

SETTLEMENT AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

NORTHGATE GONZALEZ, INC., NORTHGATE GONZALEZ, LLC, AND
NORTHGATE GONZALEZ MARKETS, INC.

AND

ALI WHOLESALE SHOES, INC., ALI SANDALS.COM DBA
SLIPPERSANDSANDALS.COM, AND SHOE BOX TRADING

Consumer Advocacy Group, Inc. (“CAG”) and Northgate Gonzalez, Inc., Northgate Gonzalez, LLC, Northgate Gonzalez Markets, Inc. (collectively referred to herein as “Northgate”), and Ali Wholesale Shoes, Inc., Ali Sandals.Com Dba Slippersandsandals.com, and Shoe Box Trading (collective referred to as “Shoe Box”), (CAG, Northgate, and Shoe Box collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) to settle CAG’s allegations that Northgate and Shoe Box 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 Northgate and Shoe Box previously sold, at various times, (1) “Shoe Box, Foxy, Brown Women’s Flip Flops with Rhinestones, Item S10-6175” and

(2) “ ‘Shoe Box’, Pink Plastic Slippers, Item S11-6125K.” Shoe Box previously sold, at various times, (1) “Shoe Box” Pink Sandals #S11-6155 “RH-817” “37/235” and (2) “Shoe Box” “Foxy” White Sandals #S11-6155 “38” “XM-517.” (All products collective referred to throughout as the “Covered Products”).

1.3 CAG alleges that (1) “Shoe Box, Foxy, Brown Women’s Flip Flops with Rhinestones, Item S10-6175” and (2) “ ‘Shoe Box’, Pink Plastic Slippers, Item S11-6125K” contains Di (2-ethylhexyl) phthalate (DEHP), also known as Diethyl Hexyl Phthalate and Bis (2-ethylhexyl) phthalate, and Di-*n*-butyl Phthalate (DBP), also known as Dibutyl Phthalate and that Northgate and Shoe Box 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”). CAG further alleges that (1) “Shoe Box” Pink Sandals #S11-6155 “RH-817” “37/235” and (2) “Shoe Box” “Foxy” White Sandals #S11-6155 “38” “XM-517” contain DBP and that Shoe Box did not provide a required warning in compliance with Proposition 65.

1.4 On January 1, 1988, the Governor of California added Di (2-ethylhexyl) phthalate (DEHP) to the list of chemicals known to the State to cause cancer, and on October 24, 2003, the Governor added Di (2-ethylhexyl) phthalate (DEHP) to the list of chemicals known to the State to cause developmental male reproductive toxicity. On December 2, 2005, the Governor of California added Di-*n*-butyl Phthalate (DBP) to the list of chemicals known to the State to cause developmental, female, and male reproductive toxicity. All 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.

1.5 Di (2-ethylhexyl) phthalate (DEHP) and Di-*n*-butyl Phthalate (DBP) are referred to hereafter as the “Listed Chemicals.”

1.6 On or about October 6, 2011, CAG served Northgate and certain relevant public enforcement agencies with a document entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” (“Notice”). The Notice alleged that Northgate violated Proposition 65 by failing to warn consumers in California that use of “Shoe Box, Foxy, Brown Women’s Flip Flops with Rhinestones, Item S10-6175” exposes persons to DEHP and DBP.

1.7 On or about February 23, 2012, CAG served Shoe Box and certain relevant public enforcement agencies with a document entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” (“Notice”). The Notice alleged that Shoe Box violated Proposition 65 by failing to warn consumers in California that use of (1) “Shoe Box” Pink Sandals #S11-6155 “RH-817” “37/235” and (2) “Shoe Box” “Foxy” White Sandals #S11-6155 “38” “XM-517” exposes persons to DBP.

1.8 On or about March 6, 2012, CAG served Northgate, Shoe Box, and certain relevant public enforcement agencies with a document entitled “Sixty-Day Notice Of Intent To Sue For Violations Of The Safe Drinking Water And Toxic Enforcement Act of 1986” (“Notice”). The Notice alleged that Northgate and Shoe Box violated Proposition 65 by failing to warn consumers in California that

use that “ ‘Shoe Box’, Pink Plastic Slippers, Item S11-6125K” exposes persons to DEHP and DBP.

1.9 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”).

1.10 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 Northgate or Shoe Box, 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 Northgate or Shoe Box 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) Northgate, Shoe Box, 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 ("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.

Northgate's and Shoe Box'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.

It is intended by the Parties that the releases provided in this Paragraph 2.0 shall prevent CAG from asserting any Claims against Releasees and/or Downstream Releasees that arise under Proposition 65 or any other statutory or common law, to the extent that such claims relate to Releasees' and/or Downstream Releasees' alleged exposure of persons to the Listed Chemicals or any failure by Releasees and Downstream Releasees to warn about exposures to the Listed Chemicals in the Covered Products.

