

# SETTLEMENT AGREEMENT

## 1. INTRODUCTION

### 1.1 Anthony Held and Kalan LP

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Dr. Held”) and Kalan LP (“Kalan”), with Dr. Held and Kalan collectively referred to as the “Parties.” Dr. Held is an individual residing in the State of California who asserts that he seeks to promote awareness of exposure to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Kalan 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

Dr. Held alleges that Kalan has manufactured, distributed, and/or offered for sale in California key covers containing the phthalate chemical di(2-ethylhexyl)phthalate (“DEHP”) without the requisite Proposition 65 warnings. DEHP (hereinafter “Listed Chemical”) is listed pursuant to Proposition 65 as a chemical known to cause birth defects and other reproductive harm. Kalan asserts that it has conducted an independent investigation of the Products (as defined in Section 1.3) identified on the Notice (as defined in Section 1.4), and based thereon, denies that the subject product contained the Listed Chemical, or if it did, that the amount present was such that Kalan was not required to provide a warning under the “Safe Harbor” provisions of Proposition 65.

### 1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: key covers containing the Listed Chemical such as, but not limited to, *Ghostbusters Keycovers, KECP311, (#0 24685 58311 5)*. All such key covers containing the Listed Chemical are referred to hereinafter as the “Products.”

#### **1.4 Notice of Violation**

On or about June 17, 2010, Dr. Held served Kalan and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided Kalan and public enforcers with notice of alleged violations of California Health & Safety Code § 25249.6 by Kalan for failing to warn its customers and consumers in California that the Products it sold exposed users to the Listed Chemical. 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**

As detailed above, Kalan 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 Kalan 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 Kalan of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Kalan. However, this section shall not diminish or otherwise affect Kalan’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 July 11, 2011.

## **2. INJUNCTIVE RELIEF: REFORMULATION**

### **2.1 Reformulation Commitment**

As of the Effective Date, Kalan shall only manufacture or cause to be manufactured for sale in California Products that are Phthalate Free. For purposes of this Settlement Agreement, “Phthalate Free” Products shall mean Products containing

less than or equal to 1,000 parts per million (0.1%) each of the Listed Chemical, n-butyl benzyl phthalate (BBP), and di-n-butyl phthalate (DBP) when analyzed pursuant to Environmental Protection Agency testing methodologies 3580A and 8270C.

Kalan further commits that 100% of the Products that it offers for sale in California after the Effective Date shall be Phthalate Free.

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

Pursuant to California Health & Safety Code § 25249.7(b), and in settlement of all claims alleged in the Notice and Complaint and referred to in this Settlement Agreement, Kalan shall pay \$5,000 in combined penalty payments and credits.

For its cooperation in the settlement process and its commitment to reformulate the Products to be Phthalate Free pursuant to Section 2.1 above, Dr. Held shall provide Kalan with a penalty credit of \$4,000. Thereafter, the remaining penalty amount of \$1,000 will be paid by Kalan and apportioned according to Health & Safety Code §§ 25249.12 (c)(1) & (d), with seventy-five percent of the penalty amount remitted to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining twenty-five percent of the penalty paid to Dr. Held.

Kalan shall issue two checks for the penalty payment: (a) one check payable to "The Chanler Group in Trust for OEHHA" in the amount of \$750, and (b) one to "The Chanler Group in Trust for Dr. Anthony E. Held" in the amount of \$250. Two 1099 forms shall be provided for the above payments to: (a) Office of Environmental Health Hazard Assessment, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486); and (b) Dr. Anthony E. Held, whose address and tax identification number shall be furnished, upon request, at least five (5) calendar days before payment is due. Payment 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

**4. REIMBURSEMENT OF FEES AND COSTS**

The parties reached an accord on the compensation due to Dr. Held and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Kalan shall reimburse Dr. Held's counsel for fees and costs incurred as a result of investigating, bringing this matter to Kalan's attention, and negotiating a settlement in the public interest. Kalan shall pay Dr. Held's counsel \$14,000 for all attorneys' fees, expert and investigation fees, and related costs. The payment shall be issued in a third check 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  
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Berkeley, CA 94710

Kalan shall issue a separate 1099 for attorneys' fees and costs paid to The Chanler Group (EIN: 94-3171522).

**5. CLAIMS COVERED AND RELEASED**

**5.1 Full, Final and Binding Resolution of Proposition 65 Allegations.**

This Settlement Agreement is a full, final and binding resolution between Dr. Held, on behalf of himself and the public, and Kalan, of any violation of Proposition 65 that was or could have been asserted by Dr. Held against Kalan, its parents, subsidiaries, affiliated entities that are under common ownership, directors, officers, employees,

attorneys, and each entity to whom Kalan 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 their failure to warn about alleged exposures to DEHP contained in the Products that were sold by Kalan.

**5.2 Dr. Held’s Public Release of Proposition 65 Claims.**

In further consideration of the promises and agreements herein contained, Dr. Held 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, but exclusive of fees and costs on appeal -- limited to and arising under Proposition 65 with respect to DEHP in the Products sold by Kalan (collectively “claims”), against Kalan and Releasees.

**5.3 Dr. Held’s Individual Release of Claims.**

Dr. Held also, in his individual capacity only and *not* in his representative capacity, provides a release herein which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys’ fees, damages, losses, claims, liabilities and demands of plaintiff of any nature, character or kind, whether known or unknown, suspected or unsuspected,

limited to and arising out of alleged or actual exposures to DEHP in the Products manufactured, distributed or sold by Kalan.

**5.4 Kalan's Release of Dr. Held.**

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

**6. 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 Kalan may provide written notice to Dr. 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.

**7. 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: (a) first-class, registered or certified mail, return receipt requested; or (b) overnight courier on any party by the other party at the following addresses:

To Kalan:

Andrew, President  
Kalan LP  
97 S. Union Ave.  
Lansdowne, PA 19050

With copy to:

Bruce Nye  
Adams, Nye, Becht LLP  
222 Kearney Street, 7<sup>th</sup> Floor  
San Francisco, CA 94108

To Dr. 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.

**8. 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 PDF signature shall be as valid as the original.

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

Dr. Held and his attorneys agree 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 written agreement of the Parties.

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**11. AUTHORIZATION**

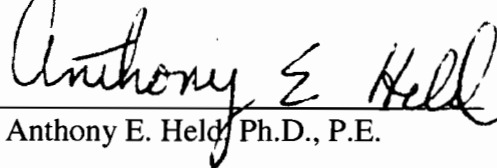
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective parties and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: 06/30/2011 \_\_\_\_\_

Date: \_\_\_\_\_

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

By: \_\_\_\_\_  
Andrew Kalan, President  
Kalan LP



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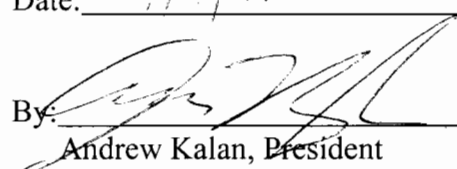
AGREED TO:

AGREED TO:

Date: \_\_\_\_\_

Date: 7/7/11

By: \_\_\_\_\_

By: 

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

Andrew Kalan, President  
Kalan LP