

SETTLEMENT AGREEMENT
BETWEEN
CONSUMER ADVOCACY GROUP, INC.
AND
KOLE IMPORTS, INC.

Consumer Advocacy Group, Inc. (“CAG”) and Kole Imports, Inc. (hereto referred to as “Kole”), (CAG and Kole collectively referred to herein as the “Parties”) enter into this agreement (“Settlement Agreement”) to settle CAG’s allegations that Kole violated Proposition 65 for the purpose of avoiding prolonged and costly litigation. The effective date of this Settlement Agreement shall be the date upon which it is fully executed by all Parties hereto (the “Effective Date”).

1.0 Introduction

1.1 CAG is a California-based entity that seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer and industrial products.

1.2 Kole previously sold, at various times, (1) Sterling Lumina Rubber Grip Flashlight product no. EC112 (“Flashlight”); (2) Sterling Auto Dash Tray product no. CA249 (“Tray”); (3) Sterling Tape Measure with Level 6 Feet product no. AC027 (“Tape Measure”); (4) Black polymetric handle of Handy Helpers® Stainless Steel Chopping Knife product no. HR034 (“Kitchen Knife”); (5) Bag Clips (“Clips”); (6) Can and Bottle Openers; (7) Grass Shears; (8) Kitchen Utensils; (9) Paper Clips; (10) Crimping Tools; (11) Suction Cup Hooks; and (12)

Barrel Bolts (referred to herein collectively as the “Covered Products”). The Covered Products are limited to those sold or distributed by Kole only.

1.3 CAG alleges that Flashlights, Trays, Tape Measures, Kitchen Knives, Bag Clips, Can and Bottle Openers, Grass Shears, Paper Clips and Barrel Bolts contain lead, and that Kole did not provide a required warning in compliance with the California Safe Drinking Water and Toxic Enforcement Act (*Cal. Health & Safety Code § 25249.5, et seq.* (“Proposition 65”)).

1.4 CAG alleges that Kitchen Utensils, Crimping Tools, and Suction Cup Hooks contain Di (2-ethylhexyl) phthalate (DEHP), also known as Diethyl Hexyl Phthalate and Bis (2-ethylhexyl) phthalate, and that Kole did not provide a required warning in compliance with the California Safe Drinking Water and Toxic Enforcement Act (*Cal. Health & Safety Code § 25249.5, et seq.* (“Proposition 65”)).

1.5 On January 1, 1988, the Governor of California added DEHP to the list of chemicals known to the State to cause cancer, and on October 24, 2003, the Governor added DEHP to the list of chemicals known to the State to cause developmental male reproductive toxicity. These additions took place more than twenty (20) months before CAG served its “Sixty-Day Notice of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” which is further described below.

1.6 On February 27, 1987, the Governor of California added Lead to the list of chemicals known to the State to cause reproductive toxicity (*Cal. Code Regs. tit. 27, § 27001(c)*). Lead is known to the State to cause developmental, female,

and male reproductive toxicity. Pursuant to Health and Safety Code sections 25249.9 and 25249.10, twenty (20) months after addition of Lead to the list of chemicals known to the State to cause reproductive toxicity, Lead became fully subject to Proposition 65 warning requirements and discharge prohibitions.

1.7 On October 1, 1992, the Governor of California added Lead and Lead compounds to the list of chemicals known to the State to cause cancer (*Cal. Code Regs.* tit. 27, § 27001(b)). Pursuant to Health and Safety Code sections 25249.9 and 25249.10, twenty (20) months after addition of Lead and lead compounds to the list of chemicals known to the State to cause cancer, Lead and lead compounds became fully subject to Proposition 65 warning requirements and discharge prohibitions.

1.8 DEHP and lead are referred to hereafter as the “Listed Chemicals.”

1.9 On or about June 14, 2010, CAG served Kole and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding the Flashlight, Tray, and Tape Measure alleging that such products contained lead and further alleging that Kole had failed to provide a warning in compliance with Proposition 65.

1.10 On or about November 2, 2010, CAG served Kole, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding the Kitchen Knife alleging that such product contained lead

and further alleging that Kole had failed to provide a warning in compliance with Proposition 65.

1.11 On or about May 26, 2011, CAG served Kole, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Bag Clips alleging that such product contained lead and further alleging that Kole had failed to provide a warning in compliance with Proposition 65.

1.12 On or about July 19, 2011, CAG served Kole, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Can and Bottle Openers and Grass Shears alleging that such products contained lead and further alleging that Kole had failed to provide a warning in compliance with Proposition 65.

1.13 On or about February 23, 2012, CAG served Kole and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Kitchen Utensils containing DEHP.

1.14 On or about May 11, 2012, CAG served Kole and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Paper Clips alleging that such products contained lead and

further alleging that Kole had failed to provide a warning in compliance with Proposition 65.

