

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between CTT Tools, Inc. (“CTT”) and Whitney R. Leeman, Ph.D. (“Leeman”), with Leeman and CTT collectively referred to as the “Parties.” Leeman is an individual residing in the State of 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. CTT 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

Leeman alleges that CTT has manufactured, distributed and/or sold in the State of California tools with vinyl/PVC grips containing concentrations of di(2-ethylhexyl)phthalate (“DEHP”) above the allowable state limits without the requisite Proposition 65 warning. DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects or other reproductive harm. CTT denies Leeman’s claims and maintains that Proposition 65 warnings are not required for the Products (as hereinafter defined).

1.3 Product Description

The “Products” that are covered by this Settlement Agreement are defined tools with vinyl/PVC grips containing DEHP including, but not limited to, *Pliers, CPL06L, UPC #0 91044 40701 6*, imported, distributed and/or offered for sale in the State of California by CTT.

1.4 Notice of Violation

On or about January 23, 2015, Leeman served CTT and various public enforcement agencies with a “60-Day Notice of Violation” (the “Notice”) that provided the recipients with notice of alleged violations of Proposition 65 based on CTT’s failure to warn consumers that the Products exposed users in the State of California to DEHP. To the best of the Parties’ knowledge, no public enforcer has prosecuted the allegations set forth in the Notice.

1.5 No Admission

CTT denies all factual and legal allegations contained in Leeman's Notice, and maintains that all of the products that it has sold and/or offered for sale in the State of California, including the Products, have been and are in compliance with all federal, state, or local laws. Nothing in this Settlement Agreement shall be construed as an admission by CTT of any fact, finding, conclusion of law, issue of law or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by CTT of any fact, finding, conclusion of law, issue of law or violation of law. However, this Section shall not diminish or otherwise affect CTT'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 the date this Settlement Agreement is signed by all Parties.

2. INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION STANDARD

Commencing on the Effective Date, CTT shall only distribute, ship, sell or offer for sale to consumers in the State of California Products that are: (1) sold or shipped with the clear and reasonable warning set forth in subsection 2.1; or (2) exempt pursuant to subsection 2.2 as Reformulated Products as defined in subsection 2.3.

2.1 Warnings Required: Product Labeling

Commencing on the Effective Date, for all Products other than Reformulated Products, CTT shall provide clear and reasonable warnings that state:

WARNING: This product will expose you to DEHP, a chemical known to the State of California to cause birth defects (or other reproductive harm). For more information go to www.P65Warnings.ca.gov.¹



or

¹ The diamond shaped border in the standard (Globally Harmonized System) pictogram "GHS07" for toxic hazards is to appear in the color red. The word "WARNING" shall be written in all capital letters, in bold print no smaller than 10 point type; the remainder of the warning language shall be written in 8 point type font or larger. CTT may enclose the text of the warning message in a box.

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

CTT may affix this warning to the packaging, labeling or directly on any Products that are not Reformulated Products which are sold or offered for sale to institutional or individual consumers within the State of California and institutional customers with nationwide distribution. Each warning 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 use. Each warning shall be provided in a manner such that the consumer or user understands to which *specific* Product(s) the warning applies, so as to minimize the risk of consumer confusion.

2.2 Exceptions to Warning Requirements

The warning requirements set forth in Section 2.1 shall not apply to Reformulated Products (as defined in Section 2.3 below).

2.3 Reformulation Standard

Reformulated Products are defined as Products containing concentrations less than 0.1 percent (1000 parts per million) of DEHP, di-n-butyl (“DBP”), butyl benzyl phthalate (“BBP”), and Diisononyl phthalate (“DINP”) in each accessible component when analyzed by a laboratory accredited by the State of California, a federal agency, or similar nationally recognized accrediting organization, pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C, or equivalent methodologies utilized by federal or state agencies for the purpose of determining phthalate content in a solid substance. By entering into this Settlement Agreement, the Parties do not intend to expand or restrict any obligations or responsibilities that may be imposed upon CTT by laws other than Proposition 65, nor do the Parties intend this Settlement Agreement to affect any defenses available to CTT under laws other than Proposition 65.

