

SETTLEMENT AGREEMENT AND RELEASE

The Chemical Toxin Working Group, Inc. (“**CTWG**”) and Kawasho Foods USA, Inc. (“**Kawasho**”) enter into this Settlement Agreement (this “**Agreement**”). This Agreement is effective on the date on which it is fully executed (“**Effective Date**”). CTWG and Kawasho are referred to individually as a “**Party**” and collectively as the “**Parties.**” The Parties agree as follows:

1. The “**Matter**” arises out of the Notices of Violation of California Health & Safety Code §25249.5, *et seq.* (also known as “**Proposition 65**”) that CTWG served on Kawasho on June 22, 2017 (AG No. 2017-01603) (the “**First NOV**”), August 15, 2017 (AG No. 2017-01964) (the “**Second NOV**”, and collectively with the First NOV, referred to as, the “**NOVs**”), and the Notice of Violation of Stipulated Consent Judgment dated August 10, 2017 (the “**CJ Notice**” and together with the NOVs, shall be collectively referred to as the “**Notices**”). Among other things, the Notices claim that Proposition 65 warnings are required for alleged **lead** exposure to the following Kawasho products (referred to herein as the “**Covered Products**”), which are distributed and/or sold by Kawasho, namely:

- i. **Geisha Smoked Mussels in Sunflower Oil – Lead (First NOV);**
- ii. **Geisha Smoked Mussels with Red Chili Pepper in Cottonseed Oil – Lead (First NOV);**
- iii. **Geisha Whole Oysters in Water – Lead (Second NOV);**
- iv. **Geisha Fancy Smoked Oysters in Sunflower Oil – Lead (Second NOV); and**
- v. **Geisha Fancy Smoked Oysters in Cottonseed Oil – Lead and Cadmium (CJ Notice).**

2. The Parties enter into this Agreement in order to fully resolve all claims, demands, and allegations regarding the Matter and for the purpose of avoiding prolonged litigation. Nothing in this Agreement shall be construed as an admission of the Parties of any fact, issue of law, or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by the Parties of any fact, issue of law, or violation of law including but not limited to Proposition 65. Nothing in this Agreement or any document referred to shall be construed as giving rise to any presumption or inference of admission or concession by the Parties as to any fault, wrongdoing or liability. This Section 2 shall not diminish or otherwise affect the obligations, responsibilities, and duties of the Parties under this Agreement.


3. Lead Standards: Warnings.

3.1 On and after the date that is one-hundred twenty (120) days after the Effective Date, Kawasho shall not distribute into California or directly sell in the State of California any Covered Product which does not qualify as a Reformulated Covered Product under Section 3.3, unless such Covered Product complies with the warning requirements of Section 3.2. As used in this Agreement, the term “distribute into California” shall mean that Kawasho directly ships the Covered Product into California for sale in California or sells the Covered Product to a distributor

or retailer that Kawasho knows will sell or informs Kawasho that it intends to sell, the Covered Product in California.


3.2 On and after one-hundred and twenty (120) days after the Effective Date, Kawasho shall provide on the Covered Product (to the extent it does not constitute a Reformulated Covered Product) distributed into California, sold in California, or for which Kawasho has been informed will be sold into California, a warning that complies with the requirements of Sections 3.2.1, 3.2.2, 3.2.3, or 3.2.4. The warning shall be displayed on the packaging of such Covered Product with such conspicuousness, as compared with other words, statements, or designs so as to render it likely to be read and understood by an ordinary individual purchasing or using the Covered Product; *provided, however*, up until August 30, 2018 (i) for Kawasho internet sales made into California, the warning must also appear at the point of sale, and (ii) for third-party internet sales not controlled by Kawasho, if Kawasho knows the third-party website/retailer intends to sell any one of the Covered Products in California, or if CTWG notifies Kawasho that a website is selling a Covered Product in California without a warning as required by this Agreement, then Kawasho shall promptly notify the third-party website that a Proposition 65 warning may be required at the point of sale for the applicable Covered Product being sold or intended to be sold by the third-party website. In the event CTWG notified Kawasho of the third-party internet sale, Kawasho shall also send CTWG a copy of the notice to the third-party within five (5) days of issuing the notice. On and after August 30, 2018, the requirements of this Agreement respecting internet sales shall be governed by the Proposition 65 law and regulations in force on or after that date. Respecting the warnings defined in Sections 3.2.1, 3.2.2, and 3.3.3, the warning must be in a type size no smaller than the largest type size used for other consumer information on the product. In no case shall the warning appear in a type size smaller than 6-point type.