1.15 On or about December 11, 2012, CAG served Kole, and certain relevant public enforcement agencies with documents entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” regarding Crimping Tools and Suction Cup Hooks alleging that such products contained DEHP, and also regarding Barrel Bolts alleging that such products contained lead, and further alleging that Kole had failed to provide warnings in compliance with Proposition 65.

1.16 The Sixty-Day Notices (referred to as “Notices”) alleged that Kole violated Proposition 65 by failing to warn consumers in California that use of the Covered Products expose persons to the Listed Chemicals.

1.17 The Parties enter into this Settlement Agreement to settle disputed claims between the Parties as set forth below concerning the Parties’ and the Covered Products compliance with Proposition 65 (the “Dispute”).

1.18 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, any facts or conclusions of law regarding any violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law, or violation of law. Nothing in this Settlement Agreement, nor compliance with its terms, shall constitute or be construed, considered, offered, or admitted as evidence of an admission or evidence of fault,

wrongdoing, or liability by Kole, its officers, directors, employees, or parents, subsidiaries or affiliated corporations, in any administrative or judicial proceeding or litigation in any court, agency, or forum. Except for the allegations settled and compromised, nothing in this Settlement Agreement shall prejudice, waive, or impair any right, remedy, argument, or defense that CAG or Kole may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

2.0 Release

This Settlement Agreement is a full, final, and binding resolution between CAG, on the one hand, and (a) Kole, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns (collectively “Releasees”) and (b) all entities to whom Releasees directly or indirectly provide, distribute or sell the Covered Products, including but not limited to distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees (collectively “Downstream Releasees”), on the other hand, of any violation or claimed violation of Proposition 65 or any statutory or common law claim that has been or could have been asserted against the Releasees and Downstream Releasees regarding exposing persons to the Listed Chemicals and the failure to warn about exposure to the Listed Chemicals arising only in connection with the Covered Products manufactured, shipped and/or otherwise distributed prior to the Effective Date, even if sold by Downstream Releasees after the Effective Date. The Covered Products are limited to those sold or distributed by Kole. Kole’s

compliance with this Settlement Agreement shall constitute compliance with Proposition 65 with respect to the Listed Chemicals in the Covered Products for both Releasees and Downstream Releasees for any Covered Products distributed and/or sold by Releasees or Downstream Releasees after the Effective Date. CAG, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives and releases with respect to the Covered Products all rights to institute or participate in, directly or indirectly, any form of legal action, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses (including, but not limited to, investigation fees, expert fees, and attorneys' fees) (collectively "Claims"), against Releasees and/or Downstream Releasees that arise under Proposition 65 or any other statutory or common law claims that were or could have been asserted, only to the extent that such claims relate to Releasees' and/or Downstream Releasees' alleged exposure of persons to the Listed Chemicals contained in the Covered Products or any failure by Releasees and Downstream Releasees to warn about exposures to the Listed Chemicals contained in the Covered Products. CAG acknowledges that it is familiar with Section 1542 of Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

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

3.0 Kole's Duties

3.1 Kole agrees, promises, and represents that immediately after the Effective Date of this Settlement Agreement, it will only purchase or otherwise acquire Covered Products that meet the following maximum limits: (a) lead shall not exceed 100 ppm and (b) DEHP shall not exceed 0.1%. 3.2 Kole agrees, promises, and represents that, as of the Effective Date, to the extent it ships or otherwise distributes any Covered Products in its inventory that have not been reformulated pursuant to the levels set forth in Paragraph 3.1, it will provide warnings on such Covered Products that comply with Proposition 65. The warnings shall be provided in such a conspicuously and prominent manner that will assure the message is made available and likely to be read, seen, or heard by the consumer prior to or at the time of the sale or purchase. The Parties agree that product labeling stating that "This product contains chemicals known to the State of California to cause cancer, or birth defects, or other reproductive harm" shall constitute compliance with Proposition 65 with respect to the Listed Chemicals in

the Covered Products for any Covered Products in inventory that had not been reformulated and are distributed and/or sold by Releasees or Downstream Releasees after the Effective Date.

4.0 Payments

4.1 Kole agrees, to pay a total of one hundred thousand dollars (\$100,000.00) by or on May 2, 2013 by separate checks apportioned as follows:

4.1.1 Payment to CAG: Twelve thousand dollars (\$12,000) shall be paid to Consumer Advocacy Group, Inc. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 610E, Beverly Hills, California 90212. By the Effective Date, CAG shall provide Kole with CAG's Employer Identification Number.

4.1.2 Attorneys' Fees and Costs: Eighty-seven thousand dollars (\$87,000) of such payment shall be paid to Yeroushalmi & Associates, as CAG's attorneys, for reasonable investigation, consultants' and experts' fees and costs, attorneys' fees, and any other costs incurred as a result of investigating and bringing this matter to Kole's attention. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 610E, Beverly Hills, California 90212. By the Effective Date, Yeroushalmi & Associates shall provide Kole with its Employer Identification Number.

