

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 John Moore and Wondertreats, Inc.

This Settlement Agreement is entered into by and between John Moore (“Moore”) and Wondertreats, Inc. (“Wondertreats”) with Moore and Wondertreats collectively referred to 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 contained in consumer products. Wondertreats 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 Wondertreats has manufactured, distributed, and/or offered for sale in California footwear containing excessive amounts of the phthalate chemical di(2-ethylhexyl)phthalate (“DEHP”), and tote bags containing excessive amounts of the phthalate chemicals DEHP and di-n-butyl phthalate (“DBP”) without first providing a clear and reasonable warning in violation of Proposition 65. DEHP and DBP are listed pursuant to Proposition 65 as chemicals known to the state of California to cause birth defects and other reproductive harm, and are referred to collectively as “Listed Chemicals.”

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: footwear containing DEHP, and tote bags containing DEHP and/or DBP sold by Wondertreats including, but not limited to, those included in the *Fun Under the Sun 5-Piece Beach Set, Item #79301678 (#7 52041 87001 1)*. All such tote bags and footwear sold by Wondertreats and containing the Listed Chemicals are referred to hereinafter as the “Products.”

1.4 Notice of Violation

On or about November 23, 2010, Moore served Wondertreats and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided Wondertreats and public enforcers with notice that Wondertreats was alleged to be in violation of California Health & Safety Code § 25249.6 for failing to warn its customers and consumers in California that the Products exposed users to the Listed Chemicals. To the best of the parties’ knowledge, no public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission

Wondertreats denies the material, factual, and legal allegations contained in Moore’s Notice and maintains that all of the products 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 Wondertreats of any fact, finding, conclusion of law, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Wondertreats of any fact, finding, conclusion of law, issue of law, or violation of law, the same being specifically denied by Wondertreats. However, this section shall not diminish or otherwise affect Wondertreats’ obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, “Effective Date” shall mean August 22, 2011.

2. INJUNCTIVE RELIEF: REFORMULATION & CUSTOMER WARNINGS

2.1 Reformulation Commitment

As of the Effective Date, Wondertreats shall only distribute, sell, or offer to ship to an unaffiliated third-party for sale in California, Products that are “Phthalate Free.” For purposes of this Settlement Agreement, “Phthalate Free” shall mean Products containing no more than 1,000 parts per million of either DEHP or DBP, when analyzed pursuant to Environmental

Protection Agency testing methodologies 3580A and 8270C or equivalent methodologies used to measure the content of the Listed Chemicals in a solid substance.

3. CIVIL PENALTY PURSUANT TO HEALTH & SAFETY CODE §25249.7(b)

3.1 Payments Pursuant to Health & Safety Code § 25249.7(b)

Pursuant to California Health & Safety Code §25249.7(b), Wondertreats shall pay \$2,500 in civil penalties. This amount reflects a credit provided by Moore in recognition of Wondertreats' cooperation in the resolution of this action, its representation that it has a compliance program in place that includes supplier certifications of phthalate content in Proposition 65-listed chemicals contained in products it sells in California, and its commitment to only offer Reformulated Products in California as of the Effective Date.

The penalty shall be apportioned in accordance with California Health & Safety Code §§ 25249.12(c)(1) & (d), with seventy-five percent of the amount paid to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining twenty-five percent remitted to Moore. Wondertreats shall issue two checks for its penalty payments to: (a) "The Chanler Group in Trust for OEHHA" in the amount of \$1,875; and (b) "The Chanler Group in Trust for John Moore" in the amount of \$625. Two 1099 forms shall also 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) John Moore, whose tax identification number shall be provided upon request five days before the payment is due.

All payments made pursuant to this section shall be delivered to Moore's counsel within five days of 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 Moore and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Wondertreats shall reimburse Moore's counsel for fees and costs, incurred as a result of investigating, bringing this matter to Wondertreats' attention, and negotiating a settlement in the public interest. Wondertreats shall pay \$15,000 in settlement of all attorneys' fees, expert and investigation fees, and related costs incurred in this enforcement action. The payment shall be issued in a check payable to "The Chanler Group" and delivered to Brimer's counsel within five days of the Effective Date, at the following address:

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

Wondertreats shall provide a third 1099 form for attorney's 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 Consent Judgment is a full, final and binding resolution between Moore, on behalf of himself and the public, and Wondertreats, of any violation of Proposition 65 that was or could have been asserted by Moore against Wondertreats, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Wondertreats directly or indirectly distributes or sells Products, including, without limitation, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors, and licensees ("Releasees"), based on Wondertreats or the Releasees failure to warn about alleged exposures to the Listed Chemicals contained in Products sold by Wondertreats.

5.2 Moore's Public Release of Proposition 65 Claims

In further consideration of the promises and agreements herein contained, Moore 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 investigation fees, expert fees, and attorneys' fees (collectively "Claims") arising under Proposition 65. The release provided by this section is specifically limited to those Claims involving Wondertreats and the Releasees' alleged failure to warn about exposures to the Listed Chemicals contained in the Products sold by Wondertreats.

5.3 Moore's Individual Release of Claims

Moore, 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 Claims, liabilities and demands of any nature, character, or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of alleged or actual exposures to the Listed Chemicals contained in the Products manufactured, distributed, or sold by Wondertreats.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any of its provisions are held by a court to be unenforceable, the validity of the enforceable provisions remaining 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 is otherwise rendered inapplicable by reason of law generally, or as to the Products, then

Wondertreats may provide written notice to Moore 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.

8. NOTICES

Unless specified herein, all correspondence and notice required to be provided pursuant to this Settlement Agreement shall be in writing and: (i) personally delivered; (ii) sent by first-class, registered or certified mail, return receipt requested; or (iii) delivered via overnight courier on any party by the other party at the following addresses:

To Wondertreats:

Greg Hall, President
Wondertreats, Inc.
2200 Lapham Drive
Modesto, CA 95354

With a copy to:

William J. Murray, Esq.
Belzer, Hulchiy & Murray
3650 Mt. Diablo Blvd., Suite 130
Lafayette, CA 94549

To Moore:

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.

9. **COUNTERPARTS; FACSIMILE SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile, portable document format ("pdf"), or optically scanned image, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. A facsimile, pdf or optically scanned image of a party's signature shall be valid, as if original.

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 & Safety Code § 25249.7(f).

11. **MODIFICATION**

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

12. **AUTHORIZATION**

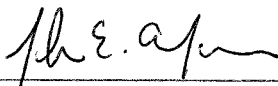
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective party and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: August 24, 2011

Date: _____

By: 
John Moore

By: _____
Greg Hall, President, Wondertreats, Inc.

9. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile, portable document format ("pdf"), or optically scanned image, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. A facsimile, pdf or optically scanned image of a party's signature shall be valid, as if original.

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 & Safety Code § 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 party and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

Date: _____

By: _____

John Moore

AGREED TO:

Date: Aug. 25, 2011

By: Greg Hall

Greg Hall, President, Wondertreats, Inc.