

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Held”) and Alexanders Textile Products, Inc. (“Alexanders”), with Held and Alexanders 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. Alexanders 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

Held alleges that Alexanders manufactures, distributes, sells, and/or offers for sale in the State of California Halloween costume accessories containing di(2-ethylhexyl)phthalate (“DEHP”) without the requisite Proposition 65 health hazard warnings. DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects and other reproductive harm.

1.3 Product Description

The products that are covered by this Settlement Agreement are “Halloween Costume Accessories” containing DEHP that were manufactured, distributed, imported, sold and/or offered for sale in California by Alexanders, hereinafter referred to as the “Products.” For purposes of this agreement, “Halloween Costume Accessories” are defined specifically as wigs, masks, gloves, footwear, belts, bags, hats, costume props, hosiery, weapons and jewelry intended to accessorize a costume (but excluding makeup).

1.4 Notice of Violation

On or about January 31, 2012, Held served Alexanders and various public enforcement agencies with a “60-Day Notice of Violation” (“Notice”), alleging that Alexanders was in

violation of Proposition 65 for failing to warn its customers and consumers in California that the Products expose users to DEHP. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

Alexanders denies the material, factual, and legal allegations contained in the 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 Alexanders 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 Alexanders of any fact, finding, conclusion of law, issue of law, or violation of law, such being specifically denied by Alexanders. This section shall not, however, diminish or otherwise affect Alexanders' obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean January 15, 2013.

2. INJUNCTIVE RELIEF

Commencing on the Effective Date and continuing thereafter, Alexanders shall only manufacture, distribute, ship, sell, or offer to ship for sale in California "Reformulated Products." For purposes of this Settlement Agreement, "Reformulated Products" shall mean Products that contain no more than 1,000 parts per million (0.1%) of DEHP when analyzed pursuant to EPA testing methodologies 3580A and 8270C, or equivalent methodologies utilized by state or federal agencies for the purpose of determining DEHP content in a solid substance.

3. MONETARY PAYMENTS

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

Pursuant to Health & Safety Code § 25249.7(b), Alexanders shall pay \$5,000 in civil penalties. Alexanders shall pay an initial civil penalty of \$2,000 on or before the Effective Date

and a final civil penalty of \$3,000 on or before March 15, 2013. However, the final civil penalty shall be waived in its entirety if an officer of Alexanders provides Held with a written certification that, as of December 31, 2012 and continuing on into the future, Alexanders has only manufactured, imported, distributed, shipped, sold and/or offered to ship for sale in California Products that are Reformulated Products. Held must receive any such certification no later than March 1, 2013.

The penalty payments will be allocated according to Health & Safety Code §§ 25249.12 (c)(1) & (d), with seventy-five percent (75%) of the penalty amount earmarked for the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining twenty-five (25%) of the penalty amount earmarked for Held. For the initial civil penalty, Alexanders shall issue two checks made payable as follows: (1) to “The Chanler Group in Trust for OEHHA” in the amount of \$1,500; and (2) to “The Chanler Group in Trust for Anthony E. Held” in the amount of \$500. Two 1099 forms shall also be provided payments to: (1) the “Office of Environmental Health Hazard Assessment”, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486); and (2) “Anthony E. Held,” whose address and tax identification number shall be furnished upon request after this Settlement Agreement is fully executed by the Parties. Payment shall be delivered to Held’s counsel on or before the Effective Date at the payment address provided in Section 3.3.

If the final civil penalty of \$3,000 referenced in this Section is not waived, Alexanders shall issue two checks made payable as follows: (1) to “The Chanler Group in Trust for OEHHA” in the amount of \$2,250; and (2) to “The Chanler Group in Trust for Anthony E. Held” in the amount of \$750. Two 1099 forms shall also be provided payments to: (1) the “Office of Environmental Health Hazard Assessment”, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486); and (2) “Anthony E. Held,” whose address and tax identification number shall be furnished upon request after this Settlement Agreement is fully executed by the Parties. Payment of the final civil penalty if not waived, shall be delivered to Held’s counsel on or before March 15, 2013 at the payment address provided in Section 3.3.

