preliminary Approval Order

1 (Exhibit A hereto) to be submitted to the Court shall contain exhibits substantially  
2 in the form set forth in: (i) the Notice of Pendency and Settlement of Class Action  
3 (the “Notice”) (Exhibit A-1 to the Preliminary Approval Order); (ii) the Summary  
4 Notice of Pendency and Settlement of Class Action (“Summary Notice”) (Exhibit  
5 A-2 to the Preliminary Approval Order); (iii) the Postcard Notice (Exhibit A-3 to  
6 the Preliminary Approval Order); and (iv) the Proof of Claim and Release (Exhibit  
7 A-4 to the Preliminary Approval Order).

8 2. The Released Parties are not liable or responsible for the method of,  
9 or representations made in, the Notice, the Summary Notice, or the Postcard  
10 Notice.

11 **J. ORDER AND FINAL JUDGMENT TO BE ENTERED BY THE COURT  
12 APPROVING THE SETTLEMENT**

13 1. The Settling Parties shall seek to have the Court enter an Order and  
14 Final Judgment substantially in the form of Exhibit B hereto.

15 **K. CONDITIONS OF SETTLEMENT**

16 1. The Effective Date of the Settlement shall be conditioned upon the  
17 occurrence of ALL of the following events:

- 18 a. The Court shall enter the Preliminary Approval Order in all  
19 material respects, as required by Paragraph I above;
- 20 b. No party shall have exercised within the required time period any  
21 right to terminate the Settlement as permitted by Paragraph L  
22 below;
- 23 c. The Court shall enter the Order and Final Judgment in all material  
24 respects, as required by Paragraph J above;
- 25 d. The Court’s Order and Final Judgment, substantially in the form of  
26 Exhibit B, shall have become “Final,” as defined in Paragraph  
27 A.10;
- 28 e. The Settlement Amount of \$700,000 (Seven Hundred Thousand  
Dollars) in cash and \$2 million worth of Growlife stock shall have  
been paid, as set forth in Paragraph C above.

1           2.     Upon occurrence of ALL of the events referenced in Paragraph K.1  
2 above, Plaintiff shall have, and each and all of the members of the Settlement Class  
3 shall hereby be deemed to have, and by operation of the Order and Final Judgment  
4 shall have, fully, finally, and forever, released, settled, and discharged, in  
5 accordance with the terms of Paragraph B above, the Released Parties from and  
6 with respect to the Settled Claims, whether or not such members of the Settlement  
7 Class execute and deliver a Proof of Claim.

8           3.     Upon occurrence of ALL of the events referenced in Paragraph K.1  
9 above, the obligation of the Escrow Agent to return funds from the Gross  
10 Settlement Fund to the Defendants pursuant to Paragraph L.4 or any other  
11 provision hereof shall be absolutely and forever extinguished.

12           L. RIGHTS OF TERMINATION AND EFFECTS THEREOF

13           1.     Lead Plaintiff and the Defendants shall each have the right to  
14 terminate the Settlement and this Stipulation by providing written notice of  
15 his/their election to do so (“Termination Notice”) to all other counsel of the  
16 Settling Parties within thirty (30) days after the date on which any of the following  
17 occurs:

- 18           a. the Court issues an order declining to enter the Preliminary  
19           Approval Order in any material respect;
- 20           b. the Court issues an order declining to approve this Stipulation or  
21           any material part of it;
- 22           c. the Court declines to enter the Order and Final Judgment in all  
23           material aspects as required by Paragraph J above;
- 24           d. the Order and Final Judgment is modified or reversed in any  
25           material aspect by a Court of Appeals or the U.S. Supreme Court;
- 26           e. in the event that the Court enters an order and final judgment other  
27           than that provided above (an “Alternative Judgment”) and none of  
28           the Settling Parties elects to terminate this Settlement, the date that  
              such Alternative Judgment is modified or reversed in any material  
              respect by a Court of Appeals or the Supreme Court;



