

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Russell Brimer and Mace Group, Inc.

This Settlement Agreement is entered into by and between, on the one hand, Russell Brimer (hereinafter "Brimer") and on the other hand, Mace Group, Inc. (hereinafter "Mace"), with Brimer and Mace collectively referred to as the "Parties." Brimer is an individual residing in California who seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Mace employs ten or more persons and is a person in the course of doing business for purposes of Proposition 65.

1.2 General Allegations

Brimer alleges that Mace has manufactured, distributed and/or sold in the State of California cases and coverings for laptops containing lead. Lead is listed pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code §§25249.5 *et seq.* ("Proposition 65"), as a chemical known to the State of California to be a reproductive toxicant. Lead shall be referred to herein as the "Listed Chemical."

1.3 Product Description

The products that are covered by this Settlement Agreement are defined, as follows: Macally BookShell2 (UPC 701107488868), BookShell2R (UPC 701107488905), BookShellB (UPC 701107487786) and BookShellPro2 (UPC 701107488875) lead-containing leather protective covers for laptop computers manufactured, imported, distributed and/or sold in California by Mace. Such products collectively are referred to herein as the "Covered Products."

1.4 Notice of Violation

On or about October 15, 2010, Brimer served Mace and various public enforcement agencies with a document entitled "60-Day Notice of Violation" (the "Notice") that provided Mace and such public enforcers with notice that alleged that Mace was in violation of California Health & Safety Code §25249.6 for failing to warn consumers and customers that the Products exposed users in California to lead. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission

Mace denies the material factual and legal allegations contained in Brimer's Notice and maintains that all products that it has sold and distributed in California, including the Products, have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Mace of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Mace of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Mace. However, this section shall not diminish or otherwise affect the obligations, responsibilities and duties of Mace under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean August 31, 2011.

2. INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION

2.1 New Product Reformulation Commitment

As of the Effective Date, Defendant shall only manufacture, purchase or distribute, or cause to be manufactured, purchased or distributed, Covered Products that are Lead Free, as set forth below.

For purposes of this Settlement Agreement, "Lead Free" products shall mean Covered Products containing materials on any outer surface of the exterior or interior of the Covered Product that may be handled, touched or mouthed by a consumer, and which surface materials each yield less than 1.0 microgram of lead when using a wipe test pursuant to NIOSH Test Method 9100 and each yield less than 300 parts per million ("ppm") lead when such surface material is analyzed pursuant to EPA testing methodologies 3050B and 6010B, or equivalent methodologies utilized by Federal or State agencies for the purpose of determining lead content in a solid substance.

2.2 Existing Product Warnings

As to all Covered Products in the possession, custody or control of Defendant that are not Lead Free, Defendants shall not sell, ship or otherwise distribute any Covered Products unless each

such Covered Product, or each such shipment or distribution of Covered Products, includes a number of hang tags or self-adhesive stickers, equal to 120% the number of Covered Products being shipped or distributed, each of a dimension no less than 2 in. x 4 in., that contain the following printed language:

WARNING: This product is made with materials containing lead, a chemical known to the state of California to cause birth defects or other reproductive harm.

Each such shipment or distribution of Covered Products under this Section must also include a letter, attached to the shipping label or invoice for such shipment that includes the wording and format as that contained in Exhibit A to this Agreement.

2.3 Warnings For Catalog or Internet Product Description.

As of the Effective Date, and until all Covered Products sold by Defendants are Lead Free, any description of any Covered Product in any catalog, Internet or other written medium created, controlled or authorized by Defendant shall provide a warning statement along with the description or representation of the Covered Product. Warnings given in any catalog or on any Internet website shall identify the specific Product to which the warning applies as further specified in sub sections (a) and (b) below.

(a) **Catalog Warning.** Any warning provided in a catalog must be in the same type size or larger than the Covered Product description text within the catalog. The following warning shall be provided on the same page and in the same location as each display of the Covered Products:

WARNING: This product contains lead, a chemical known to the state of California to cause birth defects or other reproductive harm

Where it is impracticable to provide the warning on the same page and in the same location as the display of the Covered Product, Defendant may utilize a designated symbol (▼) to cross reference the applicable warning and shall define the term "designated symbol" with the following language on

the inside of the front cover of the catalog and on the same page as any order form for the Covered Product(s):

WARNING: Certain products identified with this symbol ▼ and offered for sale in this catalog contain LEAD a chemical known to the State of California to cause birth defects and other reproductive harm.

The designated symbol must appear on the same page and in close proximity to the display or description of the Covered Product on such page. On each page where the designated symbol appears, Defendant must provide a reference directing the consumer to the warning language and definition of the designated symbol.

