

SETTLEMENT AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

SHAI INTERNATIONAL, INC.

Consumer Advocacy Group, Inc. (“CAG”) and Shai International, Inc. (hereto referred to as “Shai”), (CAG and Shai collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) for the purpose of avoiding prolonged and costly litigation to settle CAG’s allegations that Shai violated Proposition 65. 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 Shai previously sold, at various times, Computer Cameras, including but not limited to Smart Webcam® “No software installation required” 3.0 Mega Pixels, 3 Strong White LED, 800 x 600, Built-in Microphone, Item No. 85491 (“Cameras”) and Emergency Roadside Kits with Tools, including but not limited to “Steel Bolts® Emergency Roadside Safety Kit” “30 PCS Tool Set” “Next Products USA LLC”, UPC #3 17211 855771” (hereinafter “Kits”) (Both Cameras and Kits herein referred to throughout as the “Covered Products”). The Covered Products are limited to those sold by Shai only.

1.3 CAG alleges that Covered Products contain lead, and that Shai did not provide required warnings in compliance with the California Safe Drinking Water and Toxic Enforcement Act (*Cal. Health & Safety Code § 25249.5, et seq.* (“Proposition 65”)).

1.4 On February 27, 1987, the Governor of California added lead and lead compounds to the list of chemicals known to the State to cause reproductive toxicity, reproductive, female, male, and on October 1, 1992, the Governor added lead to the list of chemicals known to the State to cause cancer. Both additions took place more than twenty (20) months before CAG served this Notice.

1.5 Lead is referred to hereafter as the “Listed Chemical”.

1.6 On or about February 28, 2012, CAG served, Next Products (USA) LLC, Next Product Limited, The Multitex Group, Shenzhen City Hongsamde Digital Ltd., The TJX Companies, Inc. dba T.J. Maxx, T.J. Maxx of CA, LLC, P2F Holdings, Milen, 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 Cameras containing the Listed Chemical. (Herein referred to as the “February 28, 2012 Notice.”)

1.7 On or about February 11, 2013, CAG served, Next Products (USA) LLC, Next Product Limited, The Multitex Group, Ross Stores, Inc. dba dd’s Discounts, 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 Kits containing the Listed Chemical. (Herein referred to as the “February 11, 2013 Notice.”)

1.8 The February 28, 2012 Notice and the February 11, 2013 Notice (together herein referred to as “The Notices”) alleged that the noticed parties violated Proposition 65 by failing to warn consumers in California that use of the Covered Products exposes persons to the Listed Chemical.

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 Shai, 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 Shai 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, acting in its individual capacity, on the one hand, and (a) Shai, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, insurers, attorneys, predecessors, successors, and assigns, including Next Products (USA), LLC, (collectively “Releasees”) of any violation(s) or claimed violation(s) of Proposition 65 or any statutory or common law claim that has been, could have been or may in the future be asserted against the Releasees regarding exposing persons to the Listed Chemical and the failure to warn about exposure to the Listed Chemical arising only in connection with the Covered Products manufactured, shipped, and/or otherwise distributed prior to the Effective Date, even if sold by Releasees after the Effective Date. The Covered Products are limited to those sold by Shai.

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 that arise under Proposition 65 or any other statutory or common law claims that were or could

have been asserted in respect of any Covered Products sold up to the Effective Date, including without limitation to the extent that such claims relate to Releasees' alleged exposure of persons to the Listed Chemical contained in the Covered Products or any failure by Releasees to warn about exposures to the Listed Chemical 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 OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER 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 Shai's Duties

3.1 Shai agrees, promises, and represents that after the Effective Date Shai shall reformulate any Covered Products manufactured after the Effective Date to a

point where the level of Lead in the Covered Products does not exceed 100 parts per million.

3.2 Shai agrees, promises, and represents that, as of the Effective Date, to the extent it ships or sells any Covered Products in existing inventory that have 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 “WARNING: 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 Chemical in the Covered Products for any Covered Products in existing inventory that had not been reformulated and were distributed and/or sold by Releasees after the Effective Date.

4.0 Payments

4.1 Shai agrees, to pay a total of ninety thousand dollars (\$90,000.00) by separate checks apportioned as follows:

4.1.1 Payment to CAG: Five thousand dollars (\$5,000.00) shall be paid to Consumer Advocacy Group, Inc. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. By the

Effective Date, CAG shall provide Shai with CAG's Employer Identification Number.

4.1.2 Attorneys' Fees and Costs: Eighty thousand dollars (\$80,000.00) 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 Shai's attention. The check shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. By the Effective Date, Yeroushalmi & Associates shall provide Shai with its Employer Identification Number.

4.1.3 Penalty: Shai shall issue two separate checks for a total amount of five-thousand dollars (\$5,000) 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 three-thousand seven-hundred and fifty dollars (\$3,750.00), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of one-thousand two-hundred and fifty dollars (\$1,250.00), representing 25% of the total penalty. Both checks shall be delivered to: Reuben Yeroushalmi, Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, Beverly Hills, California 90212. Additionally, 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 \$3,750.00. The second 1099 shall be issued in the amount of \$1,250.00 to CAG and delivered to: Yeroushalmi & Associates, 9100 Wilshire Boulevard, Suite 240W, 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 Shai represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Shai 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 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 San Francisco, consistent with the terms and conditions set forth in paragraphs 10.2 and 10.3 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 Shai 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 10.3 below. Any notice to Shai must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation, (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 10.2, Shai 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 Shai for full credit, including shipping

costs, or (2) refute the information provided under Section 10.2. Should the parties be unable to resolve the dispute, any party may seek relief under Section 10.1.

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, Esq.
YEROUSHALMI & ASSOCIATES
9100 Wilshire Boulevard, Suite 240W
Beverly Hills, CA 90212

For Shai:

Manoj Mohnani
SHAI INTERNATIONAL, INC.
7764 San Fernando Rd., Ste. 11
Sun Valley, CA 91532

With a copy to:

Leon Small, Esq.
Leon Small, A.P.C.
16530 Ventura Blvd., Ste. 306
Encino, CA 91436

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 Shai 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.

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CONSUMER ADVOCACY GROUP, INC.

Dated: _____


By: _____

Printed Name: _____

Title: _____

SHAI INTERNATIONAL, INC.

Dated: 5-8-14

By: 

Printed Name: Mike Mohvani

Title: GM

CONSUMER ADVOCACY GROUP, INC.

Dated: 6-18-14

By:  _____

Printed Name: Michel Sassoon

Title: Executive Director

SHAI INTERNATIONAL, INC.

Dated: _____

By: _____

Printed Name: _____

Title: _____