

## SETTLEMENT AGREEMENT

### 1. INTRODUCTION

#### 1.1 Anthony E. Held, Ph.D., P.E. and C2F, Inc.

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Held”) and C2F, INC. (“C2F”) with Held and C2F collectively referred to as the “Parties.” Held is an individual residing in the State of California. Held alleges he seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. C2F employs ten or more persons and is a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code § 25249.6 *et seq.* (“Proposition 65”).

#### 1.2 General Allegations

Held alleges that C2F has distributed, and/or offered for sale to vinyl/PVC cutting mats containing di(2-ethylhexyl)phthalate (the “Listed Chemical”) in the State of California without the requisite Proposition 65 health hazard warnings. The Listed Chemical is listed pursuant to Proposition 65 and is a chemical known to the State of California to cause birth defects and other reproductive harm.

#### 1.3 Product Description

The products that are covered by this Settlement Agreement are defined as vinyl/PVC cutting mats, specifically limited to the product line known as *Art Advantage Cutting Mats, ART-3330*, containing the Listed Chemical sold by C2F in the State of California, hereinafter referred to as the “Products.”

#### 1.4 Notice of Violation

On or about August 28, 2014, Held served C2F and various public enforcement agencies

with a document entitled “60-Day Notice of Violation” (the “Notice”) that provided C2F and public enforcers with notice that C2F was alleged to be in violation of California Health & Safety Code § 25249.6 for failing to warn consumers and other individuals in California that the Products it sold exposed users to the Listed Chemical. To the best of the parties’ knowledge, no public enforcer has diligently prosecuted the allegations set forth in the Notice.

**1.5     No Admission**

C2F denies the material, factual, and legal allegations contained in Held’s Notice and maintains that all of the Products it has sold and distributed in California have been, and are in, compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by C2F 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 C2F of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by C2F. However, this section shall not diminish or otherwise affect C2F’s obligations, responsibilities, and duties under this Settlement Agreement.

**1.6     Effective Date**

For purposes of this Settlement Agreement, the term “Effective Date” shall mean December 30, 2014.

**2.     INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION**

**2.1     Reformulation Commitment**

As of the Effective Date, C2F shall only distribute or cause to be distributed, ship, sell, or offer to ship for sale in California, Products that are either (a) “DEHP Free” or (b) identified with warning labels as set forth in Section 2.2. For purposes of this Settlement Agreement, “DEHP Free” Products shall mean Products containing no more than 1,000 parts per million

("ppm") of the Listed Chemical, when analyzed pursuant to Environmental Protection Agency ("EPA") testing methodologies 3580A and 8270C. DEHP Free Products are referred to herein as "Reformulated Products."

C2F further commits that 100% of the Products that it offers for sale in California after the Effective Date shall qualify as either Reformulated Products, or shall otherwise comply with the warning requirements set forth in Section 2.2.

## **2.2 Requirements for Products Remaining in Inventory in California**

For Products distributed and sold by C2F before the Effective Date that are not Reformulated Products and remain in inventory with retailers and/or distributors to be sold in California, C2F must either provide clear and reasonable Proposition 65 warnings pursuant to this Section or request that the retailer or distributor return the unsold Products. To the extent not already provided, C2F hereby agrees that, within thirty (30) days of the Effective Date, it will send a letter, via certified mail with a copy to counsel for Held, to each California retailer or distributor that is known or believed to have any inventory of the Products. The letter shall explain in detail the retailer's or distributor's duty to provide toxic warnings for the Products and either:

(a) include a sufficient number of warning stickers containing the following language:

**WARNING:** This product contains DEHP, a chemical known to the State of California to cause birth defects and other reproductive harm,

with instructions that the stickers be placed on the product packaging for those Products that remain on the sales floor of the retailer or are otherwise in inventory at the store or distribution facility. The instructions shall advise retailers and

distributors that warning stickers issued for Products shall be prominently placed with such conspicuousness as compared with other words, statements, designs or devices as to render it likely to be read and understood by an ordinary individual under customary conditions before purchase; or

(b) request that the retailer or distributor return Products remaining in inventory in California, or for sale in California, if any, to C2F, and state that C2F will pay the return shipping for the Products.

As part of the instructions under either option (a) or (b), C2F must specify the product name, product number, and/or shop keeping unit ("SKU") number, if available, for each Product covered by the instruction letter.

### **3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE §25249.7(b)**

In settlement of all the claims referred to in this Settlement Agreement, C2F shall pay \$4,000 in total civil penalties (apportioned between an Initial Civil Penalty and a Final Civil Penalty) 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 ("OEHHA") and the remaining 25% of the penalty remitted to Held, as provided by California Health & Safety Code § 25249.12(d).

#### **3.1 Initial Civil Penalty**

C2F shall pay an initial civil penalty in the amount of \$1,500 (the "Initial Civil Penalty") on or before the Effective Date. C2F shall issue two separate checks: (a) one check made payable to "OEHHA" in the amount of \$1,125.00, representing 75% of the Initial Civil Penalty; and (b) one check to "Anthony E. Held, Ph.D., P.E., Client Trust Account" in the amount of \$375.00, representing 25% of the Initial Civil Penalty. All penalty payments shall be delivered

to the addresses listed in Section 3.3 below.