1           2.     If prior to the Settlement Hearing, (i) Persons who otherwise would be  
2 Settlement Class Members have filed with the Court valid and timely requests for  
3 exclusion (“Requests for Exclusion”) from the Settlement Class in accordance with  
4 the provisions of the Preliminary Approval Order and the notice given pursuant  
5 thereto, and such Persons in the aggregate purchased stock during the Settlement  
6 Class Period in an amount greater than the amount specified in a separate  
7 Supplemental Agreement between the parties (the “Supplemental Agreement”) , or  
8 (ii) Persons file lawsuits alleging fraud in connection with the purchase of more  
9 than the number of Growlife shares specified in the Supplemental Agreement, then  
10 Defendants shall have the option to terminate this Stipulation and Settlement in  
11 strict accordance with the requirements and procedures set forth in the  
12 Supplemental Agreement (“Opt-out Termination Option”). The Supplemental  
13 Agreement shall not be filed with the Court unless and until a dispute among the  
14 Parties concerning its interpretation or application arises. Copies of all Requests  
15 for Exclusions received, together with copies of all written revocations of Requests  
16 for Exclusion, shall be delivered to Defendants no later than fourteen (14) days  
17 prior to the Settlement Hearing. The required procedure for and consequences of  
18 exercising an Opt-out Termination Option are as follows:

19           3.     If the Gross Settlement Amount Payable pursuant to Paragraph C of  
20 this Stipulation, including the issuance of stock, is not paid, then Lead Plaintiff, in  
21 his sole discretion, may elect, at any time prior to the Court’s entering the Order  
22 and Final Judgment, (a) to terminate the Settlement by providing written notice to  
23 the Settling Parties; or (b) to enforce the terms of the Settlement and this  
24 Stipulation and seek a judgment effecting the terms herein.

25           4.     Upon termination of the Stipulation pursuant to the terms of the  
26 Stipulation, the Escrow Agent shall refund the Gross Settlement Fund, less  
27 amounts already expended for notice to the Settlement Class pursuant to the terms  
28 of the Stipulation, to Defendants within ten (10) business days thereafter (the  
“Returned Settlement Amount”).

          5.     If this Stipulation is terminated pursuant to its terms, and at the  
request of Lead Plaintiff or any of the Defendants, the Escrow Agent or his

1 designee shall apply for any tax refund owed to the Gross Settlement Fund and pay  
2 the percentage of the proceeds of the tax refund, after deduction of any fees and  
3 expenses incurred in connection with such application(s) for refund, to Defendants.

4 6. If this Stipulation is terminated pursuant to its terms, all of the Settling  
5 Parties shall be deemed to have reverted to their respective status prior to the  
6 execution of this Stipulation, and they shall proceed in all respects as if this  
7 Stipulation had not been executed and the related orders had not been entered,  
8 preserving in that event all of their respective claims and defenses in the Litigation,  
9 and shall revert to their respective positions in the Litigation, and shall revert to  
10 their respective positions in this Litigation, except that the provisions of  
11 Paragraphs E.1-3, G, L.5-7, M.10-11, and M.13 shall survive termination.

12 7. No order of the Court or modification or reversal of any order of the  
13 Court concerning the Plan of Allocation or the amount of any attorneys' fees,  
14 costs, and expenses awarded by the Court shall constitute grounds for cancellation  
15 or termination of the Stipulation.

#### 16 M. MISCELLANEOUS PROVISIONS

17 1. The Settling Parties: (a) acknowledge that it is their intent to  
18 consummate the Settlement contemplated by this Stipulation; (b) agree to  
19 cooperate to the extent necessary to effectuate and implement all terms and  
20 conditions of this Stipulation; and (c) agree to exercise their best efforts and to act  
21 in good faith to accomplish the foregoing terms and conditions of the Stipulation.

22 2. The Settling Parties acknowledge and warrant as follows:

23 a. By executing this Stipulation, each of the Settling Parties  
24 represents that they have carefully read and fully understand this Stipulation and its  
25 final and binding effect;

26 b. By executing this Stipulation, each of the Settling Parties  
27 represents that they have the right, legal capacity, power and authority to enter into  
28 this Stipulation and to perform their obligations hereunder, without the consent,  
approval, or authorization of any person, board, entity, tribunal, or other regulatory  
or governmental authority;

1 c. By executing this Stipulation, each of the Settling Parties  
2 represents that the execution and delivery of this Stipulation and the performance  
3 of each and every obligation in this Stipulation do not and will not result in a  
4 breach of or constitute a default under, or require any consent under, any duty,  
5 relationship, contract, agreement, covenant, promise, guarantee, obligation or  
6 instrument to which the executing Settling Party is a party or by which the  
7 executing Settling Party is bound or affected;

8 d. By executing this Stipulation, each of the Settling Parties  
9 represents that there is no demand for monetary, non-monetary, or injunctive relief,  
10 or any civil, criminal, administrative, or arbitration proceeding for monetary, non-  
11 monetary, or injunctive relief known or suspected to exist against them that would  
12 affect this Stipulation or their ability to enter into, execute or perform each and  
13 every obligation in this Stipulation;

