

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Russell Brimer And HP Industries, Inc.

This Settlement Agreement is entered into by and between Russell Brimer (hereinafter "Brimer") and HP Industries, Inc., (hereafter "HP"), with Brimer and HP collectively referred to as the "Parties." Brimer is an individual residing in 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. HP employs ten or more persons and is a person in the course of doing business for purposes of Proposition 65.

1.2 General Allegations

Brimer alleges that HP has manufactured, distributed and/or sold in the State of California certain key chains that contain lead. Lead is listed pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health & Safety Code §§25249.5 et seq. ("Proposition 65"), as a chemical known to the State of California to cause birth defects and other reproductive harm. Lead shall be referred to herein as the "Listed Chemical."

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: key chains containing lead including, but not limited to, the products identified in Exhibit A to this Settlement Agreement. All such key chains shall be referred to herein as the "Products."

1.4 Notices of Violation

On or about August 14, 2008, Brimer served HP and various public enforcement agencies with a document entitled "60-Day Notice of Violation" (the "Notice") that provided HP and such public enforcers with notice that alleged that HP was in violation of California Health & Safety Code §25249.6 for failing to warn consumers and customers that the Products that HP sold exposed users in California to the Listed Chemical.

1.5 No Admission

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

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean December 30, 2008.

2. INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION

2.1 After the Effective Date, HP shall not sell, ship or offer to be shipped for sale in California Products containing the Listed Chemical unless such Products are sold or shipped with the clear and reasonable warnings set out in Section 2.2 or comply with the Reformulation

Standards set forth in Section 2.3.

Any warning issued for Products pursuant to this Section 2.2 below 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, for Products shipped directly to an individual in California, before use.

2.2 Product Warnings

2.2.1 Clear and Reasonable Warnings. This Section describes HP options for satisfying the warning obligations required by Section 2.1, depending, in part, on the manner of sale:

(a) Retail Store Sales

(i) Product Labeling. From the Effective Date, a warning will be affixed to the packaging, labeling or directly on the Product by HP or its agent, that states:

WARNING: The materials used in this product contain lead, a chemical known to the State of California to cause birth defects and other reproductive harm.

(ii) Point-of-Sale Warnings. HP may perform its warning obligations by insuring to the greatest extent possible that signs are posted at retail outlets in the State of California where the Products are sold. HP must receive a written commitment from each retailer to whom HP sells Products directly that it will post the warning signs. Point-of-sale warnings shall be provided through one or more signs posted in close proximity to the point of display of the Products that state:

WARNING: The materials used in this product contain lead, a chemical known to the State of California to cause birth defects and other reproductive harm.

A point-of-sale warning shall be provided in a manner such that the consumer understands to which specific Products the warning applies.

(b) Mail Order Catalog and Internet Sales. HP shall satisfy its warning obligations for Products that are sold by mail order catalog or from the Internet to California residents, by providing a warning: (a) in the mail order catalog and/or on the website; or (b) with the Product when it is shipped to an address in California. Warnings given in the mail order catalog or on the website shall identify the specific Product to which the warning applies as further specified in Sections 2.2.1(b)(i), (ii) and/or (iii) as applicable:

(i) Mail Order Catalog. Any warning provided in a mail order catalog must be in the same type size or larger as the product description text within the catalog. The following warning shall be provided on the same page and in the same location as the display and/or description of the Product:

WARNING: The materials used in this product contain lead, a chemical known to the State of California to cause birth defects and other reproductive harm.

If HP elects to provide warnings in the mail order catalog, then the warnings must be included in all catalogs offering to sell one or more Products printed after November 30, 2008.

(ii) Internet Web Sites and Pages. A warning may be given in conjunction with the sale of the Product via the Internet, provided it appears either: (a) on the

same web page on which the Product is displayed; (b) on the same web page as the order form for the Product; (c) on the same page as the price for any Product; or (d) on one or more web pages displayed to a purchaser during the checkout process. The following warning statement shall be used and shall appear in any of the above instances adjacent to or immediately following the display, description, or price of the Product for which it is given in the same type size or larger as the product description text:

WARNING: The materials used in this product contain lead, a chemical known to the State of California to cause birth defects and other reproductive harm.

2.2.2 Exceptions

The warning requirements set forth in Section 2.2.1 shall not apply to:

- (i) Any Products shipped to a third party before the Effective Date; or
- (ii) Reformulated Products (as defined in Section 2.3 below).

2.3 Reformulation Standards

Products satisfying the conditions of section 2.3(a) are referred to as “Reformulated Products” and are defined as follows:

(a) any Product containing 0.1 percent (.1%) lead or less (by weight) in each material used in the Products (such as solder and came).

(b) Any Product, for which the reasonably foreseeable exposure to the Listed Chemical from the product is indirect, that yields a result of less than 5 micrograms (ugs) of lead by a Ghost Wipe test conducted on all metal portions of the perimeter or other surface area of the Product, performed as outlined in NIOSH method of detection 9100.

2.4 Reformulation Commitment

HP hereby commits that all Products that it offers for sale in California after January 1, 2008, shall qualify as Reformulated Products.