### **3.2 Final Civil Penalty**

C2F shall pay a final civil penalty of \$2,500 on or before May 15, 2015 (the “Final Civil Penalty”). The Final Civil Penalty shall be waived in its entirety, however, if, no later than May 1, 2015, an officer of C2F provides Held with written certification that, as of the date of such certification and continuing into the future, C2F has met the reformulation standard specified in Section 2.1 above, such that all Products manufactured, imported, distributed, sold and/or offered for sale in California by C2F are Reformulated Products. The certification in lieu of a Final Civil Penalty payment provided by this Section is a material term, and time is of the essence. C2F shall issue two separate checks for its Final Civil Penalty payments to: (a) “OEHHA” in the amount of \$1,875; and (b) “Anthony E. Held, Ph.D., P.E., Client Trust Account” in the amount of \$625.

### **3.3 Payment Procedures**

#### **3.3.1 Issuance of Payments.** Payments shall be delivered as follows:

(a) All payments owed to Held, pursuant to Sections 3.1 and 3.2, shall be delivered to the following payment address:

The Chanler Group  
Attn: Proposition 65 Controller  
2560 Ninth Street  
Parker Plaza, Suite 214  
Berkeley, CA 94710

(b) All payments owed to OEHHA, pursuant to Sections 3.1 and 3.2, shall be delivered directly to OEHHA (Memo line “Prop 65 Penalties”) at the following addresses:

For United States Postal Service Delivery:

Mike Gyurics  
Fiscal Operations Branch Chief  
Office of Environmental Health Hazard Assessment  
P.O. Box 4010  
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Mike Gyurics  
Fiscal Operations Branch Chief  
Office of Environmental Health Hazard Assessment  
1001 I Street  
Sacramento, CA 95814

With a copy of the checks payable to OEHHHA mailed to The Chanler Group at the address set forth above in 3.3.1(a), as proof of payment to OEHHHA.

**4. REIMBURSEMENT OF FEES AND COSTS**

The parties reached an accord on the compensation due to Held and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, C2F shall reimburse Held's counsel for fees and costs, incurred as a result of investigating, bringing this matter to C2F's attention, and negotiating a settlement in the public interest. C2F shall pay Held and his counsel \$15,000 for all attorneys' fees, expert and investigation fees, and related costs. The payment shall be issued in a separate check made payable to "The Chanler Group" and shall be delivered on or before the Effective Date, to the address found in Section 3.3.1(a) above.

**5. RELEASE OF ALL CLAIMS**

**5.1 Held's Release of C2F**

This Settlement Agreement is a full, final and binding resolution between Held, in his individual capacity only and not on behalf of the public, and C2F, of any violation of Proposition 65 that was or could have been asserted by Held on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, against C2F, its

parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom C2F directly or indirectly distributes or sells Products, including, but not limited, to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees ("Releasees"), based on their failure to warn about alleged exposures to the Listed Chemical contained in the Products that were manufactured, imported, distributed, sold, and/or offered for sale by C2F in the State of California before the Effective Date.

In further consideration of the promises and agreements herein contained, Held, in his individual capacity only, on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all his rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that he may have, 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, but exclusive of fees and costs on appeal -- limited to and arising under Proposition 65 with respect to the Listed Chemical in the Products manufactured, imported, distributed, sold and/or offered for sale by C2F before the Effective Date, against C2F and Releasees.

## **5.2 C2F's Release of Held**

C2F, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims against Held and his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Held and his attorneys and other representatives, whether in the course of investigating claims, or otherwise seeking to enforce Proposition 65 against C2F pertaining to the Products.

**6. 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.

**7. 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 Products, then C2F may provide written notice to Held 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 Products are so affected.

**8. NOTICES**

Unless specified herein, all correspondence and notice 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:

To C2F:

Christopher R. Ambrose, Esq.  
Ambrose Law Group, LLC  
200 Buddha Building  
312 NW 10<sup>th</sup> Ave.  
Portland, OR 97209

To Held:

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.

**9. COUNTERPARTS; FACSIMILE SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile or portable document format (".pdf") signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. A facsimile or optically scanned image of a Party's signature shall be valid, as if original.

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

Held and his attorneys agree to comply with the reporting form requirements referenced in California Health & Safety Code § 25249.7(f).

**11. MODIFICATION**

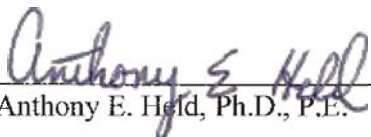
This Settlement Agreement may be modified only by written agreement of the Parties.

**12. AUTHORIZATION**

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

AGREED TO:

Date: January 7, 2015

By:   
Anthony E. Held, Ph.D., P.E.

AGREED TO:

Date: January 6, 2015  
C2F, Inc.

By:   
William Cieslinski, President, C2F, Inc.