

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between John Moore (“Moore”), and Shanghai Lansheng Corporation (“SLC”), with Moore and SLC each individually referred to as a “Party” and collectively as the “Parties.” Moore is an individual residing in California who seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Moore alleges that SLC 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, Health and Safety Code section 25249.6 *et seq.* (“Proposition 65”).

1.2 General Allegations

Moore alleges that SLC manufactures for sale, exports for sale, distributes for sale, and/or otherwise offers for sale in California, vinyl/PVC rainwear containing DEHP without providing the clear and reasonable health hazard warning required by Proposition 65. DEHP is listed pursuant to Proposition 65 as a chemical that is known to the state of California to cause birth defects and other reproductive harm.

1.3 Product Description

The products covered by this Settlement Agreement are vinyl/PVC rainwear that are imported, manufactured, sold, or distributed for sale in California by SLC, including, but not limited to, the *Rain Poncho Light Duty Item No. 0044282, Model LS-RC001 UPC No. 6 62909 44282 6* (“Notice Exemplar”). All such vinyl/PVC rainwear containing DEHP is collectively referred to hereinafter as the “Products.”

1.4 Notice of Violation

On or about February 5, 2013, Moore served SLC, SLC’s retail customer in California, Lowe’s HIW, Inc. and Lowe’s Companies, Inc. (collectively “Lowe’s”), and the requisite public enforcement agencies with a 60-Day Notice of Violation (“Notice”), alleging that SLC and

Lowe's violated Proposition 65 by failing to warn their customers and consumers in California that the Products expose users 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. Subsequently, Moore served Lowe's with a Complaint (the "Complaint") alleging, inter alia, violations of Proposition 65, *Moore v. Lowe's Companies, Inc., et al.*, Alameda County Superior Court Case No. RG13664554.

1.5 No Admission

SLC denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products it has manufactured, sold, or distributed 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 SLC of any fact, finding, legal conclusion, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by SLC of any fact, finding, legal conclusion, issue of law, or violation of law, the same being specifically denied by SLC. This Section shall not, however, diminish or otherwise affect SLC'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 September 18, 2013.

2. INJUNCTIVE SETTLEMENT TERMS

2.1 Reformulated Products

By its signature on this Agreement, SLC certifies that as of the Effective Date of this Agreement it will only manufacture, ship, sell, or distribute for sale in California, Reformulated Products. For purposes of this Settlement Agreement "Reformulated Products" are Products that contain a maximum of 1,000 parts per million DEHP content by weight in any component analyzed pursuant to U.S. Environmental Protection Agency (EPA) testing methodologies

3580A and 8270C or equivalent methodologies utilized by U.S. state or federal agencies to determine DEHP content in a solid substance.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalties

Pursuant to Health and Safety Code section 25249.7(b), within five days of the Effective Date, SLC shall pay \$5,000 in civil penalties. The penalty payment shall be allocated according to Health and Safety Code section 25249.12(c)(1) and (d), with seventy-five percent of the penalty amount remitted to the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining twenty-five percent of the penalty payment remitted to Moore. SLC shall provide its payment in the form of two checks for the following amounts made payable to: (a) “The Chanler Group in Trust for OEHHA” in the amount of \$3,750; and (b) “The Chanler Group in Trust for John Moore” in the amount of \$1,250.

3.2 Attorneys’ Fees and Costs

The Parties reached an accord on the compensation due to Moore and his counsel under general contract principles and the private attorney general doctrine codified at Code of Civil Procedure section 1021.5 for all work performed in this matter. Under these legal principles, SLC agrees to pay \$29,500 for all fees and costs incurred investigating, bringing this matter to the attention of SLC’s management, and negotiating a settlement in the public interest. SLC shall deliver its payment to the address provided in Section 3.3 within five business days of the Effective Date in a check payable to “The Chanler Group”.

3.3 Payment Addresses

3.3.1 Payments to Moore and His Counsel. All payments to Moore and his counsel shall be delivered to:

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

3.3.2 Payments to OEHHA. Payments to OEHHA shall be delivered to one of the following addresses, as appropriate:

For United States Postal Service Delivery:

Mike Gyrics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Mike Gyrics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

4. CLAIMS COVERED AND RELEASED

4.1 Moore's Release of SLC

This Settlement Agreement is a full, final, and binding resolution between Moore and SLC of any violation of Proposition 65 that was or could have been asserted by Moore, on behalf of himself, or on behalf of his past and current agents, representatives, attorneys, successors, and assignees, against SLC, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom SLC directly or indirectly distributes or sells the Products, including, without limitation, its downstream distributors, wholesalers, customers (including, without limitation, Lowe's), retailers, franchisees, cooperative members, and licensees ("Releasees"), based on allegations of unwarned exposures to DEHP contained in Products manufactured, sold or distributed for sale by SLC in California prior to the Effective Date.

