

SETTLEMENT AGREEMENT AND RELEASE - STONY LEATHER

This Settlement Agreement and Release (the "Agreement") is between Center for Environmental Health ("CEH") and Stony Leather, Inc., d.b.a. Stony Jewelry ("Stony Leather") (together, the "Parties").

1. INTRODUCTION

1.1 On April 21, 2011, CEH, a non-profit corporation acting in the public interest, provided a "Notice of Violation of Proposition 65" to the California Attorney General, the District Attorneys of every county in California, the City Attorneys of every California city with a population greater than 750,000, and to Stony Leather regarding the presence of lead in jewelry manufactured, distributed or sold by Stony Leather (the "Notice").

1.2 The Notice alleges that Stony Leather's jewelry contains lead. The Notice alleges that such jewelry exposes people who touch, wear or otherwise handle the jewelry to lead, a chemical known to the State of California to cause birth defects or other reproductive harm, without first providing clear and reasonable warning to such persons regarding the reproductive toxicity of lead. The Notice alleges that such conduct violates Health & Safety Code §25249.6, the warning provision of Proposition 65.

1.3 The Parties enter into this Agreement for the purpose of avoiding prolonged and costly litigation regarding jewelry manufactured, distributed and/or sold by Stony Leather. By executing this Agreement, the Parties do not admit any facts or conclusions of law. It is the Parties' intent that nothing in this Agreement shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law or violation of law, nor shall compliance with the Agreement constitute or be construed as an admission by the Parties of any fact, conclusion of

law, issue of law, or violation of law. Nothing in this Agreement shall prejudice, waive or impair any right, remedy, argument or defense the Parties may have in this or any other or future legal proceedings.

2. DEFINITIONS

2.1 The term “Covered Product” means (a) the following ornaments worn by a person: an anklet, arm cuff, bracelet, charm, brooch, chain, crown, cuff link, decorated hair accessories, earring, necklace, pin, ring and Body Piercing Jewelry; or (b) any bead, chain, link, pendant, or other component of such an ornament.

3. INJUNCTIVE RELIEF

3.1 Reformulation of Covered Products. Upon execution of this Agreement, Stony Leather shall not manufacture, ship, sell or offer for sale in California or anywhere else any Covered Product that contains or is made of:

3.1.1 Any material or component not covered under Section 3.1.2 that exceeds 0.02 percent (200 parts per million (“ppm”)) lead by weight; or

3.1.2 Any Paint or Surface Coating that is more than 0.009 percent lead by weight (90 ppm). For purposes of this Agreement, “Paint or Surface Coating” shall carry the same meaning as “Paint or other similar surface coating” under 16 C.F.R. §1303.2(b)(1) (“Paint and other similar surface-coating materials means a fluid, semi-fluid, or other material, with or without a suspension of finely divided coloring matter, which changes to a solid film when a thin layer is applied to a metal, wood, stone, paper, leather, cloth, plastic, or other surface. This term does not include printing inks or those materials which actually become a part of the substrate, such as the pigment in a plastic article, or those materials which are actually bonded to the

substrate, such as by electroplating or ceramic glazing.”).

3.2 Market Withdrawal of Covered Products. Upon execution of this Agreement, and to the extent not previously completed, Stony Leather shall cease shipping the Cache Leather Magnetic Cuff Bracelet, SKU No. 03406964, as identified in CEH’s pre-suit Notice of Violation to Defendant (the “Recall Covered Products”), to stores and/or customers in California, and Stony Leather shall withdraw the Recall Covered Products from the market in California, and, at a minimum, send instructions to any of its stores and/or customers that offer the Recall Covered Products for sale in California to cease offering such Recall Covered Products for sale and to either return all Recall Covered Products to Stony Leather for destruction, or to directly destroy the Recall Covered Products. Any destruction of the Recall Covered Products shall be in compliance with all applicable laws. Stony Leather shall keep and make available to CEH for inspection and copying records and correspondence regarding the market withdrawal and destruction of the Recall Covered Products. If there is a dispute over the corrective action, the Parties shall meet and confer before seeking any remedy in court.

4. SETTLEMENT PAYMENTS

4.1 In consideration of the mutual covenants and releases provided in this Agreement, within 5 days of execution of this Agreement, Stony Leather shall pay a total of \$30,000 as a settlement payment. This total shall be paid in three separate checks delivered to the address set forth in Section 11.1 and shall be made payable and allocated as follows.

4.2 Civil Penalty. Stony Leather shall pay \$3,800 as a penalty pursuant to Health & Safety Code §25249.7(b), such money to be apportioned by CEH in accordance with Health & Safety Code §25249.12. The penalty check shall be made payable to the Center for

Environmental Health.

4.3 Monetary Payment in Lieu of Civil Penalty. Stony Leather shall pay \$6,100 as payment to CEH in lieu of civil penalty pursuant to Health & Safety Code §25249.7(b), and California Code of Regulations, Title 11 §3202(b). CEH will use such funds to continue its work educating and protecting people from exposures to toxic chemicals, including heavy metals. In addition, CEH may use a portion of such funds to monitor compliance with the reformulation requirements of this Agreement. The payment in lieu of penalty check shall be made payable to the Center For Environmental Health.

4.4 Attorneys' Fees and Costs. Stony Leather shall pay \$20,100 to reimburse CEH and its attorneys for their reasonable investigation fees and costs, attorneys' fees, and any other costs incurred as a result of investigating, bringing this matter to Stony Leather's attention, litigating and negotiating a settlement in the public interest. This payment shall be made payable to the Lexington Law Group.

