

## SETTLEMENT AGREEMENT

### 1. INTRODUCTION

#### 1.1 John Moore and C-Line Products, Inc.

This Settlement Agreement is entered into by and between John Moore (“Moore”) and C-Line Products, Inc. (“C-Line”), with Moore and C-Line collectively referred to as the “Parties.” Moore is an individual residing in 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. C-Line employs ten or more persons and is a person in the course of doing business for purposes of California Health & Safety Code section 25249.6 *et seq.* (“Proposition 65”).

#### 1.2 General Allegations

Moore alleges that C-Line has manufactured, distributed, and/or sold in the State of California ID cases containing excessive amounts of di(2-ethylhexyl)phthalate (“DEHP”) without the requisite Proposition 65 warnings. DEHP is identified by the State of California as a chemical known to cause birth defects and other reproductive harm. DEHP 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: ID cases containing the Listed Chemical that are manufactured, imported, distributed, and/or sold in California by C-Line, including, but not limited to, *Clear ‘N’ Sturdy Vinyl Envelopes 2 ¼” x 3 ½”*, No. 84023 (#0 38944 84023 9). All such items are referred to herein as “Products.”

#### 1.4 Notice of Violation

On or about March 17, 2011, Moore served C-Line and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided C-Line and such public enforcers with notice that C-Line was alleged to be in violation of California Health & Safety Code §25249.6 for failing to warn consumers that the Products exposed users in

California to the Listed Chemical. No public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

### **1.5 No Admission**

C-Line denies the material, factual, and legal allegations contained in Moore's Notice and maintains that all of the products it has manufactured, imported, distributed, and/or sold 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 C-Line 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 C-Line of any fact, finding, conclusion, issue of law, or violation of law, the same being specifically denied by C-Line. However, this section shall not diminish or otherwise affect the obligations, responsibilities and duties of C-Line under this Settlement Agreement.

### **1.6 Effective Date**

For purposes of this Settlement Agreement, the term "Effective Date" shall mean September 12, 2011.

## **2. INJUNCTIVE RELIEF**

### **2.1 Reformulation Standards**

As of the Effective Date, C-Line shall not ship, sell or offer to be shipped for sale in California any Product unless it is a "Reformulated Product," which is a Product containing DEHP in concentrations less than 1,000 parts per million (the "DEHP Standard") in each accessible component when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C or any other methodology utilized by federal or state agencies for the purpose of determining DEHP content in a solid substance. However C-Line may ship, sell or offer to be shipped for sale in California a Product that does not meet the DEHP Standard, if the following conditions are met: (i) no Reformulated Product or equivalent DEHP-free substitute product (product containing no detectable DEHP) is "reasonably commercially

available”; (ii) the Product is not primarily intended for use by individuals twelve years of age or younger; and (iii) C-Line complies with the warning requirements set forth in Section 2.2 below. For purposes of this Section 2.1 “reasonable commercial availability” shall include consideration of the following factors: availability and supply of a Reformulated Product or equivalent DEHP-free product; cost of the Reformulated Product or equivalent DEHP-free product; performance characteristics of the Reformulated Product or equivalent DEHP-free product, including but not limited to performance, safety, and stability. Upon request, C-Line shall produce to Moore records demonstrating that a Reformulated Product or equivalent DEHP-free product is not reasonably commercially available.

## **2.2 Product Warnings**

Commencing on the Effective Date, C-Line shall, for all Products sold in California that do not meet the DEHP Standard, provided the condition in Section 2.1 are met, provide clear and reasonable warnings as set forth in subsections 2.2(a), (b) and (c). Each warning 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 use. Each warning shall be provided in a manner such that the consumer or user understands to which specific Product the warning applies, so as to minimize the risk of consumer confusion.

### **(a) Sales prior to January 1, 2012**

C-Line represents that it currently has a warning program in effect for all Products sold or offered for sale in California. The Parties agree and understand that, until it has exhausted its existing inventory of labels, or until December 31, 2011, whichever may occur first, the following warning language may be used in the place of the warning language prescribed in subsections 2.2(b) and (c):

**WARNING:** This product contains chemicals known to the State of California to cause cancer and birth defects or other reproductive harm.

