

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Anthony E. Held, Ph.D., P.E. and Direct Resources International, Inc.

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (hereinafter "Held") and Direct Resources International, Inc. (hereinafter "DRI"), with Held and DRI collectively referred to as the "Parties." Held is an individual residing in California who seeks to promote awareness of exposure to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. DRI 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.* (hereinafter "Proposition 65").

1.2 General Allegations

Held alleges that DRI manufactured, distributed and/or sold in the State of California inflatable vinyl toys/children's items containing di(2-ethylhexyl)phthalate (hereinafter "DEHP") without the requisite health hazard warnings. DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects and other reproductive harm. DEHP shall be referred to hereinafter as the "Listed Chemical."

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: : inflatable vinyl toys/children's items containing DEHP, including, but not limited to the 36" *Shamu Ride-On with Two Rubber Handles, #1419*. All such items shall be referred to herein as the "Products".

1.4 Notice of Violation and Supplemental Notice of Violation

On May 23, 2008, Held served Sea World, Inc., Busch Entertainment Corporation, and various public enforcement agencies with a document entitled "60-Day

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Notice of Violation" (hereinafter "Notice") that provided Sea World, Inc., Busch Entertainment Corporation, and such public enforcers with notice that alleged that Sea World, Inc. and Busch Entertainment Corporation was in violation of Proposition 65 for failing to warn consumers and customers that the Products exposed users in California to the Listed Chemical.

After Held learned that DRI is the distributor of the Products, Held served DRI, Sea World, Inc., Busch Entertainment Corporation, and various public enforcement agencies with a document entitled "60-Day Supplemental Notice of Violation" (hereinafter "Supplemental Notice") on November 28, 2008. The Supplemental Notice provided DRI, Sea World, Inc., Busch Entertainment Corporation, and such public enforcers with notice that alleged that DRI was in violation of Proposition 65 for failing to warn consumers and customers that the Products exposed users in California to the Listed Chemical.

1.5 No Admission

DRI denies the material, factual and legal allegations contained in Held's Supplemental Notice and maintains that all products that it has manufactured, 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 DRI 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 DRI of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by DRI. However, this section shall not diminish or otherwise affect the obligations, responsibilities, and duties of DRI under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean June 8, 2009.

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2. INJUNCTIVE RELIEF: REFORMULATION IN LIEU OF WARNINGS

As of November 28, 2008, DRI shall only manufacture, or cause to be manufactured, Products for sale in California 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 ("ppm") of the Listed Chemical. Products that are Phthalate Free shall be referred to herein as "Reformulated Products."

DRI hereby further commits that 100% of the Products that it ships for sale in California after the Effective Date shall be Reformulated Products. DRI also represents that, as a direct result of the Supplemental Notice issued on November 28, 2008, the company began to immediately implement a process for the reformulation of the Products at issue. In addition, DRI discontinued the sale of 36" *Shamu Ride-On with Two Rubber Handles, #1419* as a result of the Supplemental Notice.

3. MONETARY PAYMENTS

In settlement of all claims referred to in this Settlement Agreement, DRI shall pay \$2,000 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 ("OEHHA") and the remaining 25% of the penalty remitted to Anthony Held as provided by California Health & Safety Code §25249.12(d). DRI shall issue two separate checks for the penalty payment: (a) one check made payable to "Hirst & Chanler LLP in Trust For OEHHA" in the amount of \$1,500 representing 75% of the total penalty; and (b) one check to "Hirst & Chanler LLP in Trust for Anthony Held" in the amount of \$500 representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: (a) OEHHA, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486); and (b) Anthony Held, whose information shall be provided prior to payment. Held will cause a W-9 Form with respect to himself to be provided to DRI prior to payment.

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Payment shall be delivered to Dr. Held's counsel on or before July 1, 2009, at the following address:

Hirst & Chanler LLP
Attn: Proposition 65 Controller
2560 Ninth Street, Suite 214
Berkeley, CA 94710

4. REIMBURSEMENT OF FEES AND COSTS

The Parties acknowledge that Held and his 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. DRI 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 Held and his counsel under the private attorney general doctrine codified at California Code of Civil Procedure (CCP) §1021.5, for all work performed through the mutual execution of this agreement. DRI shall reimburse Held and his counsel the total of \$20,000 for fees and costs incurred as a result of investigating, bringing this matter to DRI's attention and negotiating a settlement in the public interest. Hirst & Chanler LLP will cause a completed W-9 Form with respect to itself to be provided to DRI prior to payment. DRI shall issue a 1099 to Hirst & Chanler LLP for the above fees and costs. The payment shall be made payable to "Hirst & Chanler LLP" and shall be delivered on or before July 1, 2009, to the following address:

Hirst & Chanler LLP
Attn: Proposition 65 Controller
2560 Ninth Street, Suite 214
Berkeley, CA 94710

5. RELEASE OF ALL CLAIMS

5.1 Release of DRI 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, Held on behalf of himself, his past

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and current agents, representatives, attorneys, successors, and/or assignees, and on behalf of the general public to the extent allowed by law, 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, whether known or unknown, fixed or contingent (collectively "claims"), against DRI and each of its 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 "Releasces"), including but not limited to Sea World, Inc. and Busch Entertainment Corporation, arising from any alleged violation of Proposition 65, or any other statutory or common law claims that have been or could have been asserted individually or in the public interest regarding the failure to warn about exposures to or identification of the Listed Chemical in the Products. The Parties further understand and agree that this release shall not extend upstream to any entities that manufactured the Products or any component parts thereof.

5.1.1 Held's General Release of DRI

Dr. Held in his individual capacity and not in his representative capacity hereby releases all claims which he now has or may have in the future against DRI (and Sea World, Inc., and Busch Entertainment Corporation only for the sale of DRI products), irrespective of the subject matter, of all character, kind and nature, whether said claims are known or unknown or are suspected or unsuspected and Dr. Held expressly waives any and all rights and benefits which he now has, or in the future may have under California Civil Code Section 1542, which provides as follows:

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A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

It is expressly agreed and understood that the general release by Dr. Held, in his individual capacity only, of DRI (and Sea World, Inc., and Busch Entertainment Corporation only for the sale of DRI products) is a material consideration of DRI's willingness and decision to enter into this Settlement Agreement.

5.2 DRI's Release of Held

DRI waives any and all claims against 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 Held and his 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.

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. 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 supersedes 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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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 Products, then DRI shall 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.

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:

To DRI:

Teresa Davis
Direct Resources International, Inc.
4253 East Enterprise Lane
Rogersville, MO 65742

To Held:

Proposition 65 Coordinator
HIRST & CHANLER LLP
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.

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

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

13. MODIFICATION

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

14. 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: 06/03/09

By: *Anthony E. Held*
ANTHONY E. HELD, Ph.D., P.E.

AGREED TO:

Date: *June 4, 2009*

By: *Jerome Davis, V.P.*
DIRECT RESOURCES
INTERNATIONAL, INC.