CAG, its past and current agents, representatives, attorneys, successors, and/or assignees, provide a general release herein which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands of any nature, character or kind, known or unknown, suspected or unsuspected, against Releasees and Downstream Releasees arising under Proposition 65, only to the extent that such claims relate to Releasees' alleged exposure of persons to the Listed Chemicals in the Covered Products, and the failure to warn about exposures to the Listed Chemicals contained in the Covered Products sold by Releasees and/or Downstream Releasees through the

Effective Date of this Settlement Agreement. 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 Northgate's and Shoe Box's Duties

3.1 Northgate and Shoe Box agree, promise, and represent that by the tenth day after the Effective Date of this Settlement Agreement, it will reformulate the Covered Products to a point where the level of DEHP in the Covered Products does not exceed 0.1% and the level of DBP in the Covered Products does not exceed 0.1%.

3.2 Northgate and Shoe Box agrees, promises, and represents that, as of the Effective Date, to the extent it ships any Covered Products in inventory that has not been reformulated, 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 Product in inventory that had not been reformulated and was distributed and/or sold by Releasees or Downstream Releasees after the Effective Date.

4.0 Payments

4.1 Within ten business (10) days after the Effective Date, Northgate and Shoe Box agree joint and severally, to pay a total of thirty-four thousand dollars (\$34,000.00) by separate checks apportioned as follows:

4.1.1 Payment to CAG: four thousand dollars (\$4,000.00) 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 Northgate and Shoe Box with CAG’s Employer Identification Number.

4.1.2 Attorneys’ Fees and Costs: twenty-nine thousand dollars (\$29,000.00) of such payment shall be paid to Yeroushalmi & Associates, as CAG’s attorneys, for reasonable investigation fees and costs, attorneys’

fees, and any other costs incurred as a result of investigating and bringing this matter to Northgate's and Shoe Box'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 Northgate and Shoe Box with its Employer Identification Number.

4.1.3 Penalty: Northgate and Shoe Box shall issue two separate checks for a total amount of one thousand dollars (\$1,000.00) 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 \$750.00, representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of \$250.00, 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 \$750.00. The second 1099 shall be issued in the amount of \$250.00 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 Northgate represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Northgate to this Settlement Agreement.

5.3 Shoe Box represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Shoe Box 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 Entire Agreement

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

9.0 Modification of Settlement Agreement

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

10.0 Application of Settlement Agreement

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

11.0 Enforcement of Settlement Agreement

11.1 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.

11.2 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 Northgate and Shoe Box by CAG, unless the party seeking enforcement or alleging violation notifies the other party of the specific future 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 Northgate or Shoe Box must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without either reformulation or a Proposition 65 compliant warning, (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.

11.3 Within 30 days of receiving the notice described in Section 11.2, Northgate and/or Shoe Box 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 Northgate and/or Shoe Box 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.

12.0 Notification Requirements

12.1 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
Fax: 310.623.1930

For Northgate:

Miguel Gonzalez
Northgate Gonzalez, Inc.
1201 N. Magnolia Avenue
Anaheim, CA 92801-2609

With a copy to:

Brown & Streza, LLP
40 Pacifica, Suite 1500
Irvine, CA 92618
Fax: (949) 453-2916

For Shoe Box;

CeQin Chen
Ali Wholesale Shoes, Inc.
9639 East Rush Street
South El Monte, CA 91733

With a copy to:

Angelica Leon, Esq.
Beverly Hills Law Associates
9461 Charleville Blvd. #613
Beverly Hills, CA 90212
Fax: (310) 552-7891

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 Chemicals and/or the Covered Products, then Northgate and Shoe Box 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: 5-15-12

By: 

Printed Name: MICHAEL SISKOWAK

Title: EXECUTIVE DIRECTOR

NORTHGATE GONZALEZ, INC., a
California corporation

Dated: 5/8/12

By: 

Printed Name: MIGUEL GONZALEZ

Title: PRESIDENT

NORTHGATE GONZALEZ, LLC, a
California limited liability company

Dated: 5/8/12

By: 

Printed Name: MIGUEL GONZALEZ

Title: PRESIDENT

NORTHGATE GONZALEZ MARKETS,
INC., a California corporation

Dated: 5/8/12

By: 

Printed Name: MIGUEL GONZALEZ

Title: PRESIDENT

ALI WHOLESALE SHOES, INC.,
ALI SANDALS.COM DBA
SLIPPERSANDSANDALS.COM, AND
SHOE BOX TRADING.

Dated: _____

By: _____

Printed Name: _____

Title: _____

