

**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ORANGE**

ODG SWEEGEN LLC, *et al.*, on behalf of
themselves and derivatively on behalf of
SWEEGEN, INC.,

Plaintiffs,

v.

STEVEN CHEN, *et al.*,

Defendants.

CASE NO. 30-2020-01140383-CU-BT-CXC
*Assigned to Hon. Glenda Sanders
Department CX101*

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF DERIVATIVE
ACTION**

**The Superior Court of California, County of Orange authorized this Notice. This is not a
solicitation from a lawyer.**

TO: ALL PERSONS AND ENTITIES WHO HOLD SWEEGEN, INC. COMMON STOCK AS
OF JULY 18, 2022:

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.

This Notice relates to a proposed settlement of the following derivative action brought in the Superior Court of California, County of Orange: *ODG SweeGen LLC, et al. v. Steven Chen, et al.*, Case No. 30-2020-01140383-CU-BT-CXC (the “Action”). Your rights may be affected by the proposed settlement.

THIS NOTICE PROVIDES ONLY A SUMMARY OF THE MATERIAL TERMS OF THE SETTLEMENTS AND RELEASES. You can obtain more information by reviewing the parties’ settlement agreement, which is available on Sweegen, Inc.’s (“Sweegen”) website at <https://sweegen.com/wp-content/uploads/2022/07/July-15-2022.pdf>.

Because the settlement involves the resolution of derivative claims, which were brought on behalf and for the benefit of Sweegen, the benefits from the settlement will go to Sweegen. Individual non-party Sweegen shareholders will not receive any payment from the settlement. **ACCORDINGLY, THERE IS NO PROOF OF CLAIM FORM FOR SHAREHOLDERS TO SUBMIT IN CONNECTION WITH THIS SETTLEMENT.**

WHAT IS THE PURPOSE OF THIS NOTICE?

1. The purpose of this notice is to explain the Action, the terms of the proposed settlement of the action, and how the proposed settlement affects Sweegen shareholders.
2. The Superior Court of California, County of Orange (the “Court”) will hold a hearing (“Settlement Hearing”) on September 30, 2022, at 1:30 p.m. at the Superior Court of California, County of Orange, Department CX101, 751 West Santa Ana Boulevard, Santa Ana, California 92701, at which the Court will consider whether a judgment should be entered (a) approving the terms of the settlement as fair, reasonable, and adequate, and in the best interests of Sweegen and Sweegen’s shareholders; (b) dismissing with prejudice the Action; and (c) considering any other matters that may properly be brought before the Court in connection with the settlement.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

THE FOLLOWING DESCRIPTION OF THE ACTION AND THE SETTLEMENT HAS BEEN JOINTLY PREPARED BY COUNSEL FOR THE SETTling PARTIES. THE COURT HAS MADE NO FINDINGS WITH RESPECT TO SUCH MATTERS, AND THIS NOTICE IS NOT AN EXPRESSION OR STATEMENT BY THE COURT OF FINDINGS OF FACT.

A. Factual Background

- a. The settlement arises out of the Action, which was brought by minority investors in Sweegen and which alleges, among other things, that Sweegen officers and its director purportedly breached their fiduciary duties due to alleged transactions between Sweegen and Sweegen-affiliated manufacturing and research-and-development companies also owned by certain Defendants.¹ Plaintiffs² allege derivative claims on behalf of Sweegen as well as direct claims on behalf of the individual Plaintiffs. In total, Plaintiffs brought (1) derivative and direct breach of fiduciary duty claims; (2) derivative and direct conversion claims; (3) derivative and direct aiding and abetting breach of fiduciary duty claims; (4) derivative and

¹ “Defendants” are Defendants Steven Chen, individually and as trustee of The Chen Family Living Trust DTD 7/16/2003; Min Wang Chen, individually and as trustee of The Chen Family Living Trust DTD 7/16/2003; Lucas Wenthe; Conagen, Inc.; Phyto Tech Corp. d/b/a Blue California; Bug Venture LLC; ProTab Laboratories; and Anhui Longking Biotechnology Co. Ltd., as well as Defendant, Nominal Defendant, and Cross-Complainant Sweegen, Inc. Defendants are also occasionally referred to herein as the “Company Parties.”