In further consideration of the promises and agreements contained herein, Moore, on behalf of his self, and on behalf of his past and current agents, representatives, attorneys, successors, and assignees, hereby waives all rights to institute or participate in, directly or

indirectly, any form of legal action, and releases all claims that he may have against SLC and Releasees, including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses, including, without limitation, investigation fees, expert fees, and attorneys' fees arising under Proposition 65 for exposures to DEHP from Products exported for sale, manufactured for sale, distributed for sale, or otherwise offered for sale in California by SLC and Releasees prior to the Effective Date.

Moore, in his individual capacity only and not in any representative capacity, provides 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 Moore, of any nature, character or kind, known or unknown, suspected or unsuspected, arising out of the subject matter of the Notice as to Products manufactured, distributed or sold by SLC and Releasees. Moore acknowledges that he is familiar with Section 1542 of the California 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.

Moore expressly waives and relinquishes any and all rights and benefits which he may have under, or which may be conferred on him by the provisions of Section 1542 of the California Civil Code as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that he may lawfully waive such rights or benefits pertaining to the released matters.

4.2 SLC's Release of Moore

SLC waives any and all claims against Moore 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 Moore and his attorneys and other representatives, whether in the course of

investigating claims, otherwise seeking enforcement of Proposition 65 against it in this matter, or with respect to the Products.

SLC acknowledges that it is familiar with Section 1542 of the California 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.

SLC expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on him by the provisions of Section 1542 of the California Civil Code 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.

5. ENFORCEMENT; ARBITRATION

Any dispute arising out of the terms, conditions, rights, or obligations established by this Settlement agreement, including the formation, interpretation, breach or termination thereof, at the election of the Party seeking to enforce the terms contained herein, be referred to and finally determined by arbitration in accordance with the JAMS International Arbitration Rules.

In such a case, the tribunal will consist of a sole arbitrator. The place of arbitration will be in either San Francisco, California or Hong Kong, China at the discretion of the Party alleging a breach or otherwise seeking to enforce the this Settlement Agreement. The language to be used in the arbitral proceedings will be English. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof, including those in Hong Kong, China or the United States. If either party successfully enforces the provisions of this Settlement Agreement in arbitration, the prevailing party shall be entitled to the reimbursement of its reasonable attorneys' fees and costs incurred obtaining such relief pursuant to Code of Civil Procedure section 1021.5.

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6. POST-EXECUTION CONSENT JUDGMENT

Within twelve months of the execution of this Settlement Agreement, SLC may request in writing that Moore draft and file a complaint, incorporate the terms of this Settlement Agreement into a proposed consent judgment providing a release for the Products in the public interest, and seek court approval of the consent judgment pursuant to Health and Safety Code section 25249.7, or as may be otherwise allowed by law. If requested, Moore and SLC agree to reasonably cooperate and to use their best efforts, and those of their counsel, to obtain an entry of judgment in accordance with the terms of this Settlement Agreement by a superior court in California in a timely manner.

Pursuant to Code of Civil Procedure sections 1021 and 1021.5, if so requested, SLC agrees to reimburse Moore and his counsel for the reasonable fees and costs incurred in connection with work performed pursuant to this section in an amount not to exceed \$15,000. In such a case, SLC agrees that, within ten business days of receiving an invoice from Moore's counsel for work performed under this Section, SLC will remit payment to the address provided in Section 3.3.

7. DISMISSAL OF LOWE'S COMPANIES, INC.

Within 15 days of Moore's receipt of SLC's payment of the civil penalty and attorneys' fee reimbursement required by Sections 3.1 and 3.2, Moore agrees to file a dismissal without prejudice of the entire action presently pending in *Moore v. Lowe's Companies, Inc., et al.*, Alameda County Superior Court Case No. RG13664554.

8. SEVERABILITY

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

9. 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.

10. NOTICE

When any Party is entitled to receive notice under this Settlement Agreement, the notice shall be sent by: (a) first class, registered or certified mail, return receipt or delivery confirmation requested; (b) personal delivery; or (c) a recognized overnight courier on any one Party by the other Party at the following addresses:

For Moore:

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

For SLC:

Zhang Hong, Presidednt
Shanghai Lansheng Corporation
1230 Zhongshan No. 1 Road (North)
Shanghai, 200437 China

with a copy to:

Peter Haviland, Esq.
Kaye Scholer, LLP
1999 Avenue of the Stars, Suite 1600
Los Angeles, CA 90067-6048

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

11. PUBLIC ENFORCEMENT

Nothing in this Settlement Agreement is intended to, or shall be construed to, infringe upon or preclude the right of any public enforcer, including the Office of the Attorney General of the State of California to bring a public enforcement action under Proposition 65.

12. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts, and by facsimile or portable document format (PDF) signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

13. POST-EXECUTION ACTIVITIES

Moore agrees to comply with the reporting form requirements referenced in Health and Safety Code section 25249.7(f).

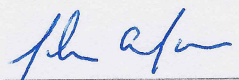
14. MODIFICATION

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

15. AUTHORIZATION

The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:



JOHN MOORE

Date: 12/1/2013

AGREED TO:



SHANGHAI LANSHENG CORPORATION

By: _____

Print Name

总经理

Its: _____

Title

Date: _____