3.2.1 Option 1

 WARNING: This product can expose you to a chemical [chemicals], including lead [and] [cadmium], which is known to the State of California to cause [cancer and] birth defects or other reproductive harm.

The bracketed term “chemicals” must be used in place of a “chemical” in the warning if the Covered Product requires a warning for both lead and cadmium, but the use of the term “chemicals” is otherwise optional. The bracketed term “cancer and” is optional.

3.2.2 Option 2

 WARNING: Consuming this product can expose you to [chemicals,] [including] [lead] [and] [cadmium], which is known to the State of California to cause [cancer and] birth defects or other reproductive harm. For more information, go to www.P65Warnings.ca.gov/food.

The bracketed terms are optional. Notwithstanding the foregoing, if Kawasho provides a warning for both lead and cadmium, then the term “chemicals including” at least one of the bracketed terms “lead” and “cadmium” shall be used. Alternatively, at Kawasho’s option, the warning may be modified to include a warning that complies with 27 Cal. Code Regs. § 25607.2. If the warning is printed on the label, the warning shall be set off from other surrounding information in the label and enclosed in a box.

3.2.3 Option 3

For the Covered Product, the warning may state:

 **WARNING: Reproductive Harm – www.P65Warnings.ca.gov.**

At Kawasho's option, the warning may alternatively state:

 **WARNING: Cancer and Reproductive Harm – www.P65Warnings.ca.gov.**

The pictogram specified in Section 3.2.3 shall be in yellow with a black exclamation mark; *provided however*, the pictogram may be in white instead of yellow if the Covered Product label does not contain the color yellow.

3.2.4 Option 4

Any warning authorized by any Proposition 65 law or regulation effective on or after the Effective Date.

3.3 Calculation of Levels; Reformulated Covered Product. A Reformulated Covered Product is one for which the average daily exposure level does not exceed 0.5 micrograms of lead per day and no more than 4.1 micrograms of cadmium per day, as determined by the formula, testing and quality control methodology described in Section 3.4. As used in this Agreement, "no more than 0.5 micrograms of lead per day," and "no more than 4.1 micrograms of cadmium per day" mean that the samples of the testing under Section 3.4 yield an average daily exposure of no more than 0.5 micrograms of lead and 4.1 micrograms of cadmium per day (with average daily exposure calculated pursuant to Section 3.4 of this Agreement), respectively. For the Covered Product that causes exposures in excess of 0.5 micrograms of lead per day or in excess of 4.1 micrograms of cadmium per day, Kawasho shall provide the warnings set forth in Section 3.2. For purposes of determining which warning, if any, is required pursuant to Section 3.2, the average concentration utilizing the geometric mean of lead detection results of five (5) samples of the relevant product, randomly selected by Kawasho, will be controlling.

3.4. Formula, Testing and Quality Control Methodology.

3.4.1 For purposes of this Agreement, average daily exposure levels shall be measured in micrograms per day, and shall be calculated using the following formula: the average concentration of lead in the product in micrograms per gram, multiplied by grams of product per serving of the product (using the serving size appearing on the product label), multiplied by frequency of consumption of once every fourteen (14) days. The testing requirements of this Section 3.4.1 do not apply to any of the Covered Products for which Kawasho has provided a warning as specified in Section 3.2.

3.4.2 Kawasho shall not be required to engage in testing pursuant to this Agreement unless Kawasho distributes into the State of California Covered Products without a warning. All testing pursuant to this Agreement shall be performed using a laboratory method that complies with the performance and quality control factors appropriate for the method used, including limit of detection, limit of quantification, accuracy, and precision and meets the following criteria: Inductively Coupled Plasma-Mass Spectrometry (ICP-MS) achieving a limit

of quantification of less than or equal to 0.010 mg/kg or any U.S. Environmental Protection Agency ("USEPA") approved testing method.

3.4.3 Unless warnings are affixed consistent with the requirements of Section 3.2, all testing pursuant to this Agreement shall be performed by an independent third-party laboratory certified by the California Environmental Laboratory Accreditation Program for the analysis of heavy metals or a laboratory that is approved by, accredited by, or registered with the United States Food & Drug Administration or USEPA. Testing shall be performed prior to Kawasho's first distribution into California or sale in California of any Covered Products ordered for production after the Effective Date, and testing shall continue thereafter at least once per year for three additional years, after which time, no further testing shall be required unless, after the four-year testing period, Kawasho changes suppliers for the Covered Product, then Kawasho shall test the Covered Product at least once after such change is made.