**(b) Retail Store Sales**

**(i) Product Labeling.** C-Line shall affix a warning to the packaging, labeling, or directly on each Product sold in retail outlets in California by C-Line or any person selling the Products, that states:

**WARNING:** This product contains DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

**(ii) Point-of-Sale Warnings.** Alternatively, C-Line may provide warning signs in the form below to its customers in California with instructions to post the warnings in close proximity to the point of display of the Products. Such instructions sent to C-Line's customers shall be sent by certified mail, return receipt requested.

**WARNING:** This product contains DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

Where more than one Product is sold in proximity to other like items or to those that do not require a warning (*e.g.*, Reformulated Products as defined in Section 2.1), the following statement must be used:<sup>1</sup>

**WARNING:** The following products contain DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm:

*[list products for which warning is required]*

**(c) Mail Order Catalog and Internet Sales**

In the event that C-Line sells Products via mail order catalog and/or the Internet, to customers located in California, after the Effective Date, and that are not Reformulated Products, C-Line shall provide a warning for such Products sold via mail order catalog or the internet to

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<sup>1</sup>For purposes of the Settlement Agreement, "sold in proximity" shall mean that the Product and another product are offered for sale close enough to each other that the consumer, under customary conditions of purchase, could not reasonably determine which of the two products is subject to the warning sign.

California residents: (1) in the mail order catalog; or (2) on the website. Warnings given in the mail order catalog or on the Internet shall identify the *specific* Product to which the warning applies as further specified in Sections 2.2(b)(i) and (ii).

**(i) Mail Order Catalog Warning.** Any warning provided in a mail order catalog must be in the same type size or larger than 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:** This product contains DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

Where it is impracticable to provide the warning on the same page and in the same location as the display and/or description of the Product, C-Line may utilize a designated symbol to cross reference the applicable warning and shall define the term “designated symbol” with the following language on the inside of the front cover of the catalog or on the same page as any order form for the Product(s):

**WARNING:** Certain products identified with this symbol ▼ and offered for sale in this catalog contain DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

The designated symbol must appear on the same page and in close proximity to the display and/or description of the Product. On each page where the designated symbol appears, C-Line must provide a header or footer directing the consumer to the warning language and definition of the designated symbol.

**(ii) Internet Website Warning.** A warning may be given in conjunction with the sale of the Products via the Internet, when the sale is to a consumer in California, provided it appears either: (a) on the same web page on which a Product is displayed; (b) on the same web page as the order form for a 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 than the Product description text:

**WARNING:** This product contains DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

Alternatively, the designated symbol may appear adjacent to or immediately following the display, description, or price of the Product for which a warning is being given, provided that the following warning statement also appears elsewhere on the same web page, as follows:

**WARNING:** Products identified on this page with the following symbol ▼ contain DEHP, a phthalate chemical known to the State of California to cause birth defects and other reproductive harm.

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

In settlement of all the claims referred to in this Settlement Agreement against it, C-Line shall make payments and receive credits totaling \$6,500.00 in civil penalties, as follows:

**3.1** C-Line shall make an initial payment of \$3,500.00 to be apportioned in accordance with Health & Safety Code section 25249.12 (c)(1) and (d), with 75% of these funds remitted to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of these penalty monies remitted to Moore as provided by Health & Safety Code section 25249.12(d). C-Line shall issue two checks for the penalty payment: (a) one check made payable to "The Chanler Group in Trust for OEHHA" in the amount of \$2,625.00, representing 75% of the total penalty, and (b) one check to "The Chanler Group in Trust for John Moore" in the amount of \$875.00, representing 25% of the total penalty. Two 1099s shall be issued for the above payments. The first 1099 shall be issued to the Office of Environmental Health Hazard Assessment, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486) in the amount of \$2,625.00. The second 1099 shall be issued to Moore in the amount of \$875.00, whose address

and tax identification number shall be furnished upon request. The payments shall be delivered on or before September 5, 2011, at the address set forth in Section 3.3 below.

