

SETTLEMENT AGREEMENT

Plaintiff, Office of the Attorney General, Department of Legal Affairs, State of Florida (the “Department” or “Plaintiff”), Defendant, Arrow Outlet, LLC (the “Defendant”), and its managers and members (which managers and members are referred to hereinafter as the “Settlement Parties”), enter into this Settlement Agreement for the purpose of resolving all issues pertaining to the present cause.

RECITALS

WHEREAS, Plaintiff initiated an investigation into the business acts and practices of certain persons and entities and subsequently filed a complaint against Defendant alleging unfair and deceptive trade practices in violation of Florida Statutes Chapter 501, Part II. A true and correct copy of the Complaint is provided as **Exhibit A** hereto.

WHEREAS, Defendant is a Delaware limited liability corporation with a principal place of business at 955 Massachusetts Avenue, Suite 120, Cambridge, Massachusetts 02139, although the company is no longer actively engaged in business;

WHEREAS, Defendant and the Settlement Parties wish to resolve the Department’s investigation and the lawsuit;

WHEREAS, Defendant has cooperated with the Department in the course of its investigation;

WHEREAS, the parties hereto agree that, by entering into this Settlement Agreement, no party shall be deemed to have admitted any guilt or wrongdoing or violation of any law.

WHEREAS, the Department has not formally approved of any of the Defendant’s past, current or proposed business practices. No portion of this Settlement Agreement shall be construed as such approval.

THEREFORE, it is hereby agreed as follows:

I. DEFINITIONS

1. "Penny Auction" or "Penny Auction Website" is an online auction where participants purchase or receive "bids" that can be used to participate in the auctions for individual consumer goods. The bids may or may not cost money and may or may not raise the price of the consumer goods in the auction by an amount equal to or less than the cash value of the bid. Auctions end after a period of time without new bids, and the last participant to have placed a bid wins the items and pays the final bid price, which may or may not be lower than the retail price of the time.

II. INJUNCTIVE PROVISIONS

2. The Defendant and the Settlement Parties, directly or indirectly, or through any corporate or other device, shall not:
- a. Engage in acts or practices that violate the Florida Deceptive and Unfair Trade Practices Act, Chapter 501, Part II, Florida Statutes.
 - b. Create, administer, run, purchase or in any way use a Penny Auction Website to generate income;
 - c. Market, advertise, sell, provide, or accept payment for a Penny Auction Website;
 - d. Use any auto-bid script, bidbot, or other artificial computer program to simulate bidding activity in context of a Penny Auction Website;
 - e. Engage directly or indirectly in any act, system, scheme, or plan that involves fraudulent or deceitful bidding made in bad faith or bidding in which the auctioneer and seller collude to increase the price of an item for

sale in the context of any auction, be it online, in person, traditional, or a Penny Auction.

- f. Disseminate, or cause to be disseminated, any untrue or misleading advertisement in the context of advertising products or services in commerce, pursuant to Florida Statutes Sections 501.204 and 817.40.

III. STIPULATED PAYMENTS.

3. Defendant shall pay a total of FOUR HUNDRED TWENTY FIVE THOUSAND DOLLARS AND 00/100 (\$425,000), made payable in certified funds or wire transfer to the certified public accounting firm of Purvis Gray & Company ("Purvis Gray").

4. Defendant shall pay one-half of the stipulated payment – TWO HUNDRED TWELVE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 (\$212, 500) – within thirty (30) days of the Effective Date.

5. Defendant shall pay the remaining half of the stipulated payment – TWO HUNDRED TWELVE THOUSAND FIVE HUNDRED DOLLARS AND 00/100 (\$212, 500) – within sixty (60) days of the Effective Date.

6. The stipulated payment shall be used by the Department first to pay the claims of any and all eligible Florida consumers identified and confirmed pursuant to the agreed upon claims administration procedure detailed in **Exhibit B**, with Purvis Gray serving as the claims administrator.

7. Thereafter, any residue from the amount set forth in Paragraph 4 shall revert to the Department of Legal Affairs Revolving Trust Fund to be utilized to reimburse the Department for attorneys' fees and investigative fees incurred in this matter and/or future

monitoring and enforcement. The manner in which the residual funds are to be distributed shall be within the sole discretion of the Office of the Attorney General.

8. Any failure to timely pay the full amounts of the Stipulated Payment herein shall render the Defendant and the Settlement Parties in default of this Settlement Agreement and shall entitle the Department to immediate entry without further hearing or submission of evidence of a final judgment against Defendant and the Settlement Parties in the amount of \$425,000 for consumer restitution, attorneys' fees, investigative fees and/or future monitoring and enforcement in addition to the injunctive relief set forth herein supra.

IV. BUSINESS RECORDS

9. Plaintiff and Defendant and the Settlement Parties agree to retain documents and other information, in their respective possession, reasonably sufficient to establish compliance with the provisions of this Settlement Agreement for two (2) years from the Effective Date of this Settlement Agreement, and shall make such books and records available to the Department within twenty (20) days of any reasonable written request.

V. FUTURE VIOLATIONS

10. It is hereby agreed by the parties that any failure to comply with the injunctive provisions in Section II of this Settlement Agreement is, by statute, prima facie evidence of a violation of Chapter 501, Part II, Florida Statutes, and shall subject the Defendant and the Settlement Parties to civil penalties, as well as all applicable attorneys' fees and costs. In the event of a breach of the terms of this Settlement Agreement, the Defendant and the Settlement Parties may be subject to any and all enforcement mechanisms otherwise available to the Office of the Attorney General. Notwithstanding anything to the contrary, Defendant and the Settlement Parties will have the right to challenge the facts underlying any such alleged breach

of this Settlement Agreement and to present evidence in rebuttal of the Department's prima facie case in a court of law.