² “Plaintiffs” are Plaintiffs and Cross-Defendants ODG SweeGen LLC; Harold Handelsman as trustee of The Harold Handelsman Revocable Trust; Marstar Investments, LLC; John M. Pigott; John D. Howard; Barbara Womble; Christopher Bancroft; SweeGen Investment Fund, LLC; Steven Goodman as trustee of SHG Planning Inc. 401K; Evergreen Life in Respect of Its Segregated Account 191 (Louis Kreisberg); and Mark Mitchell, William Coleman, and Christopher Bancroft as trustees of The Hugh Bancroft Jr. Trust U/W Article Third.

direct accounting claims; (5) a claim for violation of California Corporations Code Section 1601; (6) derivative and direct unjust enrichment claims; (7) derivative and direct civil conspiracy claims; (8) alter ego liability; and (9) claims for violations of California and Nevada securities laws.

- b. Certain Plaintiffs are also claimants in an arbitration against Sweegen, which is pending in Delaware before Bennett Picker of the American Arbitration Association (AAA Case No. 01-20-0005-4722) (the “Arbitration”). The Arbitration involves allegations against Sweegen relating to a Note and Warrant Purchase Agreement (“NPA”) by which certain investors, including certain Plaintiffs and other claimants (the “Noteholders”), acquired notes issued by Sweegen in the total principal amount of \$11,990,000 (the “Notes”).
- c. Defendants have vigorously and generally denied all of Plaintiffs’ allegations. Defendants contend that Plaintiffs were provided with full access to a comprehensive data room and detailed investor presentations that explained the business relationships between Sweegen and the defendant entities, as well as the relationships’ significant benefits to Sweegen and its shareholders. Defendants have also asserted that the referenced transactions have resulted in highly favorable product pricing, intellectual property, and warehousing for Sweegen that would otherwise either be unavailable or exorbitantly expensive.

B. Procedural History

- a. On May 26, 2020, Plaintiffs filed the Action and moved for a preliminary injunction. On July 8, 2020, the trial court granted the motion. Plaintiffs filed a First Amended Complaint on September 29, 2020. Defendants and SweeGen filed demurrers for failure to state a claim, which were overruled on February 24, 2021. Plaintiffs then filed the operative Second Amended Complaint (“SAC”) pursuant to stipulation on September 23, 2021. On November 15, 2021, Defendants and Sweegen filed amended answers to the SAC.
- b. On March 17, 2021, Sweegen filed a cross-action against Plaintiffs, as well as Harold Handelsman, Brian Finn, Samuel Potter, and Louis Kreisberg (collectively, “Cross-Defendants”). The cross-complaint asserted three claims for declaratory relief and a claim for breach of the implied covenant of good faith and fair dealing, which stemmed from allegations that the Cross-Defendants had violated or threatened to violate confidentiality obligations owed to Sweegen. On April 23, 2021, Sweegen filed the operative First Amended Cross-Complaint (“FACC”). Cross-Defendants filed a motion to compel arbitration, which was partly granted and partly denied, and a demurrer, which was overruled. On October 25, 2021, Cross-Defendants filed their answer to the FACC.
- c. At the time of the settlement, the parties were engaged in various discovery disputes that had been referred to the Hon. Stephen J. Sundvold (Ret.) at JAMS,

including four pending motions to compel filed by Defendants that have yet to be heard.

- d. On December 30, 2021, the parties entered into a settlement agreement described below and available on Sweegen's website at <https://sweegen.com/wp-content/uploads/2022/07/July-15-2022.pdf>.
- e. On July 11, 2022, the Court granted Plaintiffs' motion for preliminary approval of the settlement, authorized this notice to be provided to current Sweegen shareholders and scheduled the Settlement Hearing to consider whether to grant final approval of the settlement.

WHAT ARE THE TERMS OF THE SETTLEMENT?

- 1. In consideration of the settlement and the releases provided therein, and subject to the terms and conditions of the settlement agreement, the parties have agreed to the following consideration for the benefit of Sweegen:
 - a. Sweegen will amend its bylaws to increase the total number of directors on the company's board of directors to be fixed at no fewer than three directors for a period of no less than three years and shall cause the appointment of two additional directors. At least one director shall be independent as defined by the New York Stock Exchange ("NYSE").
 - b. Sweegen will amend its bylaws to require that the company obtain annual audited financial statements from a qualified, independent auditor.
 - c. Sweegen will use commercially reasonable efforts to retain an experienced Chief Financial Officer ("CFO") who will be subject to the oversight of Sweegen's board of directors and will compile the company's official financial records. The CFO will be provided with access to information and documentation typically available to a CFO on an NYSE-listed company.
 - d. To resolve the issues in the Arbitration, and in exchange for an aggregate purchase price of \$13,411,417 (the original cost of the debt plus interest), the Noteholders agree to sell to Sweegen or any SweeGen designee all of the Notes and/or 1,024,554 shares of Sweegen common stock available pursuant to the Notes. Upon receipt of this purchase price, the 335,016 shares of Sweegen common stock that the Noteholders acquired through notices of exercise of their warrants in April 2021 shall be automatically and irrevocably canceled and extinguished; and (ii) the Noteholders and other claimants shall be deemed to have irrevocably abandoned and forfeited their rights pursuant to the Notes and the NPA, including any right or claim to any payments, any right or claim to any restricted stock units, any right or claim to a pledge or guaranty from Sweegen or any Defendant, and any right to any other cash or other consideration in any form whatsoever.

