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8 CALIFORNIA DEPARTMENT
OF CORPORATIONS
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11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF LOS ANGELES

13 Case No. BC392972

14 THE PEOPLE OF THE STATE OF
CALIFORNIA, by and through the
15 CALIFORNIA CORPORATIONS
COMMISSIONER,
16

17 Plaintiff,

18 v.
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20 ERICK H. HANSEN as an individual,
MATTHEW RICHMOND, as an individual,
21 ROB REYNOLDS, as an individual,
BLUERAY TECHNOLOGIES L.L.C.; a
22 California limited liability company;
23 BLUE RAY TECHNOLOGIES INC., a
California corporation; and Does 1 through 10,
24 inclusive,

25 Defendants
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**SETTLEMENT AGREEMENT TO ENTRY
OF FINAL JUDGMENT OF PERMANENT
INJUNCTION AND OTHER ANCILLARY
RELIEF BETWEEN PLAINTIFF AND
DEFENDANTS ERICK H. HANSEN,
BLUERAY TECHNOLOGIES L.L.C.; A
California limited liability company; BLUE
RAY TECHNOLOGIES INC., a California
corporation.**

Date:

Time

Dept.: 323

Judge: Hon. Carolyn B. Kuhl

1 It is hereby stipulated and agreed between Plaintiff, the People of the State of California, by
2 and through the Commissioner of Corporations (“Plaintiff” or “Commissioner”) and Defendants,
3 Erick H. Hansen, an individual, and BlueRay Technologies L.L.C., a California limited liability
4 company and Blue Ray Technologies Inc., a California corporation (collectively “Defendants”) as
5 follows:

6 A. Defendants admit jurisdiction of this Court over them and over the subject matter of
7 this action. Defendants have entered a general appearance in this action.

8 B. Defendants admit service of the Summons and the Complaint filed in this matter, (the
9 “Complaint”).

10 C. Defendants have read the Complaint, and Defendants neither admit or deny the
11 allegations, as this is a compromise settlement of disputed claims and the furnishing of consideration
12 for this Agreement shall not be deemed an admission of liability. Defendants have also read this
13 Settlement Agreement to Entry of Final Judgment of Permanent Injunction and Other Ancillary
14 Relief as to Defendants Erick H. Hansen, BlueRay Technologies L.L.C. and Blue Ray Technologies
15 Inc; (“Settlement Agreement”) and the Stipulation and Final Judgment (“Stipulation and Final
16 Judgment”).

17 D. Defendants stipulate and agree, after negotiation and advice of counsel, that the
18 Stipulation and Final Judgment shall be entered against them.

19 E. Defendants voluntarily consent to the entry by this Court of the Stipulation and Final
20 Judgment without notice of further proceedings.

21 F. Defendants hereby waive all rights to appeal the entry of the Stipulation and Final
22 Judgment.

23 G. Plaintiff and Defendants stipulate and agree that if any paragraph, clause, or provision
24 of this Settlement Agreement and Stipulation to Final Judgment, or the application thereof, is held
25 invalid or unenforceable, such decision shall affect only the paragraph, clause or provision so
26 construed or interpreted, and the invalidity shall not affect the provisions or the application of this
27 Settlement Agreement and the Stipulation to Final Judgment, which can be given effect without the
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1 invalid provisions or application, and to this end, the provisions of this Settlement Agreement and
2 the Stipulation to Final Judgment, are declared by Plaintiff and by Defendants to be severable.

3 H. Plaintiff and Defendants stipulate and agree that this Settlement Agreement may be
4 executed in one or more separate counterparts, each of which when so executed, shall be deemed an
5 original. Such counterparts shall together constitute and be one and the same instrument.

6 I. Plaintiff and Defendants stipulate and agree that they enter into this Settlement
7 Agreement and the Stipulation and Final Judgment voluntarily and without coercion, and
8 acknowledge that no promises, threats or assurances have been made by the other party or any
9 officer, or agent thereof to induce them to enter into this Settlement Agreement and the Stipulation
10 to Final Judgment.

11 **SPECIFIC RELIEF IN THE FINAL JUDGMENT STIPULATED TO BY THE PARTIES**

12 1. Plaintiff and Defendants stipulate to the entry of the Stipulation to Final Judgment
13 providing that Defendants shall and are hereby permanently enjoined from engaging in, committing,
14 aiding and abetting, or performing directly or indirectly, by any means whatsoever, any of the
15 following acts:

16 a. Violating California Corporations Code section 25110, by offering, or selling,
17 in California any security in an issuer transaction (other than in a transaction subject to Section
18 25120), whether or not through underwriters, unless such sale has been qualified under Section
19 25111, 25112, or 25113 or unless such security or transaction is exempted or not subject to
20 qualification.