11. If the Department believes that a breach of this Settlement Agreement has occurred, the Department shall give written notice to Defendant and the Settlement Parties of the specific alleged breach. The Defendant and the Settlement Parties shall have twenty (20) days from the date of the notice to cure the asserted breach and to provide a response to the Department to that effect. Alternatively, the Defendant and the Settlement Parties shall provide to the Department a response that shall include (a) a statement explaining why they believe the conduct at issue is or is not in compliance with the Settlement Agreement; (b) an explanation of the facts and circumstances at issue in the alleged breach; and, if applicable, (c) a statement that the alleged breach cannot be reasonably cured within twenty (20) days from the receipt of the notice, but a detailed statement as to how the Defendant and the Settlement Parties have begun to take corrective action to cure the alleged breach and a sworn affidavit attesting that the Defendant and the Settlement Parties are pursuing such corrective action with reasonable and due diligence and proposing a detailed and reasonable timetable for curing the alleged breach. The Department agrees to refrain from filing an enforcement action with respect to enforcement or compliance with this Settlement until the expiration of that twenty (20) day period.

12. Venue for any matter relating to or arising out of this Settlement Agreement shall be in Leon County, Florida.

VI. CLOSURE OF INVESTIGATION

13. Upon execution of this Settlement Agreement and promptly following complete payment of the Stipulated Payments required hereunder, and provided the Defendant and the Settlement Parties are otherwise in compliance with the terms of this Settlement Agreement,

Plaintiff will submit the Joint Stipulation and Proposed Order for Dismissal upon Settlement, attached hereto as **Exhibit C**. The Court shall retain jurisdiction solely for the purpose of enforcing this Settlement Agreement. Upon entry of the dismissal order, the Department agrees to close its investigation into the activities of the Defendant and the Defendant and the Settlement Parties shall be released from liability related to the allegations which were raised or which could have been raised by the Department in its Complaint (**Exhibit A**) for activities which occurred prior to the Effective Date of this Settlement Agreement.

14. The parties agree that this Settlement Agreement has been entered into in reliance upon the truthfulness of the information provided by the parties to each other.

VII. EFFECTIVE DATE OF SETTLEMENT AGREEMENT

15. The Effective Date of this Settlement Agreement shall be the date of its execution and delivery by all the parties, including each of the parties reflected by the signature lines below. Acceptance by the Office of the Attorney General shall be established by the signature of the Deputy Attorney General. The receipt by the Office of the Attorney General of any monies pursuant to the Settlement Agreement does not constitute acceptance by the Office of the Attorney General, and any monies received shall be returned to Defendant and the Settlement Parties if this Settlement Agreement is not accepted and executed by the Deputy Attorney General.

VIII. NOTICE TO PARTIES

16. It is further agreed that facsimile copies of signatures and notary seals may be accepted as original for the purposes of establishing the existence of this Settlement Agreement. It is further agreed that future notice to any of the parties to this Settlement Agreement may be

made by notice sent certified mail to at the addresses set forth below unless either party notifies the other by certified mail of another address to which notices should be provided.

IX. CONSTRUCTION OF SETTLEMENT AGREEMENT

17. It is further agreed that the parties jointly participated in the negotiation of the terms of this Settlement Agreement. No provision of this Settlement Agreement shall be construed for, or against, any party, on the grounds that one party had more control over establishing the terms of this Settlement Agreement, than another. This Settlement Agreement may be signed in counterparts, which together shall constitute one agreement.

18. Nothing in this Settlement Agreement shall be construed as a waiver of any private rights of any person or release of any private rights, causes of action, or remedies of any person against Defendant, the Settlement Parties, or any other person or entity unless expressly stated herein.

19. Notwithstanding any other provision of this Settlement Agreement, nothing herein shall be construed to impair, compromise or affect any right of any government agency other than the Office of the Attorney General for the State of Florida.

20. This Settlement Agreement does not constitute a finding of law or fact by any court or agency that the Defendant or the Settlement Parties (including their affiliates, owner(s), managers, members, officers, directors, employees and representatives) have engaged in any act or practice declared unlawful by any laws, rules or regulations of the State of Florida, and neither party shall make any statement to the contrary. The parties are each prepared to enter into this Settlement Agreement solely for the purpose of resolution and cooperation.

21. The parties represent and warrant to each other that the Recitals are true. The Recitals are hereby incorporated into this Settlement Agreement.

22. This Settlement Agreement represents the complete agreement between the Department, on the one hand, and Defendant and the Settlement Parties on the other. Any amendment to this Settlement Agreement must be in writing and must be signed by all of the parties.

In witness whereof, Defendant and the Settlement Parties have caused this Settlement Agreement to be executed in the county and state listed below, as of the date affixed thereon.

ARROW OUTLET, LLC



Fan Zhang
955 Massachusetts Ave., #120
Cambridge, MA 02139

3/13/14

Date



Allen Cheng
955 Massachusetts Ave., #120
Cambridge, MA 02139

3/13/14

Date

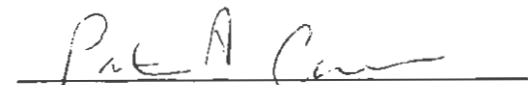
DEPARTMENT OF LEGAL AFFAIRS



Richard Lawson
Director, Consumer Protection Division

3/14/14

Date



Patricia Conners
Deputy Attorney General

3/14/14

Date