

SETTLEMENT AGREEMENT

BETWEEN

CONSUMER ADVOCACY GROUP, INC.

AND

VERDE VALLE FOODS, INC. AND PRODUCTOS VERDE VALLE, S.A. DE C.V.

Consumer Advocacy Group, Inc. ("CAG"), on the one hand, and Verde Valle Foods, Inc. and Productos Verde Valle, S.A. de C.V. (collectively referred to throughout as "Verde Valle"), on the other hand, hereby enter into this agreement ("Settlement Agreement") for the purpose of avoiding prolonged and costly litigation concerning claims and defenses regarding CAG's allegation that Verde Valle violated Proposition 65. CAG and Verde Valle are collectively referred to as, the "Parties" and individually as a "Party." 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 Verde Valle previously distributed or sold, at various times, rice products (referred to throughout as the "Covered Products"). The Covered Products are limited to rice products distributed or sold by Verde Valle only.

1.3 CAG alleges that the Covered Products contain lead and that Verde Valle 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”).

1.4 On February 27, 1987, the Governor of California added lead to the list of chemicals known to the State to cause reproductive toxicity, *Cal. Code Regs.* tit. 27, § 27001(e). Lead is known to the State to cause developmental, female, and male reproductive toxicity. On October 1, 1992, the Governor of California added lead and lead compounds to the list of chemicals known to the State to cause cancer, *Cal. Code Regs.* tit. 27, § 27001(b). Pursuant to Health and Safety Code sections 25249.9 and 25249.10, twenty (20) months after addition of lead and lead compounds to the list of chemicals known to the State to cause cancer and reproductive toxicity, lead and lead compounds became fully subject to Proposition 65 warning requirements and discharge prohibitions.

1.5 On or about February 18, 2014, CAG served Verde Valle 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 Lead.

1.6 This Settlement Agreement is the result of extensive and protracted negotiations between CAG and Verde Valle directly, and later attorneys for Verde Valle, as well as the various vendors and distributors involved. During settlement negotiations, the parties exchanged information regarding their claims and defenses. In particular, Verde Valle specifically disputed the testing results by CAG and CAG’s claims of any violation of Proposition 65 based on Verde Valle’s own results. While the Parties disagree on many issues, and CAG considers the reformulation standard reached in this

settlement as a compromise, CAG is agreeing to settle this matter in the interest of the public in recognition that Verde Valle is one of the first of many noticed companies to settle early rather than protract the process which would have resulted in all parties incurring more fees and costs while causing further delay. However, this is not with prejudice as to other alleged violators not released herein.

1.7 The Parties enter into this Settlement Agreement to settle disputed claims and defenses concerning the allegations concerning Verde Valle's compliance with Proposition 65 with respect to alleged exposures to lead in the Covered Products (the "Dispute").

1.8 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, or by any Releasee, 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 Verde Valle, 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 with respect to an action seeking to enforce the terms of this Settlement Agreement. 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

Verde Valle 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

2.1 CAG, on behalf of itself and its 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 against and releases and discharges (a) Verde Valle Foods, Inc., Productos Verde Valle, S.A. de C.V., and their parent companies, subsidiaries, affiliates, sister and related companies, and divisions; (b) their distributors, brokers, wholesalers, cooperative members, retailers, licensors, licensees, franchisors, franchisees, and customers; and (c) each of the respective owners, officers, directors, shareholders, employees, and agents of the persons and entities described in (a) and (b), above (the persons and entities identified in (a) through (c), above, including the predecessors, successors and assigns of any of them, are collectively referred to as the "Releasees") regarding any and all claims, actions, causes of action, suits, demands, liabilities, obligations, damages, losses, costs, fines, penalties, fees (including but not limited to investigation fees, attorney's fees and expert fees), and expenses (collectively, "Claims") of any nature, character or kind, whether known or unknown, or suspected or unsuspected, which arise under Proposition 65, or any other statutory or common law, concerning alleged exposures to, or failure to warn of, any lead in the Covered Products distributed or sold by Verde Valle prior to the Compliance Date ("Released Claims"). This Settlement Agreement is a full, final, and binding resolution as to the Released Claims. CAG and Verde Valle agree that compliance with Section 3 of this Settlement

Agreement shall be deemed to constitute compliance with Proposition 65 with respect to any lead 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 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 Verde Valle's Duties