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3. MONETARY PAYMENTS

3.1 Penalties Pursuant to Health & Safety Code § 25249.7(b)

In settlement of all the claims referred to in this Settlement Agreement, CTT shall pay a civil penalty of \$12,000 in accordance with this Section. CTT shall issue one check for the civil penalty amount made payable to "Whitney Leeman, Client Trust Account" within five (5) days of the Effective Date. Leeman will allocate the penalty payment in accordance with California Health & Safety Code § 25249.12(c)(1) & (d), with 75% of the funds being remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty retained by Leeman. CTT shall be liable for payment of interest, at a rate of 10% simple interest, for all amounts due and owing under this Section that are not received within two business days of the due date.

3.2 Representations

CTT represents that the sales data and other information concerning its Product sales information, knowledge of DEHP, prior reformulation and/or warning efforts, that it provided to Leeman in negotiating this Settlement Agreement was truthful to its knowledge at the time of execution of this Settlement Agreement and a material factor upon which Leeman relied to determine the amount of civil penalties assessed pursuant to Health & Safety Code § 25249.7. If, within twelve months of the Effective Date, Leeman discovers and presents to CTT, evidence demonstrating that the preceding representation and warranty was materially inaccurate, then CTT shall have 30 days to meet and confer regarding Leeman's contention. Should this 30 day period pass without any such resolution between Leeman and CTT, Leeman shall be entitled to file a formal legal claim including, but not limited to, a claim for damages for breach of contract.

3.3 Reimbursement of Fees and Costs

The parties acknowledge that Leeman and her counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to them, thereby leaving this fee issue to be resolved after the material terms of the agreement had been settled. Leeman then expressed a desire to resolve the fee and cost issue shortly after the other settlement

terms had been finalized. The parties then attempted to (and did) reach an accord on the compensation due to Leeman and her counsel under general contract principles and the private attorney general doctrine codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. CTT shall pay \$22,500 for fees and costs incurred as a result of investigating, bringing this matter to CTT's attention, and negotiating a settlement in the public interest. CTT shall tender a check payable to "The Chanler Group," within five (5) days of the Effective Date. CTT shall be liable for payment of interest, at a rate of 10% simple interest, for all amounts due and owing under this Section that are not received within two business days of the due date.

3.4 Payment Procedures

All payments and/or certifications pursuant to Sections 3.1 through 3.3, shall be delivered to:

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

4. RELEASE OF ALL CLAIMS

4.1 Leeman's Release of CTT

This Settlement Agreement is a full, final, and binding resolution between Leeman, as an individual and not on behalf of the public, and CTT of any violation of Proposition 65 that was or could have been asserted by Leeman on behalf of herself, her past and current agents, representatives, attorneys, successors and/or assignees, against CTT, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys and each entity to whom CTT directly or indirectly distributes or sells the Products including, but not limited to, downstream distributors, wholesalers, customers, franchisees, cooperative members, licensees and retailers ("Releasees"), based on the alleged failure to warn about potential exposures to DEHP contained in the Products sold and/or offered for sale by CTT in the State of California before the Effective Date as set forth in the Notice.

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In further consideration of the promises and agreements herein contained, Leeman on behalf of herself, her past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that she may have against CTT and Releasees, including, without limitation, all actions, causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses including, but not limited to, investigation fees, expert fees, and attorneys' fees arising under Proposition 65 with respect to DEHP, DBP, BBP and DINP in the Products sold and/or offered for sale by CTT before the Effective Date.

4.2 CTT's Release of Leeman

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

5. 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 and/or DEHP, then CTT shall provide written notice to Leeman 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.

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6. NOTICES

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

For CTT:

Steve Tsai, President
CTT Tools, Inc.
10052 Garvey Avenue
El Monte, CA 91733

For Leeman:

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

With a copy on behalf of CTT to:

Kurt Osenbaugh
Alston & Bird
333 South Hope Street, Sixteenth Floor
Los Angeles, California 90071

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.

7. COUNTERPARTS; FACSIMILE/PDF 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.

8. ENTIRE AGREEMENT

This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and any and all prior discussions, negotiations, commitments and understandings related hereto. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any party hereto. No other agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties.

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

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

10. MODIFICATION

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

11. 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.

AGREED TO:

Date: 6/29/15

By: Whitney Leeman
Whitney Leeman

AGREED TO:

Date: 7-7-2015

By: John Tsai
John Tsai, CEO
CTT Tools, Inc.