(b) **Internet Website Warning.** A warning may be given in conjunction with the sale or description of the Covered Product by Defendant via the Internet, provided that the designated symbol (▼) appears adjacent to or immediately following the image, description, or price of any Covered Product for which a warning is being given, provided that the following warning statement also appears elsewhere on the same web page, as follows:

WARNING: Products identified on this page with this symbol ▼ contain LEAD a chemical known to the State of California to cause birth defects and other reproductive harm.

3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE §25249.7(B)

3.1 Penalty Assessment

As partial consideration for settlement of all the claims referred to in this Settlement Agreement, Defendant shall pay \$9,000.00 in civil penalties to be apportioned in accordance with California Health & Safety Code §25192, with 75% of these funds remitted to the State of California's Office of Environmental Health Hazard Assessment and the remaining 25% of these penalty monies remitted to Brimer as provided by California Health & Safety Code §25249.12(d). Defendant shall

issue two separate checks for the penalty payment: (a) one check made payable to The Chanler Group in Trust for the State of California's Office of Environmental Health Hazard Assessment (OEHHA), representing 75% of the total penalty and (b) one check to The Chanler Group in Trust for Brimer, representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: The first 1099 shall be issued to Office of Environmental Health Hazard Assessment, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486). The second 1099 shall be issued to Brimer, whose address and tax identification number shall be furnished, upon request, five calendar days before payment is due.

Payments shall be delivered on or before the Effective Date, at the following address:

THE CHANLER GROUP
Attn: Proposition 65 Controller
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710

3.2 Penalty Augmentation

If within nine (9) months of the Effective Date, plaintiff discovers and presents to Defendant evidence that the Covered Products have been distributed by Mace in sales volumes materially different than those identified by Defendant prior to execution of this Agreement, then Defendant shall be liable for an additional penalty amount of \$250 per quantity of Covered Product sold prior to execution of this Agreement but not identified by Defendant to plaintiff. Defendant shall also be liable for any reasonable, additional attorney fees expended by plaintiff in discovering such additional retailers or sales. Plaintiff agrees to provide Defendant with a written demand for all such additional penalties and attorney fees under this Section. After service of such demand, defendant shall have thirty (30) days to agree to the amount fees and penalties owing by Defendant and submit such payment to plaintiff in accordance with the method of payment of penalties and fees identified in Sections 3.1 and 4. Should this thirty (30) day period pass without any such resolution between the parties and payment of such additional penalties and fees, plaintiff shall be entitled to file a formal

legal claim for damages for breach of this contract and shall be entitled to all reasonable attorney fees and costs relating to such claim.

4. REIMBURSEMENT OF FEES AND COSTS

The parties reached an accord on the compensation due to Brimer and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Defendant shall reimburse Brimer's counsel for fees and costs, incurred as a result of investigating, bringing this matter to Defendant's attention, and negotiating a settlement in the public interest. Except as to any attorney fees and costs expended pursuant to Section 3.2, Defendant shall pay Brimer and his counsel \$27,000.00 for all attorneys' fees, expert and investigation fees, and related costs. The payment shall be made payable to The Chanler Group and shall be delivered on or before the Effective Date, at the following address:

THE CHANLER GROUP
Attn: Proposition 65 Controller
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710

Paying Defendant shall issue a separate 1099 for fees and cost paid in the amount of \$26,500.00 to The Chanler Group, 2560 Ninth Street, Parker Plaza, Suite 214, Berkeley, CA 94710.

5. RELEASE OF ALL CLAIMS

5.1 Release of Defendants and Downstream Customers

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4 above, and excepting any claim, agreement, penalty, fee or cost to be agreed or assessed under Section 3.2, Brimer, on behalf of himself, his past and current agents, representatives, attorneys, successors and/or assignees, and in the interest of the general public, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims, 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), of any nature whatsoever, arising out of Brimer's October 15, 60-Day Notice of Violation (collectively "Claims"), against Defendant and each of their downstream distributors, wholesalers, licensors, licensees, auctioneers, retailers, franchisees, dealers, customers, owners, purchasers, users, parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities (collectively "Releasees").

This release is expressly limited to those claims that arise under Proposition 65, as such claims relate to Defendant's alleged failure to warn about exposures to or identification of the Listed Chemical contained in the Covered Products and as such claims are identified in the Proposition 65 60-Day Notice to Defendants and to the extent that any alleged violations occur prior to one month after the Effective Date. This Release does not release any person, party or entity from any liability for any violation of Proposition 65 regarding the Covered Products that occur after the Effective Date.

The Parties further understand and agree that this release shall not extend upstream to any entities, other than Defendant, that manufactured the Covered Products or any component parts thereof, or any distributors or suppliers who sold the Covered Products or any component parts thereof to Defendants.

5.2 Defendant's Release of Brimer

Defendant waives any and all claims against Brimer, his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Brimer and his attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against Defendant in this matter, and/or with respect to the Covered Products.