3.1 Verde Valle promises and represents that commencing sixty (60) days from the Effective Date (the "Compliance Date"), any Covered Products thereafter distributed or sold in California by Verde Valle shall contain no more than (20) parts per billion (ppb) lead by weight. If, after reasonable and good faith efforts, Verde Valle cannot meet the standard of 20 ppb for any Covered Products that it distributes or sells in California, then it shall provide warnings on such Covered Products. The warnings shall be provided in such a conspicuously and prominent manner on the packaging of the Covered Products that will render it likely to be read and understood by an ordinary

individual under customary conditions of purchase or use. Any warning provided under Section 3.1 shall state as follows: "WARNING: This product contains chemicals known to the State of California to cause cancer and/or birth defects or other reproductive harm."

3.2 To the extent it has not already done so, within thirty (30) days after the Effective Date, Verde Valle shall provide the 20 ppb lead limit to any unaffiliated third party vendor ("Vendor") from which Verde Valle purchases the Covered Products and instruct the Vendor to provide it with Covered Products that meet that limit. If in the future Verde Valle purchases Covered Products from a Vendor that it has not previously provided with instructions regarding the lead limit, Verde Valle shall provide the 20 ppb lead limit to such Vendor prior to placing an initial order for Covered Products and instruct that Vendor to meet that limit.

4.0 Payments

4.1 Verde Valle agrees to pay a total of fifty-eight thousand dollars (\$58,000) within ten (10) days of the Effective Date by separate checks apportioned as follows:

4.1.1 Payment to CAG: Six thousand five hundred dollars (\$6,500) 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 Verde Valle with CAG's Employer Identification Number.

4.1.2 Attorneys' Fees and Costs: Forty-five thousand dollars (\$45,000) 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 Verde Valle'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 Verde Valle with its Employer Identification Number.

4.1.3 Penalty: Verde Valle shall issue two separate checks for a total amount of six thousand five hundred dollars (\$6,500) 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 four thousand eight hundred and seventy-five dollars (\$4,875), representing 75% of the total penalty; and (b) one check to Consumer Advocacy Group, Inc. in the amount of one thousand six hundred and twenty-five dollars (\$1,625), 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 \$4,875.00. The second 1099 shall be issued in the amount of \$1,625.00 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 Verde Valle represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Verde Valle 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 Enforcement of Settlement Agreement

9.1 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 9.2 and 9.3 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 incurred in such an action.

9.2 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 Verde Valle 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 9.3 below. Any notice from CAG to Verde Valle concerning any alleged failure to

comply with the requirements of Section 3.1 must contain: (a) the name of the product; (b) specific dates when the product was sold after the Compliance 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.

9.3 Within 30 days of receiving a notice from CAG as described in Section 9.2, Verde Valle shall either: (a) 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 Verde Valle for full credit, including shipping costs; or (b) provide information to CAG to refute the claim that it has failed to comply with Section 3. Should the parties be unable to resolve the dispute, any party may seek relief under Section 9.1.

10.0 Notification Requirements

10.1 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 Verde Valle:

Trent Norris, Esq.
Sarah Esmaili, Esq.
Arnold & Porter LLP

Three Embarcadero Center, 10th Floor
San Francisco, CA 94111

10.2 Any party may change its designee(s) for purposes of notification by providing written notice of such change pursuant to this section.

11.0 SEVERABILITY

11.1 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.

12.0 GOVERNING LAW

12.1 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 lead and/or the Covered Products, then Verde Valle may, at its sole option, 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.

13.0 BINDING EFFECT

13.1 This Settlement Agreement shall be binding upon and inure to the benefit of any successors or assigns of any of the Parties.

CONSUMER ADVOCACY GROUP, INC.

Dated:

8-11-14

By:



Printed Name:

MICHEL SASSOON

Title:

EXECUTIVE DIRECTOR

10

Settlement Agreement Between
Consumer Advocacy Group, Inc. and Verde Valley Foods, Inc. and Productos Verde
Valle, S.A. de C.V.

VERDE VALLE FOODS, INC. and
PRODUCTOS VERDE VALLE, S.A. DE C.V.

Dated: Aug. 8, 2014.

By:



Printed Name: GERMAN ROSALES WTBO

Title: PRESIDENT.