14 e. By executing this Stipulation, each of the Settling Parties  
15 represents that no representations or promises of any kind or character have been  
16 made by any other Settling Party, Released Party, or anyone else to induce the  
17 execution of this Stipulation except as expressly provided herein;

18 f. By executing this Stipulation, each of the Settling Parties  
19 represents that this Stipulation is fair and is executed voluntarily, with full  
20 knowledge of the consequences and implications of the obligations contained  
21 herein;

22 g. By executing this Stipulation, each of the Settling Parties  
23 represents that this Stipulation is not the result of any fraud, duress, or undue  
24 influence, and that they have not assigned, transferred, or conveyed or purported to  
25 assign, transfer, or convey, voluntarily, involuntarily or by operation of law, any or  
26 all of their respective rights and claims;

27 h. By executing this Stipulation, each of the Settling Parties  
28 represents that they have had the opportunity to be represented by counsel of their

1 choice that is duly licensed to practice in the State of California throughout the  
2 negotiations which preceded the execution of this Stipulation and in connection  
3 with the preparation and execution of this Stipulation;

4 i. By executing this Stipulation, each of the Settling Parties  
5 represents that they have been afforded sufficient time and opportunity to review  
6 this Stipulation with advisors and counsel of their choice.

7 2. All of the exhibits attached hereto are hereby incorporated by  
8 reference as though fully set forth herein.

9 3. No amendment or modification of this Stipulation shall be  
10 effective unless in writing and signed by the Settling Parties or their successors-in-  
11 interest.

12 4. This Stipulation, and the exhibits attached hereto, constitute the  
13 entire agreement among the Settling Parties, and no representations, warranties, or  
14 inducements have been made to any Settling Party concerning this Stipulation or  
15 its exhibits, other than the representations, warranties, and covenants contained and  
16 memorialized in such documents.

17 5. Except as otherwise provided herein, each Settling Party shall  
18 bear its own costs. Plaintiffs' Counsel's Attorneys' Fees and Expenses, subject to  
19 Court approval, shall be paid only out of the Gross Settlement Fund, and the  
20 Released Parties shall have no obligation with respect to the payment of said  
21 Attorneys' Fees and Expenses.

22 6. Plaintiffs' Counsel, on behalf of the Settlement Class, is  
23 expressly authorized to take all appropriate action required or permitted to be taken  
24 by the Settlement Class pursuant to this Stipulation to effectuate its terms and is  
25 also expressly authorized to enter into any modifications or amendments to this  
26 Stipulation on behalf of the Settlement Class.

27 7. The persons signing this Stipulation represent that they are  
28 authorized to do so on behalf of their respective clients.

1           8. This Stipulation may be executed in one or more original,  
2 photocopied, or facsimile counterparts. All executed counterparts and each of  
3 them shall be deemed to be one and the same instrument. The Settling Parties shall  
4 exchange among themselves original signed counterparts of this Stipulation, and a  
5 complete set of executed counterparts of this Stipulation shall be filed with the  
6 Court.

7           9. This Stipulation shall be binding upon, and inure to the benefit  
8 of, the successors, assigns, executors, administrators, heirs, and legal  
9 representatives of the Settling Parties. No assignment shall relieve any party  
10 hereto of any obligations hereunder.

11           10. All terms of this Stipulation and all exhibits hereto shall be  
12 governed and interpreted according to the laws of the State of California without  
13 regard to its rules of conflicts of law, except to the extent that federal law requires  
14 that federal law governs, and in accordance with the laws of the United States.

15           11. The Plaintiffs, on behalf of himself and each member of the  
16 Settlement Class, and the other Settling Parties hereby irrevocably submit to the  
17 jurisdiction of the Court for any suit, action, proceeding, or dispute arising out of  
18 or relating to this Stipulation, the applicability of this Stipulation, or the  
19 enforcement of this Stipulation. The administration and consummation of the  
20 Settlement as embodied in this Stipulation shall be under the authority of the  
21 Court, and the Court shall retain jurisdiction for the purpose of entering orders  
22 providing for awards of Attorneys' Fees and Expenses to Plaintiffs' Counsel,  
23 Awards to Lead Plaintiff, and enforcing the terms of this Stipulation.

24           12. None of the Settling Parties shall be considered to be the drafter  
25 of this Stipulation or any provision hereof for purposes of any statute, case law, or  
26 rule of interpretation or construction that would or might cause any provision to be  
27 construed against the drafter hereof. Because of the arm's-length negotiations that  
28

1 preceded the execution of this Stipulation, all Settling Parties have contributed  
2 substantially and materially to the preparation of this Stipulation.

