

# **SETTLEMENT AGREEMENT**

## **1. INTRODUCTION**

### **1.1 Peter Englander and KAI, USA, Ltd.**

This Settlement Agreement is entered into by and between Peter Englander (“Englander”) and KAI, USA, Ltd. (“KAI”), with Englander and KAI collectively referred to as the “parties.” Englander is an individual residing in the State of California who seeks to promote awareness of exposure to toxic chemicals and to improve human health by reducing or eliminating hazardous substances contained in consumer and commercial products. Englander alleges that KAI employs ten or more persons and is a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code § 25249.6, *et seq.* (“Proposition 65”).

### **1.2 General Allegations**

Englander alleges that KAI has manufactured, imported, distributed, sold, and/or offered for sale in the State of California Shun Chef knife cases containing di (2-ethylhexyl) phthalate (“DEHP”), without the requisite Proposition 65 health hazard warnings. DEHP is known to the State of California to cause birth defects and other reproductive harm.

### **1.3 Product Description**

The products that are covered by this Settlement Agreement are defined as knife cases, including but not limited to, the *Shun Chef’s Knife Case, DM0881, #0000596395*, manufactured, imported, distributed, shipped, sold, and/or offered for sale or shipment by KAI in the State of California, hereinafter “Products.”

### **1.4 Notice of Violation**

On September 21, 2012, Englander served KAI and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided the recipients with notice of alleged violations of California Health & Safety Code §

25249.6 for failing to warn consumers and customers that the Products exposed users in California to DEHP. To the best of the parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

### **1.5 No Admission**

KAI denies the material, factual and legal allegations contained in Englander's Notice and maintains that all products that it has sold, manufactured, imported, distributed, and/or offered for sale in California, including the Products, have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by KAI of any fact, finding, issue of law, or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by KAI of any fact, finding, conclusion, issue of law, or violation of law. However, this section shall not diminish or otherwise affect KAI's obligations, responsibilities, and duties under this Settlement Agreement.

### **1.6 Effective Date**

For purposes of this Settlement Agreement, the term "Effective Date" shall mean January 8, 2013.

## **2. INJUNCTIVE RELIEF: REFORMULATION**

### **2.1 Reformulated Products**

Commencing on the Effective Date and continuing thereafter, KAI agrees that the Products it manufactures, imports, distributes, ships, sells or offers to ship for sale in California, will be "Reformulated Products." For purposes of this Settlement Agreement, Reformulated Products comply with the following content limits: DEHP in concentration less than 1,000 parts per million ("ppm") DEHP by weight in any Accessible Component (i.e. any component that may be touched or handled during a reasonably foreseeable use) when analyzed pursuant to EPA testing methodologies 3580A and 8270C, or equivalent methodologies utilized by state or federal agencies for the purpose of determining DEHP content in a solid substance.

### **3. PAYMENT OF PENALTIES**

#### **3.1 Initial Civil Penalty**

In settlement of all the claims referred to in this Settlement Agreement, KAI shall pay an initial civil penalty in the amount of One Thousand Dollars (\$1,000.00). The civil penalty shall be apportioned in accordance with California Health & Safety Code § 25249.12(c) & (d), with 75% of these funds remitted to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty remitted to Englander. KAI shall issue two separate checks for the penalty payment: (a) one check made payable to "The Chanler Group in Trust For OEHHA" in the amount of \$750.00 representing 75% of the total penalty; and (b) one check to "The Chanler Group in Trust for Peter Englander" in the amount of \$250.00, representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: (a) OEHHA, P.O. Box 4010, Sacramento, CA, 95814 (EIN: 68-0284486); and (b) Englander, whose information shall be provided five calendar days before the payment is due.