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 against it, HP shall pay \$500.00 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 and the remaining 25% of these penalty monies remitted to Brimer as provided by California Health & Safety Code §25249.12(d). HP shall issue two separate checks for the penalty payment: (a) one check made payable to Hirst & Chanler LLP in Trust for the State of California's Office of Environmental Health Hazard Assessment (OEHHA) in the amount of \$375.00, representing 75% of the total penalty and (b) one check to Hirst & Chanler LLP in Trust for Brimer in the amount of \$125.00, representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: The first 1099 shall be issued to OEHHA, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486) in the amount of \$375.00. The second 1099 shall be issued to Brimer in the amount of \$125.00, whose address and tax identification number shall be furnished, upon request, five calendar days before payment is due. The payments shall be delivered on or before December 30, 2008, at the following address:

HIRST & CHANLER LLP
Attn: Proposition 65 Controller

Capitol Mall Complex
455 Capitol Mall, Suite 605
Sacramento, CA 95814

4. REIMBURSEMENT OF FEES AND COSTS

The Parties acknowledge that Brimer 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. Under the private attorney general doctrine, HP shall reimburse Brimer and his counsel for fees and costs incurred as a result of investigating, bringing this matter to HP attention, and negotiating a settlement in the public interest. HP shall pay Brimer and his counsel \$12,000.00 for all attorneys' fees, expert and investigation fees, and related costs. The first payment of \$5,000.00 shall be delivered on or before December 30, 2008. The second payment of \$5,000.00 shall be delivered on or before January 30, 2009. The final payment of \$2,000.00 shall be delivered on or before February 28, 2009. All payments made pursuant to this section shall be made payable to HIRST & CHANLER LLP and shall be delivered at the following address:

HIRST & CHANLER LLP
Attn: Proposition 65 Controller
Capitol Mall Complex
455 Capitol Mall, Suite 605
Sacramento, CA 95814

5. RELEASE OF ALL CLAIMS

5.1 Release of HP 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, Brimer, 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) of any nature whatsoever, whether known or unknown, fixed or contingent (collectively "Claims"), against HP 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 "Releasees"). This release is limited to those claims that arise under Proposition 65, as such claims relate to HP alleged failure to warn about exposures to or identification of the Listed Chemical contained 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, or any distributors or suppliers who sold the Products or any component parts thereof to HP.

5.2 HP Release of Brimer

HP waives any and all claims against Brimer, his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Brimer 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. ATTORNEYS' FEES

In the event that, after the execution of this settlement agreement: (1) a dispute arises with respect to any provision of this Settlement Agreement; (2) HP or any third party seeks modification of this Settlement Agreement pursuant to Section 14 below; or (3) Brimer takes reasonable and necessary steps to enforce the terms of this Settlement Agreement, Brimer shall be entitled to his reasonable attorneys' fees and costs pursuant to CCP §1021.5.

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 HP shall provide written notice to Brimer 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 HP:

Howard Hickman, Esq.
FARR, HICKMAN & SLAVIN
P.O. Box 1
Kirksville, MO 63501-1086

To Brimer:

Proposition 65 Controller
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.

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

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

12. MODIFICATION

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

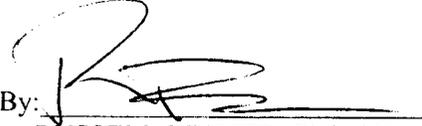
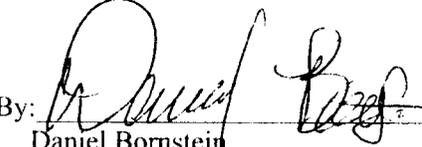
13. AUTHORIZATION

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.

<p style="text-align: center;">AGREED TO:</p> <p>Date: _____</p> <p>By: _____ RUSSELL BRIMER, Plaintiff</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: _____</p> <p>By: _____ STEVE HANSEN, President, HP Industries, Inc.</p>
<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: _____</p> <p>HIRST & CHANLER LLP</p> <p>By: _____ Daniel Bornstein Attorneys for Russell Brimer</p>	<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: _____</p> <p>FARR, HICKMAN & SLAVIN</p> <p>By: _____ Howard M. Hickman Attorneys for HP Industries, Inc.</p>

13. 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.

<p style="text-align: center;">AGREED TO:</p> <p>Date: <u>12-16-08</u></p> <p>By:  RUSSELL BRIMER, Plaintiff</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: _____</p> <p>By: _____ STEVE HANSEN, President, HP Industries, Inc.</p>
<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: <u>12/16/08</u></p> <p>HIRST & CHANLER LLP</p> <p>By:  Daniel Bornstein Attorneys for Russell Brimer</p>	<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: _____</p> <p>FARR, HICKMAN & SLAVIN</p> <p>By: _____ Howard M. Hickman Attorneys for HP Industries, Inc.</p>

13. 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.

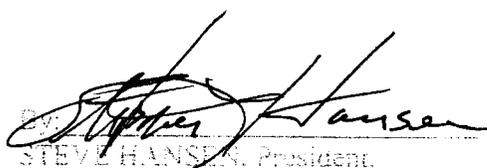
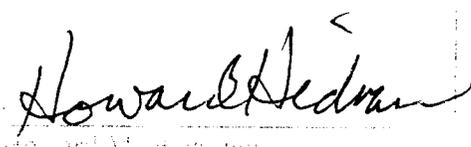
<p style="text-align: center;">AGREED TO:</p> <p>Date: <u>12/30/08</u></p> <p>By:  RUSSELL BRIMER, Plaintiff</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: <u>12/30/08</u></p> <p>By:  STEVE HANSEN, President HP Industries, Inc.</p>
<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: <u>12/30/08</u></p> <p>MIRST & CHARLIER LLP</p> <p>By:  Dawn Gormsen Attorney for Russell Brimer</p>	<p style="text-align: center;">APPROVED AS TO FORM:</p> <p>Date: _____</p> <p>PAUL, HICKMAN & SLAYTON</p> <p>By:  Howard Hedman Attorney for HP Industries, Inc.</p>

EXHIBIT A

The Products covered by this Settlement Agreement are key chains containing lead including, but not limited to:

Mystical Fantasy Key Chain, Fairy, Item 102136
(#6 40990 10212 6)