21 b. Violating California Corporations code section 25401, by offering or
22 selling a security, including but not limited to, the securities described in the Complaint, in
23 California, by means of any written or oral communication which includes an untrue statement of
24 material fact or omits to state a material fact necessary in order to make the statements made, in the
25 light of the circumstances under which they are made, not misleading.

26 c. As to Defendant Hansen, violating the Desist and Refrain Order issued by the
27 California Corporations Commissioner on February 2, 1999, by offering and selling unqualified,
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1 non-exempt securities in violation of California Corporations code section 25110; and

2 d. Destroying, mutilating, altering, or otherwise disposing of, in any manner, any
3 books, records, computer programs, computer files, computer printouts, correspondence, brochures,
4 manuals, or any other “writing” or “document” of any kind as defined under California Evidence
5 Code section 250, relating to the transactions and course of conduct as alleged in the complaint of
6 this action, unless authorized by this Court or until such time as the funds due and owing by
7 Defendants have been paid in full in accord with the terms of this Settlement Agreement and the
8 Stipulation and Final Judgment.

9 2. Plaintiff and Defendants stipulate to the entry of the Stipulation and Final
10 Judgment providing that Defendants are jointly and severally liable for a judgment of restitution, in
11 an amount to be determined by the third week of January 2009, based on the number of investors
12 residing in California who opt to accept an offer of rescission and the amount of their respective
13 investments. This amount shall be payable in full no later than March 31, 2010, and shall be paid
14 pursuant to the following terms:

15 a. Defendants shall provide the Department of Corporations with a list of all
16 investors resident in the United States who have purchased units of Defendant BlueRay
17 Technologies L.L.C. or shares and/or warrants in Defendant Blue Ray Technologies Inc. The list of
18 all investors shall also contain the contacts (address and phone number) for each investor and the
19 dates they invested funds with the Defendants. The list of investors shall be provided no later than
20 30 days after the execution of the Settlement Agreement and the Stipulation and Final Judgment.
21 Failure to provide a complete list of investors shall be deemed to be a default of this Settlement
22 Agreement and the Stipulation and Final Judgment. Plaintiff represents and warrants that it will not
23 contact any investor identified on the list. Defendants shall make rescission offers, the content of
24 which has been agreed to by the Parties and is attached hereto as Exhibit “A”, to all California
25 investors and to one Randall W. with respect to any and all investments made in Defendant BlueRay
26 Technologies L.L.C. and Defendant Blue Ray Technologies Inc. The offers of rescission will be sent
27 no later than 15 days after the execution of the Settlement Agreement and the Stipulation and Final
28 Judgment. The offers will include an offer of a full refund of any investment made, in addition to an

1 amount equal to ten and one-half percent (10.5%) of the original investment amount. A list of the
2 investors resident in California to whom the rescission offer shall be made and the total amount to be
3 offered each investor is attached hereto as Exhibit "B". The list of investors shall also contain the
4 redacted names (first name and last initial) of investors and the dates they invested funds with
5 Defendants. The offer of rescission will remain open for a period of 45 days, or until December 31,
6 2008, whichever shall be longer. Investors will not be obligated to accept the rescission offers,
7 however they will be requested to affirmatively accept or reject the offer. In the event an investor,
8 resident in California at the time of investment and not named on Exhibit "B" makes a claim for
9 repayment of funds invested in Defendant BlueRay Technologies L.L.C. and/or Defendant Blue Ray
10 Technologies Inc. then, upon presentation to this Court of satisfactory proof of any such investment
11 and California residency, on noticed motion Defendants will pay these investors the same amount
12 they would have received had they been originally identified in Exhibit "B". In the further event a
13 California investor cannot be contacted, or delivery of the rescission offer cannot be proved, then on
14 Noticed Motion, and upon presentation to this Court of satisfactory proof of any such investment and
15 California residency Defendants will pay the investor their share of the rescission offer. The
16 Noticed Motion must be filed before the date of Defendant's last payment, April 30, 2010. For all
17 investors where proof of delivery of the rescission offer can be shown, the offer will only remain
18 valid for the period as set out above.

19 b. Defendants shall make payments directly to each individual shareholder on
20 Exhibit "B" who accepts the rescission offer. Defendants shall provide Plaintiff with proof of
21 delivery by certified mail or overnight delivery, of each offer of rescission and will further provide
22 to Plaintiff a copy of each acceptance or rejection received by Defendants. Defendants warrant that
23 no new investor funds will be used as a source of payments to existing shareholders, or to pay civil
24 penalties to the Plaintiff.

25 c. Defendants are jointly and severally liable for five equal quarterly payments in an
26 amount to be determined as set out in paragraph (d) below and the first payment shall be made by
27 January 31, 2009, with the final payment due and owing at the end of the first quarter, 2010, or
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1 March 31, 2010. In the event that any checks are returned to Defendants for any reason, Defendants
2 shall escheat the returned amount to the State of California, in compliance with applicable state law.