6. ELECTION TO SECURE JUDGMENT UPON SETTLEMENT

The Parties intend and agree that this Settlement Agreement shall be given full effect for purposes of precluding claims regarding the Covered Products against Defendant or the Releasees

under Proposition 65 as covered under the terms of the release in Section 5. If requested in writing by Defendant, within six months of the Effective Date, Defendant may ask Brimer to file a complaint and seek judicial approval of this Settlement Agreement through a court approved consent judgment incorporating the terms of this Settlement Agreement pursuant to California Health and Safety Code Section 25249.7, or as may be otherwise allowed by law. If so requested, Brimer agrees to reasonably cooperate with Defendant and to use best efforts and that of his counsel to support the entry of an Order, from a Superior Court of California, approving any consent judgment incorporating the terms of this Settlement Agreement and for entry of Judgment thereupon. Pursuant to CCP Sections 1021 and 1021.5, should Defendant request Brimer to file a complaint and seek judicial approval of this settlement agreement, Defendants shall then reimburse Brimer and his counsel for their reasonable fees and costs incurred in filing the complaint and seeking judicial approval of this Settlement Agreement, in the amount of \$15,000.00, unless plaintiff identifies having incurred a lesser amount.

Should Defendant request Brimer to file such a complaint and seek judicial approval of this settlement agreement, Defendant agrees to reimburse Brimer, within ten (10) days of receipt of an invoice therefor, subject to the \$15,000.00 maximum, all fees and costs incurred by Brimer and his counsel in completing such request at their then effective billing rates. No fees under this paragraph will be due and owing to Brimer or his counsel unless a written request is made by Defendant to have Brimer file a complaint and seek settlement approval and a judgment. Defendant will remit payment to The Chanler Group, at the address set forth in Section 4 above.

7. SEVERABILITY

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.

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8. GOVERNING LAW

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 or is otherwise rendered inapplicable by reason of law generally, or as to the Covered Products, then Defendant shall provide written notice to Brimer 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.

9. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class, (registered or certified mail) return receipt requested; or (ii) overnight courier on any party by the other party at the following addresses:

For Mace Group Inc.:

Kee P yng Chen, President
Mace Group Inc.
4601 East Airport Drive
Ontario CA 91761

With a copy to:

Peter Lukevich, Esq.
Apex Juris PLLC
12733 Lake City Way Northeast
Seattle, WA 98125

For Brimer:

Proposition 65 Coordinator
The Chanler Group
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710-2565

Any party, from time to time, may specify in writing to the other party a change of address to

which all notices and other communications shall be sent.

10. COUNTERPARTS, FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

11. COMPLIANCE WITH HEALTH & SAFETY CODE § 25249.7(f)

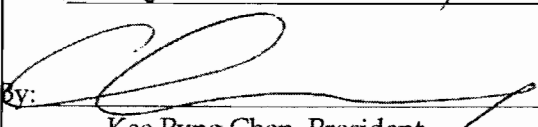
Brimer agrees to comply with the reporting form requirements referenced in Health & Safety Code § 25249.7(f).

12. MODIFICATION

This Settlement Agreement may be modified only by a written agreement of the Parties.

13. AUTHORIZATION

The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

Date: <u>8-23-2011</u> By:  Kee Pyng Chen, President Mace Group Inc.	Date: _____ By: _____ Russell Brimer
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The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.


Date: _____	Date: <u>8.22.11</u>
By: _____ Kee Pyng Chen, President Mace Group Inc.	By:  Russell Brimer

EXHIBIT A

Re: California Proposition 65 Warning For Macally BookShell2, BookShell2R, BookShellB and BookShellPro2 leather computer covers

Dear Customer:

Certain products contained in this shipment are made with materials containing lead. These products are described as follows:

[List all Covered Products by brand name, trade name, style #, SKU# and any other relevant information sufficient to eliminate confusion between Covered Products and non-Covered Products]

To comply with California's Proposition 65 (H&S Code §§25249.6, et seq.), these products may not be sold in California without inclusion of a clear and reasonable warning regarding lead. As part of a legal settlement we have reached regarding the duty to include such warnings with the sale of the Products, we are enclosing with this Order a sufficient number of approved Proposition 65 warnings.

If you are selling these products to a consumer in California, these warnings must be attached to, or otherwise accompany your sale of this product in such a manner as to make it reasonably likely to be seen and read by a consumer before purchase or use. If you are selling to a California distributor, California retailer or other entity that you reasonably believe will sell or distribute these products in California, you must accompany shipment of the products with a sufficient number of the enclosed warnings and a copy of this letter.

Your failure to provide warnings with the products as outlined above may subject you to liability for penalties, injunctive relief and attorneys fees and costs under Proposition 65.