**3.2** C-Line shall pay a second civil penalty of \$3,000, on or before January 1, 2012, to be apportioned in accordance with Health & Safety Code section 25249.12 (c)(1) and (d) as described above, which penalty shall be waived in its entirety, if, by January 1, 2012, C-Line certifies in writing that 100% of its Products sold on or after January 1, 2012, meet the DEHP Standard.

**3.3** All payments, unless waived, shall be delivered to 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 acknowledge that Moore 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. C-Line 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 Moore and his counsel under general contract principles and the private attorney general doctrine codified at California Code of Civil Procedure section 1021.5, for all work performed through the mutual execution of this agreement. C-Line shall pay the total of \$28,000.00 for fees and costs incurred as a result of investigating, bringing this matter to C-Line's attention, and negotiating a settlement in the public interest. C-Line shall make the check payable to "The Chanler Group," shall issue a separate 1099 for fees and costs (EIN: 94-3171522), and deliver payment on or before September 5, 2011, to the following address:

The Chanler Group  
Attn: Proposition 65 Controller  
2560 Ninth Street  
Parker Plaza, Suite 214  
Berkeley, CA 94710-2565

**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 Moore on behalf of himself and the public interest and C-Line, and its parents, subsidiaries, affiliated entities that are under common ownership, directors, officers, employees, and attorneys (“C-Line Releasees”), and each entity to whom C-Line and C-Line Releasees distribute or sell Products, including downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors, and licensees (“Downstream C-Line Releasees”) of any violation of Proposition 65 that was asserted by Moore against C-Line, C-Line Releasees, and Downstream C-Line Releasees, based on their failure to warn about alleged exposure to the Listed Chemical contained in the Products that were sold by C-Line.

**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 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, excluding fees on appeal) of any nature whatsoever, limited to and arising under Proposition 65 with respect to the Listed Chemical in the Products sold by C-Line (collectively “claims”), against C-Line, C-Line Releasees, and Downstream C-Line Releasees.



### **5.3 Moore's Individual Release of Claims**

Moore 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 Moore 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 Chemical in the Products manufactured, distributed or sold by C-Line.

### **5.4 C-Line's Release of Moore**

C-Line on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims against Moore, his attorneys, agents, and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Moore and his attorneys, agents, 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. 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. 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 and/or the Listed Chemical, then C-Line shall 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 notices required to be provided pursuant to this Settlement Agreement shall be in writing and sent by (i) personal delivery, (ii) first-class, registered or certified mail, return receipt requested, or (iii) overnight courier on any party by the other party at the following addresses:

For C-Line:

James Krumwiede, President  
C-Line Products, Inc.  
1100 East Business Center Drive  
Mount Prospect, IL 60056

With a copy to:

Todd Christopher Hunt  
Seyfarth Shaw LLP  
2029 Century Park East, Suite 3500  
Los Angeles, California 90067-3021

For 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, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

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

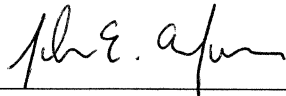
Moore agrees to comply with the reporting form requirements referenced in Health & Safety Code section 25249.7(f).

**11. MODIFICATION**

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

**12. 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.

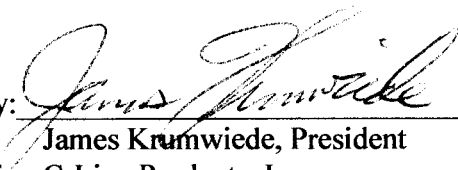
<b>AGREED TO:</b>	<b>AGREED TO:</b>
Date: <u>August 30, 2011</u>	Date: _____
By: <u></u>	By: _____
John Moore	James Krumwiede, President C-Line Products, Inc.

**11. MODIFICATION**

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

**12. 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.

<b>AGREED TO:</b>	<b>AGREED TO:</b>
Date: _____	Date: <u>9/1/11</u>
By: _____ John Moore	By:  James Krumwiede, President C-Line Products, Inc.