- e. Upon approval by this Court, the parties will dismiss with prejudice their respective pleadings and, following receipt by the Noteholders of the Purchase Price, dismiss with prejudice their respective pleadings in the Arbitration.
- f. Plaintiffs, Cross-Defendants, and Arbitration claimants (on one hand) and Sweegen and Defendants (on the other) will mutually release each other from all actual or potential claims, known or unknown, that could be raised prior to the execution of the settlement.
- g. The parties will bear their own attorneys' fees and costs in connection with the Action, the Arbitration, and the settlement.

WHAT ARE THE SETTLING PARTIES' REASONS FOR THE SETTLEMENT?

1. Why did Plaintiffs agree to settle?

- a. Plaintiffs' counsel has (1) researched the applicable law with respect to the claims asserted (or which could be asserted) in the Action and the potential defenses thereto; (2) researched, drafted, and filed their complaint, motion for preliminary injunction, and subsequent appellate briefing, as well as responded to demurrers and discovery motions; (3) prepared a detailed mediation statement; (4) reviewed Sweegen's public filings and press releases, as well as documents and information provided, including confidential documents and information; (5) participated in mediation with Defendants; and (6) engaged in extended settlement discussions with Defendants' counsel.
- b. In light of the benefits of the settlement for Sweegen and its shareholders, as well as to avoid the potentially protracted time, expense, and uncertainty associated with continued litigation, including a potential trial and appeal(s), Plaintiffs have concluded that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the settlement agreement. Plaintiffs and their counsel recognize the significant risk, expense, and length of continued proceedings necessary to prosecute the Action against Defendants through trial and through possible appeal(s). Plaintiffs' counsel have also taken into account the uncertain outcome and the risk of any litigation, especially complex litigation such as the Action, the difficulties and delays inherent in such litigation, and the cost to Sweegen (on behalf of which Plaintiffs filed their derivative claims). Based on their evaluation, and in light of what Plaintiffs' counsel believe to be the significant benefits conferred upon Sweegen as a result of the settlement, Plaintiffs and Plaintiffs' counsel have determined that the settlement is in the best interests of Plaintiffs and Sweegen and have agreed to settle the Action upon the terms and subject to the conditions set forth in the settlement agreement.

2. Why did Defendants and Sweegen agree to settle?

- a. Defendants deny and continue to deny that they have committed or attempted to commit any violations of law, any breaches of fiduciary duties owed to Sweegen, or any wrongdoing whatsoever. Defendants further deny that Plaintiffs, Sweegen, or its shareholders suffered any damage or were harmed as a result of any act, omission, or conduct by Defendants as alleged in the Action or otherwise. However, Defendants and Sweegen believe that the settlement is in the best interests of Sweegen, its shareholders, and its employees. Defendants and Sweegen are, therefore, entering into the settlement for its benefits and to eliminate the uncertainty, distraction, disruption, burden, risk, and expense of further litigation. Pursuant to the terms of the settlement, neither the settlement nor the settlement agreement's terms shall in any event be construed as, or deemed to be evidence of, an admission or concession by Defendants with respect to any claim of fault, liability, wrongdoing, or damage or any defect in the defenses that Defendants have, or could have, asserted.

WHAT WILL HAPPEN IF THE SETTLEMENT IS APPROVED? WHAT CLAIMS WILL THE SETTLEMENT RELEASE?