3.5 Kawasho and the Releasees (as defined in Section 5.1 below) shall have no obligation or liability with respect to the Covered Products that are sold and/or distributed in California after the date of the Notice, except as otherwise set forth in this Agreement.

4. Kawasho shall pay the total settlement amount of \$245,000 (the "**Settlement Amount**") within ten (10) days of the Effective Date. Kawasho shall pay the Settlement Amount by check, made payable to "Khansari Law Corporation – Client Trust Account" on behalf of CTWG, and sent to:

The Chemical Toxin Working Group, Inc.
C/o Khansari Law Corp., APC
11845 W. Olympic Blvd., Suite 1000
Los Angeles, CA 90064

CTWG shall be solely responsible for allocating the payment pursuant to Sections 4.1 and 4.2. Upon request, CTWG or its legal counsel shall supply Kawasho with a completed W9 form. The Settlement Amount shall be allocated as follows:

4.1. \$25,000 shall be considered a "civil penalty", of which CTWG shall remit seventy-five percent (75%) to the "Safe Drinking Water and Toxic Enforcement Fund" managed by the State of California's Office of Environmental Health Hazard Assessment.

4.2 \$220,000 shall be considered reimbursement of CTWG's attorneys' fees and costs related to the Matter.

4.3 Except as expressly set forth in Section 4, the Parties shall bear their own costs, expenses, and attorneys' fees related to this Matter.

5. Binding Effect; Claims Covered and Released.

5.1. CTWG, on behalf of itself and its respective owners, principals, shareholders, officers, directors, employees, agents, parents, subsidiaries, successors, assigns, and legal representatives (collectively referred to as "**CTWG Releasers**") fully releases and waives any right to participate (directly or indirectly) in any litigation against (i) Kawasho, and its respective equity owners, parents, subsidiaries, affiliates, sister and related companies, including but not

limited to JFE Shoji Trade America, Inc., (b) its upstream suppliers and all downstream entities in the stream of commerce including but not limited to distributors, wholesalers, customers, retailers (including but not limited to Amazon.com, LLC, Wal-Mart Stores, Inc. and FoodHome.com, Inc.), franchisees, cooperative members, and licensees (the entities identified in this subsection (b) are collectively referred to as “**Downstream Releasees**”), and (c) the employees, shareholders, officers, directors, members, managers, equity owners, insurers, attorneys, predecessors, successors, and assigns of any of the entities identified in subsections (a) and (b), above (the entities identified in subsections (a), (b) and (c), above, are collectively referred to as “**Releasees**”) from all claims, actions, suits, demands, liabilities, damages, penalties, fees (including but not limited to attorneys’ fees, investigator fees, and expert fees), costs and expenses (collectively referred to as “**Claims**”) that were asserted, or that could have been asserted, for any alleged violations of Proposition 65, or any other alleged violations statutory or common law, arising from alleged exposures to lead, lead compounds, cadmium and cadmium compounds or any other chemical listed under Proposition 65, with respect to the Covered Products including any claims arising under and/or respecting Kawasho’s or any Releasee’s compliance with the 2015 Stipulated Consent Judgment that is the subject of the CJ Notice.

5.2. It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Covered Product will develop or be discovered. CTWG on behalf of itself and the CTWG Releasees, acknowledges that this Agreement is expressly intended to cover and include all such claims, including all rights of action therefore, and further acknowledges that the Claims released this Section 5 may include unknown claims, and nevertheless waives California Civil Code section 1542 as to any such unknown claims. California Civil Code section 1542 reads 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.

CTWG acknowledges and understands the significance and consequences of this specific waiver of California Civil Code Section 1542.

5.3. The Parties agree that compliance with the terms of this Agreement shall constitute compliance by any Releasee with Proposition 65 regarding alleged exposures to lead, lead compounds, cadmium and cadmium compounds in the Covered Products.

5.4. The Parties agree that the commitments Kawasho has agreed to herein, and actions to be taken by Kawasho under this Settlement Agreement, would confer a significant benefit to the general public as set forth in California Civil Procedure Code section 1021.5 and Cal. Admin. Code tit. 11, section 3201. As such, it is the intent of the Parties that to the extent any other private party initiates an action alleging a violation of Proposition 65 with respect to Kawasho’s or any Releasee’s failure to provide a warning concerning exposure to lead or cadmium with respect to the Covered Products they have respectively manufactured, sold, or offered for sale in California, or will manufacture, distribute, sell, or offer for sale in California, such private party action would not confer a significant benefit on the general public as to the Cover Product addressed in this Agreement, provided that Kawasho is in material compliance with this Settlement Agreement.