3 13. Neither this Stipulation, nor the fact of the Settlement, is an  
4 admission or concession by the Defendants of liability or wrongdoing whatsoever.  
5 This Stipulation shall not constitute a finding of the validity or invalidity of any  
6 claims in the Litigation or of any wrongdoing by any Defendant named therein.  
7 This Stipulation, the fact of settlement, the settlement proceedings, the settlement  
8 negotiations, and any related documents, shall not be used or construed as an  
9 admission of any fault, liability, or wrongdoing by any person or entity.

10 14. The Settling Parties intend the Settlement to be a final and  
11 complete resolution of all claims and disputes asserted or that could be asserted by  
12 the Settlement Class Members against the Released Parties with respect to the  
13 Settled Claims. Accordingly, unless the Court's Order and Final Judgment  
14 approving the Settlement does not become Final, the Settling Parties agree not to  
15 assert in any forum that the Litigation was brought by Plaintiffs or defended by the  
16 Defendants in bad faith or without a reasonable basis. Additionally, the Settling  
17 Parties shall not assert any claims of any violation of Rule 11 of the Federal Rules  
18 of Civil Procedure relating to the prosecution, defense, or settlement of the  
19 Litigation. The Settling Parties agree that the amount paid and the other terms of  
20 the Settlement were negotiated at arm's-length in good faith by the Settling Parties,  
21 and reflect a settlement that was reached voluntarily after consultation with  
22 experienced legal counsel.

23 15. The headings in this Stipulation are used for purposes of  
24 convenience and ease of reference only and are not meant to have any legal effect,  
25 nor are they intended to influence the construction of this Stipulation in any way.

26 16. The waiver of one Settling Party of any breach of this Stipulation  
27 by any other Settling Party shall not be deemed a waiver of any other breach of this  
28 Stipulation. The provisions of this Stipulation may not be waived except by a

1 writing signed by the affected Settling Party or counsel for that Settling Party. No  
2 failure or delay on the part of any Settling Party in exercising any right, remedy,  
3 power, or privilege under this Stipulation shall operate as a waiver thereof or of  
4 any other right, remedy, power, or privilege of such Settling Party under this  
5 Stipulation; nor shall any single or partial exercise of any right, remedy, power, or  
6 privilege under this Stipulation on the part of any Settling Party operate as a waiver  
7 thereof or of any other right, remedy, power, or privilege of such Settling Party  
8 under this Stipulation, or preclude further exercise thereof or the exercise of any  
9 other right, remedy, power, or privilege.

10 17. The Settling Parties agree that nothing contained in this  
11 Stipulation shall cause any Settling Party to be the agent or legal representative of  
12 another Settling Party for any purpose whatsoever, nor shall this Stipulation be  
13 deemed to create any form of business organization between the Settling Parties,  
14 nor is any Settling Party granted any right or authority to assume or create any  
15 obligation or responsibility on behalf of any other Settling Party, nor shall any  
16 Settling Party be in any way liable for any debt of another Settling Party as a result  
17 of this Stipulation except as explicitly set forth herein.

18  
19 **THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK**  
20  
21  
22  
23  
24  
25  
26  
27  
28

1  
2 Dated: March 26, 2015

3 **THE ROSEN LAW FIRM, P.A.**

4  
5 By: /s/ Laurence M. Rosen  
6 Laurence M. Rosen, Esq.  
7 Yu Shi, Esq.  
8 355 South Grand Avenue, Suite 2450  
9 Los Angeles, CA 90071  
10 Telephone: (213) 785-2610  
11 Facsimile: (213) 226-4684  
12 Email: lrosen@rosenlegal.com

13 *Counsel for Lead Plaintiff*

14 **HORWITZ & ARMSTRONG LLP**

15 By: /s/ John R. Armstrong  
16 John R. Armstrong, Esq.  
17 26475 Rancho Parkway South  
18 Lake Forest, CA 92630  
19 Telephone: (949) 540-6540  
20 Facsimile: (949) 540-6578  
21 Email: jarmstrong@horwitzarmstrong.com

22 *Counsel for Defendants GrowLife, Inc.,  
23 Sterling C. Scott, John Genesi, Marco  
24 Hegyi, Rob Hunt, Eric Shevin, Alan  
25 Hammer, Anthony Ciabattone, and Jeff  
26 Giarraputo*