4.1.3 Penalty: Kole shall issue two separate checks for a total amount of

one thousand dollars (\$1,000) as penalties pursuant to Health & Safety Code § 25249.12: (a) one check made payable to the State of California's Office of Environmental Health Hazard Assessment (OEHHA) in the amount of seven hundred and fifty dollars (\$750), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of two hundred and fifty dollars (\$250), representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: The first 1099 shall be issued to OEHHA, P.O. Box 4010, Sacramento, CA 95184 (EIN: 68-0284486) in the amount of \$750. The second 1099 shall be issued in the amount of \$250 to CAG and delivered to: Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 610E, Beverly Hills, California 90212.

5.0 Authority to Enter Into Settlement Agreement

5.1 CAG represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind CAG to this Settlement Agreement.

5.2 Kole represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Kole to this Settlement Agreement.

6.0 Report of the Settlement Agreement to the Office of the Attorney General Of California

6.1 CAG shall report this Settlement Agreement to the Attorney General's Office within five (5) days of the Parties' execution of this Settlement Agreement.

7.0 Execution in Counterparts and Facsimile

7.1 This Settlement Agreement may be executed in counterparts, which taken together shall be deemed to constitute the same document. A facsimile or portable document format (PDF) signature shall be as valid as the original.

8.0 Modification of Settlement Agreement

8.1 Any modification to this Settlement Agreement shall be in writing and signed by the Parties.

9.0 Application of Settlement Agreement

9.1 This Settlement Agreement shall apply to, be binding upon, and inure to the benefit of, CAG and the Releasees and Downstream Releasees identified in Section 2 above.

10.0 Enforcement of Settlement Agreement

10.1 Any party may file suit before the Superior Court of the County of Los Angeles, consistent with the terms and conditions set forth in paragraphs 11.2 and 11.3 of this Settlement Agreement, to enforce the terms and conditions contained in this Settlement Agreement. The prevailing party shall be entitled to its reasonable attorneys' fees and costs associated with such enforcement.

10.2 No action to enforce this Settlement Agreement may be commenced or maintained, and no notice of violation related to the Covered Products may be served or filed against Kole by CAG, unless the party seeking enforcement or alleging violation notifies the other party of the specific acts alleged to breach this Settlement Agreement at least 90 days before serving or filing any action or Notice of Violation and the entity receiving the notice fails to comply with the

requirements set forth in Section 11.3 below. Any notice to Kole must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation or a compliant Proposition 65 warning as provided herein, (c) the store or other place at which the product was available for sale to consumers, and (d) any other evidence or other support for the allegations in the notice.

10.3 Within 30 days of receiving the notice described in Section 11.2, Kole shall either (1) send the store or other place at which the product was available for sale to the public a letter directing that the offending product be immediately removed from inventory and returned to Kole for full credit, including shipping costs, or (2) refute the information provided under Section 11.2. Should the parties be unable to resolve the dispute, any party may seek relief under Section 11.1.

11.0 Notification Requirements

11.1 Any notice required or permitted hereunder shall be effective only if given in writing and delivered in person, certified or registered mail return receipt requested, or traceable overnight delivery service, to the following designees:

For CAG:

Reuben Yeroushalmi
YEROUSHALMI & ASSOCIATES
9100 Wilshire Boulevard, Suite 610E
Beverly Hills, CA 90212

For Kole:

Jennifer Taggart
DEMETRIOU, DEL GUERCIO, SPRINGER & FRANCIS, LLP

700 S. Flower St., Suite 2325
Los Angeles, CA 90017

Any party may change its designee(s) for purposes of notification by providing written notice of such change pursuant to this section.

13.0 SEVERABILITY

13.1 If, subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are held by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected.

14.0 GOVERNING LAW

14.1 The terms of this Settlement Agreement shall be governed by the laws of the State of California and apply within the State of California. In the event that Proposition 65 is repealed, preempted or is otherwise rendered inapplicable by reason of law generally, or as to the Listed Chemical and/or the Covered Products, then Kole shall provide written notice to CAG of any asserted change in the law, and shall have no further obligations pursuant to this Settlement Agreement with respect to, and to the extent that, the Covered Products are so affected.

CONSUMER ADVOCACY GROUP, INC.

Dated: _____

By: _____

Printed Name: _____

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CONSUMER ADVOCACY GROUP, INC.

Dated: 5-6-13

By: _____

Printed Name: MICHEL SASSOON

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Settlement Agreement Between
Consumer Advocacy Group, Inc. and Kole Imports, Inc.

Title: Executive Director

Dated: 5/7/13

KOLE IMPORTS, INC.

By: 

Printed Name: ROBERT KIM

Title: President