5. MODIFICATION OF SETTLEMENT AGREEMENT

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

6. ENFORCEMENT OF SETTLEMENT AGREEMENT

6.1 The Parties agree that the any action based on violation of this Agreement shall be brought in the Superior Court of California in Alameda County. For purposes of this Agreement, notwithstanding Section 1.3 above, the Parties agree that the Superior Court of California in Alameda County has subject matter jurisdiction over any disputes arising from this Agreement and personal jurisdiction over each of the Parties, and that venue is proper in the

County of Alameda. Should a party to this Agreement prevail on any action to enforce the terms of this Agreement, it shall be entitled to reasonable attorneys' fees and costs associated with such enforcement.

7. APPLICATION OF SETTLEMENT AGREEMENT

7.1 This Agreement shall apply to and be binding upon the Parties hereto, their divisions, subdivisions and subsidiaries, and the successors or assigns of any of them.

8. CLAIMS COVERED

8.1 Except as otherwise provided herein, CEH hereby releases and discharges Stony Leather with respect to any violation of Proposition 65 (or any other claim related to failure to warn about exposures to lead in the Covered Products) that was or could have been asserted against Stony Leather, or its parents, subsidiaries, directors, officers, employees, agents, and all entities other than those entities listed on Exhibit A to whom they distribute or sell Covered Products including, but not limited to, distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees, based on the Notice arising from Covered Products manufactured, distributed or sold by Stony Leather on or before the execution of this Agreement. Compliance with the terms of this Agreement constitutes compliance with Proposition 65 for purposes of exposures to lead from the Covered Products.

9. SPECIFIC PERFORMANCE

9.1 The Parties expressly recognize that Stony Leather's obligations under this Agreement are unique. In the event that Stony Leather is found to be in breach of this Agreement for failure to comply with the provisions of Section 3 hereto, the Parties agree that it would be extremely impracticable to measure any resulting damages and that such breach would cause

irreparable damage. Accordingly, CEH, in addition to any other available rights or remedies, may sue in equity for specific performance, and Stony Leather expressly waives the defense that a remedy in damages will be adequate.

10. GOVERNING LAW

10.1 The terms of this Agreement shall be governed by the laws of the State of California.

11. PROVISION OF NOTICE

11.1 All notices required pursuant to this Agreement and correspondence shall be sent by first class and electronic mail to the following:

For CEH:

Eric S. Somers
Lexington Law Group
503 Divisadero Street
San Francisco, CA 94117
esomers@lexlawgroup.com

For Stony Leather, Inc.:

Malcolm D. Gibson
M.D. Gibson & Associates, P.C.
5120 Woodway Drive, Suite 8002
Houston, TX 77056
mgibson@mdgibson.com

12. ENTIRE AGREEMENT

12.1 This Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and any and all prior discussions, negotiations, commitments, or understandings related thereto, if any, are hereby merged herein and therein. There are no warranties, representations, or other agreements between the Parties

except as expressly set forth herein. No representations, oral or otherwise, express or implied, other than those specifically referred to in this Agreement have been made by any Party hereto. No other agreements not specifically contained or referenced herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties hereto. Any agreements specifically contained or referenced herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties hereto only to the extent that they are expressly incorporated herein. No supplementation, modification, waiver, or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any of the other provisions hereof whether or not similar, nor shall such waiver constitute a continuing waiver.

13. NO EFFECT ON OTHER SETTLEMENTS

13.1 Nothing in this Agreement shall preclude CEH from resolving any claim against any entity that is not Stony Leather on terms that are different than those contained in this Agreement.

14. EXECUTION IN COUNTERPARTS

14.1 The stipulations to this Agreement may be executed in counterparts by electronic mail, which taken together shall be deemed to constitute one document.

15. AUTHORIZATION

15.1 Each signatory to this Agreement certifies that he or she is fully authorized by the party he or she represents to stipulate to this Agreement and to enter into and execute the Agreement on behalf of the party represented and legally bind that party. The undersigned have read, understand and agree to all of the terms and conditions of this Agreement. Except as

explicitly provided herein, each party is to bear its own fees and costs.

AGREED TO:

CENTER FOR ENVIRONMENTAL HEALTH



Dated: 11/27/11

Charlie Pizarro

Associate Director

STONY LEATHER, INC.

Dated: _____

Chong Yi

President

explicitly provided herein, each party is to bear its own fees and costs.

AGREED TO:

CENTER FOR ENVIRONMENTAL HEALTH

Dated: _____

Charlie Pizarro

Associate Director

STONY LEATHER, INC.

Chong Yi

Dated: 11/28/11

Chong Yi

Chong Yi

President

EXHIBIT A

List of Entities Not Subject to Downstream Release

Albertson's LLC; Albertson's, Inc.; New Albertson's, Inc.

AZ3, Inc.

Barnes & Noble, Inc.

Big A Drug Stores, Inc.

Candela Sales Company, Inc.

Forum Novelties, Inc.

Georgiou Studio, Inc.

I Love Bracelets, Inc.

Ivorette-Texas, Inc. dba Upstart Crow Trading Company

Jacadi USA, Inc.

Legoland California LLC

Long Rap, Inc.

Marin Beauty Company

Max Rave, LLC

Rite Aid Corporation

Rubie's Costume Company, Inc.

Safeway, Inc.

Scünci International, Inc.

Sea World, Inc.

Shoe Pavilion Corporation; Shoe Pavilion, Inc.

Six Flags Theme Parks, Inc.