1. If the settlement is approved, the Court will enter a judgment. Pursuant to the judgment, the Action, including the derivative claims, will be dismissed in its entirety and with prejudice and, upon the dismissal of the Action and the related Arbitration, the following releases will occur:
2. **Release of Claims by Plaintiffs.** Plaintiffs, on behalf of themselves and their trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, investors (either direct or indirect) and successors, and each of their respective trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, investors (either direct or indirect) and successors, and any other person or entity claiming an interest by, through or under any of the foregoing (collectively, the "Complainant Releasing Parties") will knowingly and voluntarily forever waive and release all claims, known or unknown, suspected or unsuspected, foreseen or unforeseen, actual or potential, at law or in equity, which the Complainant Releasing Parties, or any of them, had, have, or may have against the Company Parties, and each of their trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, non-Complainant Releasing Parties shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, and successors, and each of their respective trustees, estates, administrators, executors, current and former

spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, non-Complainant Releasing Parties shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, and successors, and any other person or entity claiming an interest through any of the foregoing (collectively, the “Company Released Parties”), including any and all charges, complaints, claims, liabilities, obligations, promises, agreements, contracts, controversies, damages, actions, causes of action, rights in action, choses in action, remedies, disputes, accounts, penalties, counterclaims, suits, demands, costs, losses, debts and expenses of any kind or nature whatsoever, including rights to attorneys’ fees, costs, punitive, incidental, indirect, special and consequential damages and equitable relief, based on events or actions occurring at any time up to and including the execution and delivery of the settlement agreement by all parties hereto (“Full Execution”) at law, equity, or otherwise whether known or unknown, suspected or unsuspected, fixed or contingent, joint or several, direct or indirect, foreseen or unforeseen, actual or potential, hidden or concealed, asserted or unasserted, which the Complainant Releasing Parties, or any of them, had, have or may have against the Company Released Parties, or any of them, including but not limited to any and all claims or causes of action that were or could have been asserted in the Action and/or the Arbitration (collectively, the “Complainant Released Liabilities”).

3. **Release of Claims by Defendants.** The Company Parties, on behalf of themselves and their trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, investors (either direct or indirect) and successors, and each of their respective trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, investors (either direct or indirect) and successors, and any other person or entity claiming an interest by, through or under any of the foregoing (collectively, the “Company Releasing Parties”) will knowingly and voluntarily forever waive and release all claims, known or unknown, suspected or unsuspected, foreseen or unforeseen, actual or potential, at law or in equity, which the Company Releasing Parties, or any of them, had, have, or may have against Plaintiffs, and each of their trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset purchasers, privies, and successors, and each of their respective trustees, estates, administrators, executors, current and former spouses, ancestors, predecessors, current and former officers, directors, managers, partners, joint venturers, shareholders, members, employees, agents, advisors, consultants, servants, attorneys, representatives, subsidiaries, parents, affiliated entities, assigns, heirs, children, families, asset

purchasers, privies, and successors, and any other person or entity claiming an interest through any of the foregoing (collectively, the “Complainant Released Parties”), including any and all charges, complaints, claims, liabilities, obligations, promises, agreements, contracts, controversies, damages, actions, causes of action, rights in action, choses in action, remedies, disputes, accounts, penalties, counterclaims, suits, demands, costs, losses, debts and expenses of any kind or nature whatsoever, including rights to attorneys’ fees, costs, punitive, incidental, indirect, special and consequential damages and equitable relief, based on events or actions occurring at any time up to and including the Full Execution of the settlement agreement at law, equity, or otherwise whether known or unknown, suspected or unsuspected, fixed or contingent, joint or several, direct or indirect, foreseen or unforeseen, actual or potential, hidden or concealed, asserted or unasserted, which the Complainant Releasing Parties, or any of them, had, have or may have against the Company Released Parties, or any of them, including but not limited to any and all claims or causes of action that were or could have been asserted in the Action and/or the Arbitration (collectively, the “Company Released Liabilities”).

WHEN AND WHERE WILL THE SETTLEMENT HEARING BE HELD? DO I HAVE THE RIGHT TO APPEAR AT THE SETTLEMENT HEARING?

1. The Court will consider the settlement at the Settlement Hearing. The Settlement Hearing will be held before the Honorable Glenda Sanders, on September 30, 2022, at 1:30 p.m., at the Superior Court of California, County of Orange, Department CX101, 751 West Santa Ana Boulevard, Santa Ana, California 92701. At the Settlement Hearing, the Court will consider whether a judgment should be entered (a) approving the terms of the settlement as fair, reasonable, and adequate; (b) dismissing with prejudice the Action; and (c) any other matters that may properly be brought before the Court in connection with the settlement.
2. Any Sweegen shareholder who holds shares of common stock as of the date of the Settlement Hearing may file a written objection to the proposed settlement, and appear and show cause, if he, she, or it has any cause, why the proposed settlement should not be approved. All persons desiring to object and appear and show cause are directed to send a written objection to Plaintiffs’ counsel below no later than September 15, 2022, which is fifteen (15) calendar days prior to the Settlement Hearing:

Plaintiffs’ Counsel:

Alison L. Plessman
Hueston Hennigan LLP
523 West 6th Street, Suite 400
Los Angeles, CA 90014
aplessman@hueston.com

3. Any Sweegen shareholder who holds shares of Sweegen common stock as of the date of the Settlement Hearing and who wishes to be heard orally at the Settlement Hearing must send a written objection to Plaintiffs' counsel at least fifteen (15) days before the Settlement Hearing in order to appear at the hearing.
4. Any objections, filings, and other submissions by non-parties (a) must state the name, address, and telephone number of the objector and, if represented by counsel, the name, address, and telephone number of his, her, or its counsel; (b) must be signed by the objector; (c) must contain a specific, written statement of the objection(s) and the specific reason(s) for the objection(s), including any legal and evidentiary support the objector wishes to bring to the Court's attention, and if the objector has indicated he, she, or it intends to appear at the Settlement Hearing, the identity of any witnesses the objector may call to testify and any exhibits the objector intends to introduce into evidence at the hearing; and (d) must include documentation sufficient to prove that the objector holds shares of Sweegen common stock as of the date of filing of the objection and will continue to hold those shares as of the date of the Settlement Hearing.
5. You may file a written objection without having to appear at the Settlement Hearing.
6. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. However, if you decide to hire an attorney, it will be at your own expense. If your attorney intends to appear at the Settlement Hearing and you have sent your written objection to Plaintiffs' counsel at least fifteen (15) calendar days prior to the Settlement Hearing, your attorney should file a notice of appearance with the Clerk of the Court and serve it on all counsel at the addresses set forth below, so that the notice is received on or before September 20, 2022, ten (10) calendar days before the Settlement Hearing:

Clerk of the Court:

Superior Court of California
County of Orange
Department CX101
Central Justice Center
Complex Civil Panel
751 West Santa Ana Blvd.
Santa Ana, CA 92701

Plaintiffs' Counsel:

Alison L. Plessman
Hueston Hennigan LLP
523 West 6th Street, Suite 400
Los Angeles, CA 90014
aplessman@hueston.com

Defendants' Counsel:

Gregory A. Nylén
Karin L. Bohmholdt
Greenberg Traurig, LLP
18565 Jamboree Road, Suite 500
Irvine, CA 92612
nyleng@gtlaw.com
bohmholdtk@gtlaw.com

Sweegen's Counsel:

Raymond B. Kim
Meylan Davitt Jain Arevian & Kim LLP
444 S. Flower Street, Suite 1850
Los Angeles, CA 90071
rkim@mdjalaw.com

7. Unless the Court orders otherwise, any person who does not make his, her, or its objection in the manner provided herein shall (a) be deemed to have waived and forfeited his, her, or its right to object to any aspect of the proposed settlement or appear at the Settlement Hearing; (b) be forever barred and foreclosed from objecting to the fairness, reasonableness, or adequacy of the settlement or the judgment to be entered approving the settlement; and (c) be deemed to have waived and be forever barred and foreclosed from being heard, in this or any other proceeding, with respect to any matters concerning the settlement.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

1. This notice does not purport to be a comprehensive description of the Action, all allegations and defenses related thereto, the terms of the settlement, or the Settlement Hearing. For a more detailed statement of the matters involved in the Action, you may inspect the pleadings, the settlement agreement, the orders entered by the Court, and other papers filed in the Action at the Office of the Clerk of the Court, Superior Court of California, County of Orange, 751 West Santa Ana Boulevard, Santa Ana, California 92701, during regular business hours of each business day. The court file may be accessed through the court's website: <https://www.occourts.org>. You may also view a copy of the settlement agreement on Sweegen's website at <https://sweegen.com/wp-content/uploads/2022/07/July-15-2022.pdf>.
2. If you have questions regarding the settlement, you may write or call Plaintiffs' counsel, as follows:

Alison L. Plessman

HUESTON HENNIGAN LLP
523 West 6th Street, Suite 400
Los Angeles, CA 90014
Tel.: (213) 788-4542
Email: aplessman@hueston.com

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE
COURT REGARDING THIS NOTICE.**

Dated: July 18, 2022

By Order of the Court
Superior Court of California
County of Orange