

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between John Moore (“Moore”) and American Crafts, L.C. (“American Crafts”), with Moore and American Crafts each individually referred to as a “Party” and collectively as the “Parties.” Moore is an individual residing in the State of California who seeks to promote awareness of exposures to toxic chemicals, and to improve human health by reducing or eliminating hazardous substances used in consumer products. Moore alleges that American Crafts 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

Moore alleges that American Crafts manufactures, sells, and/or distributes for sale in California, vinyl/PVC cutting mats containing di(2-ethylhexyl)phthalate (“DEHP”), and that it does so without first providing the health hazard warning required by Proposition 65. DEHP is listed pursuant to Proposition 65 as a chemical known to cause birth defects or other reproductive harm.

1.3 Product Description

The products that are covered by this Settlement Agreement are cutting mats containing DEHP including, but not limited to, the *We R Memory Keepers Mini Magnetic Mat & Ruler*, #71092-9, UPC #6 33356 71092 9 manufactured, sold or distributed for sale in California by American Crafts (“Products”).

1.4 Notice of Violation

On May 26, 2016 Moore served American Crafts, and the requisite public enforcement agencies with a 60-Day Notice of Violation (“Notice”), alleging that

American Crafts violated Proposition 65 when it failed to warn its customers and consumers in California that its Products expose users to DEHP. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

American Crafts denies the material, factual, and legal allegations contained in the Notice and maintains that all of the 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 American Crafts of any fact, finding, conclusion, issue of law, or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by American Crafts of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by American Crafts. However, this Section shall not diminish or otherwise affect American Crafts' obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean November 18, 2016.

2. STATEMENTS RE PRIOR ENFORCEMENT

2.1 Prior Notices

On April 30, 2014, American Crafts and the requisite public enforcement agencies received a "60-Day Notice of Violation" ("April, 2014 Notice") which alleged that American Crafts was in violation of California Health & Safety Code § 25249.6 for failing to warn consumers and other individuals in California that certain vinyl/PVC craft products it sold in California exposed users to DEHP. On October 24, 2014, American Crafts and the requisite public enforcement agencies received a "60-Day Notice of Violation" ("October, 2014 Notice") which alleged that American Crafts was in violation

of California Health & Safety Code § 25249.6 for failing to warn consumers and other individuals in California that certain vinyl/PVC pen pouches it sold in California exposed users to DEHP. The April, 2014 Notice and the October, 2014 Notice are collectively referred to hereinafter as “the 2014 Notices.”

2.2 Prior Settlement

On October 26, 2015, American Crafts entered into a court approved, stipulated judgment resolving all of the violations alleged in the 2014 Notices. In that settlement American Crafts committed that, as of January 26, 2016, it would only manufacture for sale or purchase for sale in California, vinyl/PVC craft embellishments and pen pouches containing no more than 1,000 parts per million (“ppm”) DEHP content, which products do not require a warning under Proposition 65.

3. INJUNCTIVE RELIEF: REFORMULATED PRODUCTS

As of the Effective Date, American Crafts shall only distribute, ship, sell, or offer to ship for sale or use in California, “Reformulated Products.” For purposes of this Settlement Agreement, Reformulated Products shall mean Products containing no more than 1,000 ppm of DEHP when analyzed pursuant to Environmental Protection Agency testing methodologies 3580A and 8270C or equivalent methodologies used for determining the content of DEHP in a solid substance.

4. MONETARY SETTLEMENT TERMS

4.1 Civil Penalty Payments

Pursuant to California Health & Safety Code § 25249.7(b)(92) and in settlement of all claims alleged in the Notice and referred to in this Settlement Agreement, within five days of the Effective Date, American Crafts shall pay \$2,000 in civil penalties. This penalty amount reflects American Crafts’ commitment to Proposition 65 compliance, including the safeguards and protocols it put in place following its prior settlement. The penalty payment will be allocated in accordance with California Health and Safety Code section 25249.12(c)(1) & (d), with 75% of the penalty amount remitted to the

California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining 25% of the penalty amount paid to Moore, and delivered to the address in Section 3.3 herein. Within 5 days of the Effective Date Reliance shall provide its payment as follows: (i) a check in the amount of \$1,500 payable to “OEHHA” and (ii) a check in the amount of \$500 payable to “John Moore Client Trust Account.”

