

AMENDMENT TO SETTLEMENT AGREEMENT

1. INTRODUCTION

A. Parties and Scope of Amendment to Settlement Agreement

Anthony E. Held, Ph.D., P.E. ("Held") and Hancock Fabrics, Inc. ("Hancock") previously executed a Settlement Agreement, effective May 22, 2009 ("May 22, 2009 Settlement Agreement") regarding a 60-Day Notice of Violation of Proposition 65, sent by Held and served on Hancock on or about December 23, 2008

This Amendment to the May 22, 2009 Settlement Agreement ("Amendment"), is entered into by and between Held and Hancock, with Held and Hancock collectively referred to as the "Parties." Held 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. Hancock employs ten or more persons and is a person in the course of doing business for purposes of Proposition 65.

Consistent with the terms of Section 1.4 of the May 22, 2009 Settlement Agreement, that Agreement is hereby amended to incorporate the additional 60-Day Notice of Violation of Proposition 65, regarding the same defined "Products" as sent by Held and served on Hancock on or about April 30, 2009.

This Amendment supersedes the May 22, 2009 Settlement Agreement only to the extent the May 22, 2009 Settlement Agreement does not include and fully resolve the 60-Day Notice of Violation of Proposition 65, as sent by Held and served on Hancock on or about April 30, 2009, which this Amendment now accomplishes. In all other respects, the May 22, 2009 Settlement Agreement remains unchanged, and continues to have full force and effect.

B. Notices of Violation

In accordance with Section 11 of the May 22, 2009 Settlement Agreement, Held and Hancock amend Section 1.4 of the May 22, 2009 Settlement Agreement to read as follows:

On or about December 23, 2008, Held served Hancock and various public enforcement agencies with a document entitled "60-Day Notice of Violation" (the "Notice") that provided Hancock and such public enforcers with notice that alleged that Hancock was in violation of California Health & Safety Code §25249.6 for failing to warn consumers and customers that the Products exposed users in California to DEHP. No public enforcer has diligently prosecuted the allegations set forth in the Notice served on December 23, 2008.

On or about April 30, 2009, Held served Hancock, Springs Creative Products Group, LLC, and various public enforcement agencies with another Notice that provided Hancock and such public enforcers with notice that alleged that Hancock was in violation of California Health & Safety Code §25249.6 for failing to warn consumers and customers that the Products exposed users in California to DEHP. No public enforcer has diligently prosecuted the allegations set forth in the Notice served on April 30, 2009.

The Notice served on December 23, 2008, and the Notice served on April 30, 2009, shall hereinafter collectively be referred to as the "Notices."

C. No Admission

Held and Hancock amend Section 1.5 of the May 22, 2009 Settlement Agreement to read as follows:

Hancock denies the material factual and legal allegations contained in Held's Notices 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 the May 22, 2009 Settlement Agreement, or in this Amendment to it, shall be construed as an admission by Hancock of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement or Amendment constitute or be construed as an admission by Hancock of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Hancock. However, this section shall not diminish or otherwise affect the obligations, responsibilities and duties of Hancock under the May 22, 2009 Settlement Agreement, or this Amendment to the

May 22, 2009 Settlement Agreement.

D. Effective Date

For purposes of this Amendment to the May 22, 2009 Settlement Agreement, the term "Effective Date" shall mean July 11, 2009.

2. SEVERABILITY

If, subsequent to the execution of this Amendment to the May 22, 2009 Settlement Agreement, any of the provisions of this Amendment are held by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected.

3. GOVERNING LAW

The terms of this Amendment to the May 22, 2009 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 Hancock shall provide written notice to Held of any asserted change in the law, and shall have no further obligations pursuant to this Amendment with respect to, and to the extent that, the Products are so affected.

4. COUNTERPARTS; FACSIMILE SIGNATURES

This Amendment 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.

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

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

6. MODIFICATION

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

7. AUTHORIZATION

The undersigned are authorized to execute this Amendment on behalf of their respective

Parties and have read, understood and agree to all of the terms and conditions of this Amendment to the May 22, 2009 Settlement Agreement.

<p style="text-align: center;">AGREED TO:</p> <p>Date: _____</p> <p>By: _____ Anthony Held</p>	<p style="text-align: center;">AGREED TO:</p> <p>Date: <u>7/15/09</u></p> <p>By:  Hancock Fabrics, Inc..</p>
	<p style="text-align: center;">ALSO AGREED TO:</p> <p>Date: _____</p> <p>By: _____ Springs Creative Products Group, LLC</p>

Parties and have read, understood and agree to all of the terms and conditions of this Amendment to the May 22, 2009 Settlement Agreement.

<p>APPROVED By Anthony E Held at 10:25 pm, 7/27/09</p> <p>Date: _____</p> <p>By: <u>Anthony E Held</u> Anthony Held</p>	<p>AGREED TO:</p> <p>Date: _____</p> <p>By: _____ Hancock Fabrics, Inc..</p>
	<p>ALSO AGREED TO:</p> <p>Date: _____</p> <p>By: <u>[Signature]</u> Springs Creative Products Group, LLC</p>