3 d. The amount of quarterly payment to be made by Defendants to each investor
4 accepting the rescission offer shall be determined as follows: The total amount of funds invested by
5 each investor, plus 10.5% divided into 5 equal quarterly payments. The parties agree that no later
6 than January 21, 2009, a Schedule of Payments and a redacted List of Payees shall be signed by both
7 parties and be filed with the Court, and become a part of the Stipulation and Final Judgment.
8 Defendant's failure to timely provide such Schedule of Payments and List of Payees with current
9 contacts shall be an event of default.

10 3. Plaintiff and Defendants stipulate to the entry of a Final Judgment providing that
11 Defendants are jointly and severally liable to Plaintiff for a judgment of civil penalties, in the
12 amount of \$50,000. This amount shall be paid in a lump sum payment and shall be payable to the
13 Plaintiff 30 days after the final restitution payment has been made, or by April 30, 2010.

14 4. Plaintiff and Defendants stipulate that in the event that Defendants fail to make any of
15 the payments as set forth above in Paragraphs 2 and 3, within 10 days of the date due, Defendants
16 shall be in default without further notice and the provisions of Paragraph 5, below, shall be enforced.
17 A Notice of Default shall be mailed to Defendants at their last known addresses, and to their
18 attorney, and filed with the Court.

19 5. Plaintiff and Defendants stipulate that if Defendants are in default of any provisions
20 of the Stipulation and Final Judgment, paragraphs 2 (c) and 3 above shall be void and Defendants
21 shall instead be jointly and severally liable to the investors for unpaid restitution and to Plaintiff for
22 a judgment of civil penalties in the amount of two times the amount then outstanding and unpaid by
23 the Defendants and the Parties agree that the Plaintiff may seek to enforce the Stipulation and Final
24 Judgment as follows:

- 25 a) by a Notice of Motion served on Defendants' counsel and filed with this Court ;
26 b) Plaintiff shall be entitled to a Final Judgment and any additional orders as the Court shall
27 deem necessary upon a showing to the satisfaction of the Court that a default by the Defendants has
28 occurred, and a showing of the outstanding balance due and owing to investors.

1 c) The Final Judgment in favor of Plaintiff, under this paragraph, if any, for civil penalties
2 will be in the amount of two times the amount of rescission still owing to the investors at the time of
3 default, plus the \$50,000 in civil penalties payable to the Plaintiff.

4 d) The Final Judgment shall also order the immediate payment of the balance of all funds due
5 and owing to the investors who have accepted the Defendants rescission offer.

6 6. Defendants acknowledge that the entry of the Stipulation and Final Judgment
7 pursuant to this Settlement Agreement shall not preclude any other federal, state or county agency
8 from initiating any other prosecution or action based upon the allegations contained in the Complaint
9 in the above-entitled case or based on any other acts by the Defendants which may violate state or
10 federal law.

11 7. Defendants agree and acknowledge that nothing in this Settlement Agreement or the
12 Stipulation and Final Judgment shall preclude the Commissioner, or his agents or employees, to the
13 extent authorized by law, from referring any evidence or information regarding this matter to any
14 district attorney or any other state or federal law enforcement official, or from assisting, cooperating,
15 or co-prosecuting with regards to any investigation and/or action brought by any other federal, state
16 or country agency. Defendants further agree and acknowledge that nothing in this Settlement
17 Agreement or the Stipulation and Final Judgment in this matter shall bind or otherwise prevent any
18 other federal, state or country agency from the performance of its duties.

19 8. The Parties stipulate and agree to bear their own attorneys' fees, expenses and costs
20 incurred in connection with this litigation and settlement.

21 9. The Parties stipulate and agree and request that this Court shall retain jurisdiction of
22 this action in order to implement and enforce the terms of this Settlement Agreement and the
23 Stipulation and Final Judgment, and to entertain any suitable application or motion for additional
24 relief or modification of any order made herein within the jurisdiction of the Court.

25 10. This Settlement Agreement and the Stipulation and Final Judgment shall be governed
26 by and construed and enforced pursuant to the laws of the State of California.

27 11. This Settlement Agreement and the Stipulation and Final Judgment shall be binding
28 upon the Parties and their respective heirs, administrators, representatives, executors, successors, and

1 assigns, and shall inure to the benefit of the Parties and their respective heirs, administrators,
2 representatives, executors, successors, and assigns. This Settlement Agreement and the Stipulation
3 and Final Judgment constitutes the entire understanding among the Parties and may not be modified
4 without the express written consent of the Parties supported by adequate consideration. This
5 Settlement Agreement and the Stipulation and Final Judgment supersedes all other written and/or
6 oral agreements, understandings, and negotiations regarding the subject matter hereof. No
7 representation of any kind or character, other than those incorporated in the Settlement Agreement
8 and the Stipulation and Final Judgment has been made to either side by the other or their agents,
9 representatives or attorneys to induce the execution of this Settlement Agreement and the Stipulation
10 and Final Judgment.