4.2 Reimbursements of Attorneys’ Fees and Costs

The Parties reached an accord on the compensation due to Moore and his counsel under general contract principles and the private attorney general doctrine codified at Code of Civil Procedure section 1021.5 for all work performed in this matter. Under these legal principles, American Crafts shall pay \$14,000 to Moore and his counsel for all fees and costs incurred investigating, bringing this matter to the attention of American Crafts’ management, and negotiating a settlement that provides a public benefit. American Crafts’ payment shall be due within five days of the Effective Date. American Crafts shall deliver its payment to in the form of a check payable to “The Chanler Group.”

4.3 Payment Address

All payments required by this Settlement Agreement shall be delivered to:

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

5. CLAIMS COVERED AND RELEASED

5.1 Moore’s Release of American Crafts

This Settlement Agreement is a full, final and binding resolution between Moore, on his own behalf and not on behalf of the public, and American Crafts, of any violation of Proposition 65 that was or could have been asserted by Moore, on behalf of himself, or on behalf of his past and current agents, representatives, attorneys, successors, and

assignees (“Releasers”), and Releasers hereby release any such claims, against American Crafts, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom American Crafts directly or indirectly distributes or sells Products, including but not limited to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors, and licensees (“Releasees”), based on the failure to warn about alleged exposures to DEHP contained in Products manufactured, distributed, sold or offered for sale by American Crafts in California before the Effective Date.

In further consideration of the promises and agreements herein contained, Moore, on his own behalf and not on behalf of the public, on his own behalf, and on behalf of his past and current agents, representatives, attorneys, successors, and assignees, hereby covenants not to sue and waives any right 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 and in equity, all suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, investigation fees, expert fees, and attorneys’ fees arising under Proposition 65 with respect to the alleged or actual failure to warn about exposures to DEHP in the Products manufactured, distributed, sold or offered for sale by American Crafts before the Effective Date. The releases provided by Moore under this Settlement Agreement are provided solely on Moore’s behalf and are not releases on behalf of the public.

5.2 American Crafts’ Release of Moore

American Crafts, on its own behalf, and on behalf of its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims against Moore and his attorneys and other representatives, for any and all actions taken or statements made by Moore and his attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining provisions 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 otherwise rendered inapplicable by reason of law generally, or as to the Products, then American Crafts may provide written notice to Moore of any asserted change in the law, and shall have no further obligation pursuant to this Settlement Agreement with respect to, and to the extent that the Products are so affected.

8. NOTICE

Unless specified herein, all correspondence and notice required to be provided pursuant to this Settlement Agreement shall be in writing and sent by: (a) personal delivery; (b) first-class, registered or certified mail, return receipt requested; or (c) a recognized overnight courier on any Party by the other at the following addresses:

For American Crafts:

Richard McNeil, Esq.
Snell & Wilmer
600 Anton Blvd., Suite 1400
Costa Mesa, CA 92626

For Moore:

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

Any Party may, from time to time, specify in writing to the other 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.

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

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

11. **MODIFICATION**

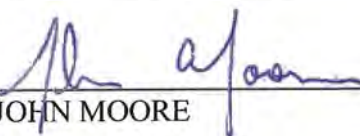
This Settlement Agreement may be modified only by written agreement of the Parties.

12. **AUTHORIZATION**

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

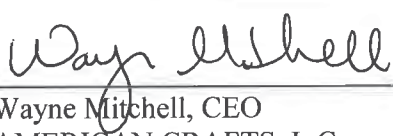
AGREED TO:

Date: 12/1/2016

By: 
JOHN MOORE

AGREED TO:

Date: 11.28.16

By: 
Wayne Mitchell, CEO
AMERICAN CRAFTS, L.C.