3.2 Reimbursement of Fees and Costs

The Parties reached an accord on the compensation due to Held and his counsel under general contract principles and the private attorney general doctrine codified at Code of Civil Procedure § 1021.5 for all work performed in this matter. Under these legal principles, Alexanders shall pay \$10,000 for all fees and costs incurred investigating, bringing this matter to the attention of Alexanders, and negotiating a settlement in the public interest. Alexanders shall provide its payment of \$10,000 by way of monthly installments in the form of five (5) separate \$2,000 checks made payable to “The Chanler Group” and to be received by The Chanler Group at the Payment Address provided in Section 3.3 no later than the fifteenth of every month commencing with March 15, 2013. Alexanders shall also issue a separate 1099 for fees and costs (EIN: 94-3171522). If Alexanders fails to make a single installment payment, all outstanding payments become due immediately and Alexanders will be required to reimburse The Chanler Group for the reasonable fees and costs required to obtain the outstanding payments.

3.3 Payment Address

All payments and tax documentation required by this Section 3 shall be delivered to Held’s counsel at the following address:

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

4. RELEASES

4.1 Held’s Release of Alexanders

This Settlement Agreement is a full, final and binding resolution between Held and Alexanders, of any violation of Proposition 65 that was or could have been asserted by Held on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, against Alexanders, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Alexanders

directly or indirectly distributes or sells Products, including, but not limited, to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees (“Releasees”), based on their failure to warn about alleged exposures to DEHP contained in the Products that were manufactured, distributed, sold, and/or offered for sale by Alexanders in California before the Effective Date.

In further consideration of the promises and agreements herein contained, Held on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that Held may have, 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, but exclusive of fees and costs on appeal -- limited to and arising under Proposition 65 with respect to DEHP in the Products manufactured, distributed, sold and/or offered for sale by Alexanders before the Effective Date (collectively “claims”), against Alexanders and Releasees.

4.2 Alexanders’ Release of Held

Alexanders on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives any and all claims against Held and his attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Held and his attorneys and other representatives, whether in the course of investigating claims, otherwise seeking to enforce Proposition 65 against it in this matter, or with respect to the Products.

5. POST-EXECUTION CONVERSION TO CONSENT JUDGMENT

Within twelve months of the execution of this Settlement Agreement, Alexanders may send Held a written request to draft and file a complaint, incorporating the terms of this Settlement Agreement into a proposed consent judgment, and to seek court approval of the consent judgment pursuant to Health & Safety Code § 25249.7, or as may be otherwise allowed

by law. If so requested, Held agrees to reasonably cooperate with Alexanders and to use his best efforts, and that of his counsel, to support the entry of the terms of this Settlement Agreement as a consent judgment by a superior court in California in a timely manner.

Pursuant to Code of Civil Procedure §§ 1021 and 1021.5, Alexanders will reimburse Held and his counsel for their reasonable fees and costs incurred drafting and filing the complaint, converting the Settlement Agreement into a proposed consent judgment, and seeking judicial approval of the consent judgment, in an amount not to exceed \$10,000, exclusive of fees and costs incurred on appeal, if any. Alexanders will remit payment to The Chanler Group, at the Payment Address provided in Section 3.3. Such additional fees shall be paid by Alexanders within ten days after its receipt of monthly invoices from Held's counsel for work performed under this Section 5.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision is 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.

8. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be 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 Alexanders:

Scot Alexander, President
Alexanders Textile Products, Inc.
3404 Niki Way
Riverside, CA 92507

For Held:

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

Any party may, from time to time, 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 or portable document format (".pdf") signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

10. POST-EXECUTION ACTIVITIES

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

11. MODIFICATION

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

12. AUTHORIZATION

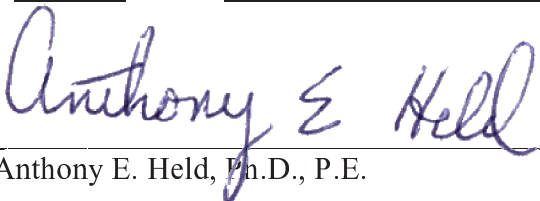
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: 2/16/13

Date: _____

By: 
Anthony E. Held, Ph.D., P.E.

By: _____
Scot Alexander, President
Alexanders Textile Products, Inc.

Scot Alexander, President
Alexanders Textile Products, Inc.
3404 Niki Way
Riverside, CA 92507

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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.

AGREED TO:

AGREED TO:

Date: _____

Date: _____

1/31/13

By: _____

By: _____



Anthony E. Held, Ph.D., P.E.

Scot Alexander, President
Alexanders Textile Products, Inc.