6. Resolution of Disputes.

6.1 If CTWG alleges that Kawasho has failed to comply with this Agreement, prior to filing an action or motion relating to enforcement, CTWG shall first provide Kawasho thirty (30) days' advance written notice of the alleged violation(s). CTWG shall provide testing results, lot numbers, photographs of the Covered Product packaging, and purchase receipts for the Covered Products at issue in the alleged violation, as applicable. The Parties shall meet and confer during such thirty (30) day period in an effort to reach agreement on an appropriate cure for the alleged violation(s) without the need for litigation.

6.2 Notwithstanding the provisions of Section 3, CTWG may not issue any notice under Section 6.1 if the packaging of the applicable Covered Product is marked or labeled with the statement "Not for Sale in California" or substantially similar language as long as such statement is prominently placed upon such Covered Product's label or other labeling as compared with other words or statements on the label or labeling as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use. If Kawasho marks or labels a Covered Product with such a statement, Kawasho shall additionally notify its customers/distributors by letter that the Covered Product shall not be sold in California.

7. This Agreement contains the entire agreement between the Parties with regard to settlement of this Matter, and supersedes all prior or contemporaneous agreements or understandings, written or oral, with regard to the matters set forth in this Agreement. This Agreement may be amended or modified in whole or in part at any time only by an agreement in writing executed by the Parties. Notwithstanding the foregoing, Kawasho shall be entitled, at its option, to modify any warning that it provides under Section 3.2 to conform with any change in the Proposition 65 warning regulations set forth in Title 27 of the California Code of Regulations that may be adopted after the Effective Date.

8. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective owners, principals, shareholders, members, managers, officers, directors, employees, agents, successors, and assigns.

9. No inference, assumption or presumption shall be drawn, and no provision of this Agreement shall be construed against any of the Parties, based upon the fact that one of the Parties and/or one of the Parties' attorneys prepared and/or drafted all or any portion of this Agreement. It is conclusively presumed that the Parties participated equally in the preparation and drafting of this Agreement.

10. This Agreement shall be deemed to have been entered into in the State of California and governed and interpreted by the laws of the State of California, regardless of the physical locations of the individuals executing this Agreement at the time of execution.

11. The Parties acknowledge that they have a right to consult an attorney and they have consulted their attorneys with respect to the terms and conditions of this Agreement or by signing this Agreement hereby acknowledge they have made the decision not to consult with an attorney in this Matter. The Parties further acknowledge that they fully understand this Agreement and the effect of signing and executing this Agreement.

12. Any legal action to enforce this Agreement or related to this Matter shall be brought in the County of Alameda of the State of California.

13. This Agreement may be signed in counterparts, and each counterpart, as well as any facsimile, e-mail (.pdf), copy of this Agreement, or any other counterpart, shall be deemed to be an original.

14. All notices required to be given to either Party under this Agreement shall be in writing and sent to the following recipients by (a) first-class mail or (b) overnight delivery.

For CTWG:

The Chemical Toxin Working Group, Inc.
c/o Khansari Law Corp., APC
11845 W. Olympic Blvd., Suite 1000
Los Angeles, California 90064
Fax: (424) 248-6689
Email: andre@khansarilaw.com

For Kawasho:

Kawasho Foods USA, Inc.
Attn: Tatsuya Ito, President
45 Broadway, Floor 18
New York, NY 10006

With a copy to:
Squire Patton Boggs (US) LLP
Noriyuki Shimoda
Joseph A. Meckes
275 Battery Street, 26th Floor
San Francisco, CA 94111

15. Each of the individuals who executes this Agreement represents and warrants he/she has the authority to execute this document and bind the respective Parties to the terms and conditions of this Agreement, and has read, understood, and agreed to all the terms and conditions in this Agreement.

[Signatures Appear on the Following Page]

DATED: April 20 2018

THE CHEMICAL TOXIN WORKING
GROUP, INC.

By: Steinman

Name: David Steinman

Title: President

DATED: April 20 2018

KAWASHO FOODS USA, INC.

By: Tatsuya Ito

Name: Tatsuya Ito

Title: President