

SETTLEMENT AGREEMENT
BETWEEN
CONSUMER ADVOCACY GROUP, INC.
AND
SKECHERS USA, INC.

Consumer Advocacy Group, Inc. ("CAG") and Skechers USA, Inc. (hereto referred to as "Skechers"), (CAG and Skechers collectively referred to as, the "Parties") enter into this agreement ("Settlement Agreement") to settle CAG's allegations that Skechers 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 The Covered Products referred to in this Settlement Agreement are Skechers brand of sunglasses. Covered Products are limited to those distributed, licensed, or sold by Skechers only.

1.3 CAG alleges that Covered Products contain Di (2-ethylhexyl) phthalate (DEHP), also known as Diethyl Hexyl Phthalate and Bis (2-ethylhexyl) phthalate, and Di-n-Butyl Phthalate (DBP) and that Skechers did not provide a warning in compliance with the California Safe Drinking Water and Toxic Enforcement Act

(*Cal. Health & Safety Code* § 25249.5, *et seq.* (“Proposition 65”)). Skechers denies the material allegations in the Notice and denies that it violated Proposition 65.

1.4 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.

1.5 On December 2, 2005, the Governor of California added DBP to the list of chemicals known to the State to cause developmental, female, and male reproductive toxicity. This addition 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 DEHP and DBP are referred to hereafter as the “Listed Chemicals.”

1.7 On or about March 4, 2013, CAG served Skechers, The TJX Companies, Inc., T.J. Maxx of CA, LLC, 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 Covered Products containing the Listed Chemicals.

1.8 The Sixty-Day Notice (referred to as "Notice") alleged that Skechers and the other noticed parties violated Proposition 65 by failing to warn consumers in California that use of the Covered Products exposes persons to the Listed Chemicals.

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 Skechers, and the Downstream Releasees (as defined in Section 2.0), their 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 Skechers may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

1.11 By execution of this Settlement Agreement, the Parties and their attorneys agree they shall not communicate or direct another to communicate with anyone associated with any media or publication entities concerning the terms and conditions of this Settlement Agreement. This provision is not intended to prevent disclosures that *may* be necessary to effectuate its terms, including but not limited to section 6.0 of this Settlement Agreement requiring CAG to report the Settlement Agreement to the Attorney General's Office.

2.0 Release

This Settlement Agreement is a full, final, and binding resolution between CAG, on the one hand, and on the other hand (a) Skechers, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, officers, directors, attorneys, predecessors, successors, and assigns (collectively "Releasees") and (b) all entities which directly or indirectly provide, distribute or sell the Covered Products, including but not limited to distributors, wholesalers, customers, retailers (including, but not limited to, The TJX Companies, Inc. and T.J. Maxx of CA, LLC), franchisees, cooperative members, and licensees, users and any other persons or entities who have purchased or who hereafter purchase the Covered Products in or through the stream of commerce (collectively the "Downstream Releasees"), 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 or distributed by Downstream Releasees after the Effective Date. Skechers' 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, 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, and 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' and Downstream 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 which were manufactured, shipped and/or otherwise distributed prior to the Effective Date of this Settlement Agreement, whether sold by Releasees and/or Downstream Releasees before or after such Effective Date.

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 Skechers' Duties

3.1 Skechers agrees, promises, and represents that after the Effective Date, the Covered Products that are intended for sale in the state of California will not contain levels of DEHP or DBP that exceed 0.1% (1,000 parts per million).

3.2 Skechers agrees, promises, and represents that if it ships or distributes into the state of California after the Effective Date, any Covered Products in inventory that have amounts of DEHP or DBP greater than 0.1%, then Proposition 65 compliant warnings will be issued for such Covered Products. The warnings shall be provided in such a conspicuously and prominent manner as to render it likely that they will be read and understood by an ordinary individual under customary conditions of purchase or use. The Parties agree that product labeling, packaging or point of sale purchase materials stating: "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 Chemicals in the Covered Products for any Covered Products with greater than 0.1% of DEHP or DBP in inventory and that are distributed and/or sold by Releasees or Downstream Releasees after the Effective Date.

4.0 Payments

4.1 Skechers agrees, to pay a total of forty-five thousand dollars (\$45,000.00) within ten (10) days of the Effective Date by separate checks apportioned as follows:

4.1.1 Payment to CAG: Thirteen thousand dollars (\$13,000.00) 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 Skechers with CAG's Employer Identification Number.

4.1.2 Attorneys' Fees and Costs: Thirty-one thousand dollars (\$31,000.00) 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 Skechers' 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 Skechers with its Employer Identification Number.

4.1.3 Penalty: Skechers 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 seven hundred fifty dollars (\$750.00), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of two hundred fifty dollars (\$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 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 Skechers represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Skechers 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 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 Skechers by CAG, unless the party seeking enforcement or alleging violation notifies the other party of the specific acts alleged to have constituted a breach of 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 Skechers must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California with amounts of DEHP or DBP greater than 0.1% and without Proposition 65 warnings, (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, Skechers may, but is not required to: (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 Skechers 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
YEROUSHALMI & ASSOCIATES
9100 Wilshire Boulevard, Suite 240W
Beverly Hills, CA 90212

For Skechers:

John E. Dittoe
REED SMITH LLP
101 Second Street
Suite 1800
San Francisco, CA 94105

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 Skechers 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: 12-16-13

By: 

Printed Name: Michel Sassoon

Title: Executive Director

SKECHERS USA, INC.

Dated: 12/16/13

By: 

Printed Name: Philip G. Paccione

Title: Executive VP Business Affairs
and General Counsel