11 12. Any notice to either Party required or permitted under this Settlement Agreement and
12 the Stipulation and Final Judgment may be given by hand delivery, or by mailing the notice, with
13 first-class postage prepaid to:

14 Plaintiff: John R. Drews, 71 Stevenson Street, Suite 2100, San Francisco, CA 94105;;
15 Defendants: Michael J. Quinn, K&LGates LLP, 10100 Santa Monica Blvd., 7th Floor, Los Angeles,
16 CA 90067;

17
18 November 7, 2008 By: _____
19 Alan Weinger
20 Lead Corporation Counsel and Attorney for Plaintiff
21 California Corporations Commissioner

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25 November 10, 2008 By: _____
26 Erick H. Hansen
27 Defendant, as an Individual, and as Managing Director
28 of BlueRay Technologies L.L.C., a California limited
liability company, and as Chairman, Blue Ray
Technologies Inc., a California corporation

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AS TO FORM AND CONTENT

November 10, 2008

By: _____
Michael J. Quinn
Attorney for Defendants

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EXHIBIT A—CONTENTS OF RESCISSION OFFER

The Parties hereby agree to the contents of the rescission offer to investors as follows:

“You are receiving this letter because you have invested funds with BlueRay Technologies L.L.C. and Blue Ray Technologies Inc. The companies, and Erick H. Hansen have been sued by the **The People of the State of California by and through the California Corporations**

Commissioner. Without any admission of guilt or denial of wrong doing, the Defendants Erick H. Hansen and the above-noted companies have agreed, as part of a Settlement Agreement with the Department, (which is attached hereto) to offer to repurchase your interests in BlueRay Technologies LLC or Blue Ray Technologies Inc.

The terms of the repayment shall be:

- a) A full repayment of any and all funds invested in either of the above named companies.
- b) A payment equal to 10.5% of the money you have invested will also be paid to each individual investor.

c) Payments shall be made in 5 equal quarterly payments, with the first payment due by January 31, 2009 and the final payment will be due March 31, 2010.

d) If you have any questions about the Settlement Agreement or the rescission offer you may contact the attorney for BlueRay Technologies LLC or the attorney for the Department of Corporations. Their contacts are:

Dept. of Corporations: John R. Drews, 71 Stevenson St., Suite 2100, San Francisco, CA 94105
Phone/ 415-972-8570

For Erick H. Hansen and BlueRay Technologies L.L.C. and Blue Ray Technologies Inc.:
Michael Quinn, K&L Gates, 10100 Santa Monica Blvd., 7th Flr. Los Angeles, CA 90067
Phone/ 310-552-5046

If you desire to participate in this offer to have your investment repurchased by the Defendants please fill out the Rescission Acceptance Form attached to this letter and return to Michael J. Quinn, c/o K&L Gates LLP, 10100 Santa Monica Blvd., 7th Floor, Los Angeles, CA, 90067 no later than 15 days from the date of receipt of this correspondence.

1 **NOTE THAT IF YOU HAVE RECEIVED THIS LETTER OF OFFER YOU HAVE A**
2 **LIMITED TIME TO RESPOND, AFTER WHICH YOU WILL LOSE YOUR RIGHT TO**
3 **PARTICIPATE IN THIS RESCISSION OFFER.**

4 Signed/Defendants

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7 **RESCISSION ACCEPTANCE FORM**

8 Dear Mr. Quinn:

9 In response to the letter dated _____, which I have received from Erick Hansen, BlueRay
10 Technologies LLC and BlueRay Technologies Inc., I hereby:

11
12 ACCEPT _____

13
14 DO NOT ACCEPT _____

15
16 the offer of rescission contained in the above referenced letter. I understand if I accept I will receive
17 the return of my full investment in BlueRay Technologies LLC and/or Blue Ray Technologies Inc.,
18 plus 10.5% of that invested amount. These payments are to be made quarterly in 5 equal
19 installments, commencing on January 21, 2009.

20
21 I also understand if I accept this offer of rescission and do not receive a payment by the 31st of
22 January, 2009, or any other payment as set out in the attached payment schedule then I am to contact
23 Mr. Jon Wroten, Examiner of the California Department of Corporations, at 1515 K Street, Suite
24 200, Sacramento, CA 95814 or at his office at 916-327-2610, and inform him that a payment was not
25 received.

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27 Signed/ The Investor

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