Payment shall be delivered to Englander's counsel on or before January 25, 2013, at the following address:

The Chanler Group  
Attn: Proposition 65 Controller  
2560 Ninth Street  
Parker Plaza, Suite 214  
Berkeley, CA 94710

#### **3.2 Final Civil Penalty**

Pursuant to Health & Safety Code § 25249.7(b), on April 8, 2013, KAI shall pay a final civil penalty in the amount of Seven Thousand Dollars (\$7,000.00). The final civil penalty shall be waived in its entirety, if, on or before April 8, 2013, an officer of KAI certifies to Englander's counsel, in writing, that all Products sold or offered for sale by KAI in California after April 8, 2013, are Reformulated Products, and that KAI will continue to do so after the date of certification.

Unless waived, the final civil penalty shall be allocated according to Health & Safety Code § 25249.7(c)(1) and (d), with seventy-five percent of the penalty payment earmarked for OEHHA, and the remaining twenty-five percent of the penalty earmarked for Englander. KAI shall issue two separate checks for the final penalty payment: (a) one check made payable to “The Chanler Group in Trust For OEHHA” in the amount of \$5,250.00 representing 75% of the total penalty; and (b) one check to “The Chanler Group in Trust for Peter Englander” in the amount of \$1,750.00, representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: (a) OEHHA, P.O. Box 4010, Sacramento, CA, 95814 (EIN: 68-0284486); and (b) Peter Englander, whose information shall be provided five calendar days before the payment is due. Payment shall be delivered to Englander’s counsel at the address listed in section 3.1 above.

**4. REIMBURSEMENT OF ATTORNEY’S FEES AND COSTS**

The parties acknowledge that Englander and his counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to them, thereby leaving this issue to be resolved after the material terms of the agreement had been settled. KAI then expressed a desire to resolve the fee and cost issue shortly after the other settlement terms had been finalized. The parties then attempted to (and did) reach an accord on the compensation due to Englander and his counsel under general contract principles and the private attorney general doctrine codified at California Code of Civil Procedure (“CCP”) § 1021.5, for all work performed through the mutual execution of this agreement. KAI shall reimburse Englander and his counsel Twenty Two Thousand Dollars (\$22,000.00) for fees and costs incurred as a result of investigating, bringing this matter to its attention, and negotiating a settlement. KAI shall issue a separate 1099 for fees and costs (EIN: 94-3171522), shall make the check payable to “The Chanler Group” and shall deliver payment on or before January 25, 2013, to the following address:

The Chanler Group  
Attn: Proposition 65 Controller  
2560 Ninth Street  
Parker Plaza, Suite 214  
Berkeley, CA 94710

5. **RELEASES**

5.1 **Englander's Release of KAI**

This Settlement Agreement is a full, final and binding resolution between Englander and KAI, of any violation of Proposition 65 that was or could have been asserted by Englander on behalf of himself, his past and current agents, representatives, attorneys, successors, assignees against KAI, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom KAI directly or indirectly distributes or sells Products, including, but not limited, to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees (collectively, "Releasees"), based on their failure to warn about alleged exposures to DEHP contained in the Products that were manufactured, distributed, shipped, sold and/or offered for sale or shipment by KAI in California prior to the Effective Date.

In further consideration of the promises and agreements herein contained, Englander on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that Englander may have, 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, but exclusive of fees and costs on appeal – limited to and arising under Proposition 65 with respect to DEHP in the Products manufactured, distributed, shipped, sold and/or offered for sale or shipment by KAI prior to the Effective Date (collectively "claims"), against KAI and Releasees.

## **5.2 KAI's Release of Englander**

KAI on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims against Englander and his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Englander and his attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

## **6. POST-EXECUTION CONVERSION TO CONSENT JUDGMENT**

Within twelve months of the execution of this Settlement Agreement, KAI may ask Englander, in writing, to file a complaint, incorporate the terms of this Settlement Agreement into a consent judgment, and seek the court's approval of the consent judgment pursuant to Health and Safety Code § 25249.7, or as may otherwise be allowed by law. If so requested, Englander agrees to reasonably cooperate with KAI, and the Parties and their respective counsel agree to mutually employ their best efforts to support the entry of a consent judgment by a superior court in California. Pursuant to Code of Civil Procedure sections 1021 and 1021.5, KAI will reimburse Englander and his counsel for their reasonable fees and costs incurred in filing the complaint, converting the Settlement Agreement into a proposed consent judgment and seeking judicial approval of the consent judgment, in an amount not to exceed \$15,000.00 exclusive of fees and costs that may be incurred on appeal. KAI will remit payment to The Chanler Group, at the address set forth in Section 4 above. Such additional fees shall be paid by KAI within ten days (10) after its receipt of monthly invoices from Englander for work performed under this paragraph.

## **7. SEVERABILITY**

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

**8. GOVERNING LAW**

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 if any of the provisions of this Settlement Agreement are rendered inapplicable or no longer require as a result of any such repeal or preemption or rendered inapplicable by reason of law generally as to the Products, then KAI shall provide written notice to Englander 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 Products are so affected. Nothing in this Settlement Agreement shall be interpreted to relieve KAI from an obligation to comply with any pertinent state or federal toxic control laws.

**9. ENTIRE AGREEMENT**

This Settlement Agreement contains the sole and entire agreement and understanding of the parties with respect to the entire subject matter hereof, and any and all prior discussions, negotiations, commitments and understandings related hereto. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any party hereto. No other agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the parties.

**10. NOTICES**

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class, (registered or certified mail) return receipt requested; or (ii) overnight courier on any party by the other party at the following addresses:

To KAI:

Takashi Hashimoto  
In-House Legal Counsel  
KAI USA Inc.  
18600 SW Teton Ave.  
Tualatin OR. 97062

To Englander:

Proposition 65 Coordinator  
The Chanler Group  
2560 Ninth Street  
Parker Plaza, Suite 214  
Berkeley, CA 94710-2565

With a copy to:

Kerry E. Shea, Esq.  
Davis Wright Tremaine, LLP  
505 Montgomery St., Ste. 800  
San Francisco, CA 94111.

Any party, from time to time, may specify in writing to the other party a change of address to which all notices and other communications shall be sent.

**11. COUNTERPARTS; FACSIMILE SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile or pdf signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. A facsimile or pdf signature shall be as valid as the original.

**12. COMPLIANCE WITH HEALTH & SAFETY CODE § 25249.7(f)**

Englander and his attorneys agree to comply with the reporting requirements referenced in Health & Safety Code § 25249.7(f).

**13. MODIFICATION**

This Settlement Agreement may be modified only by a written agreement of the parties.

**14. AUTHORIZATION**

The undersigned are authorized to execute this Settlement Agreement and have read, understood and agree to all of the terms and conditions contained herein.

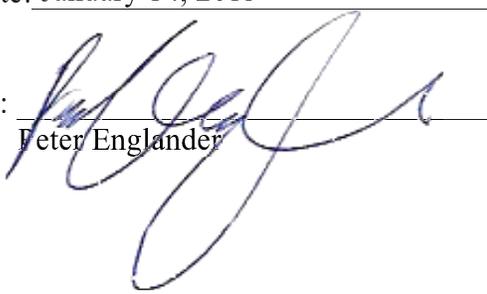
AGREED TO:

AGREED TO:

Date: January 14, 2013

Date: \_\_\_\_\_

By:

  
Peter Englander

By:

Mr. Hiroshi Igarashi  
Chief Operating Officer  
KAI, USA, Ltd.

With a copy to:

Kerry E. Shea, Esq.  
Davis Wright Tremaine, LLP  
505 Montgomery St., Ste. 800  
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AGREED TO:

AGREED TO:

Date: \_\_\_\_\_

Date: 1/22/2013

By: \_\_\_\_\_

Peter Englander



By: \_\_\_\_\_

Mr. Hiroshi Igarashi  
Chief Operating Officer  
KAI, USA, Ltd.