

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 Royal Manufacturing, Inc. (“Royal”), with Held and Royal each individually referred to as a “Party” and collectively as the “Parties.” Held 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. Royal is a business that manufactures, imports, sells, or distributes for sale in the State of California upholstered chairs with foam padding.

1.2 General Allegations. Held alleges that Royal manufactured, imported, sold, or distributed for sale in the State of California, upholstered chairs with foam padding containing tris(1,3-dichloro-2-propyl) phosphate (“TDCPP”) without first providing the clear and reasonable warning required by the Safe Drinking Water and Toxic Enforcement Act of 1986, Health and Safety Code section 25249.6 *et seq.* (“Proposition 65”). TDCPP is a flame retardant added to both soft and rigid polyurethane foam, which is used as cushioning in a variety of products, including upholstered chairs. Held also alleges that Royal employed ten or more persons at some time during the year prior to the issuance of the notice referred to in paragraph 1.4, below, and that Royal is a person in the course of doing business for purposes of Proposition 65. Royal disputes these allegations.

1.3 Product Description. The products covered by this Settlement Agreement are upholstered chairs with foam padding containing TDCPP that are manufactured, imported, distributed, and/or sold in the State of California by Royal, including, but not limited to, the *Jeanne Accent/Occasional Chair, Model #155-01, Item #447062* (collectively “Products”).

1.4 Notice of Violation. On October 25, 2013, Held served Royal and the requisite public enforcement agencies with a 60-Day Notice of Violation (“Notice”), alleging that Royal violated Proposition 65 when it failed to warn its customers and consumers in California that the Products expose users to TDCPP. 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. Royal denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products it has manufactured, sold, or distributed for sale 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 Royal 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 Royal of any fact, finding, conclusion of law, issue of law, or violation of law, the same being specifically denied by Royal. This Section shall not, however, diminish or otherwise affect Royal's obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date. For purposes of this Settlement Agreement, the term "Effective Date" means April 22, 2014.

2. INJUNCTIVE RELIEF: REFORMULATION

Commencing on the Effective Date and continuing thereafter, Royal shall manufacture, import, ship, sell, and distribute for sale in California only Reformulated Products. For purposes of this Settlement Agreement, "Reformulated Products" are Products that contain no greater than 25 parts per million ("ppm," or 0.0025 % by weight) each of TDCPP, tris(2,3-dibromopropyl)phosphate ("TDBPP"), or tris(2-chlorethyl) phosphate ("TCEP") ("Listed Flame Retardants") in any Products (including in the polyurethane foam or other filling material components of any Products) when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3545 and 8270.

3. MONETARY SETTLEMENT TERMS

3.1 Civil Penalty Payments. Pursuant to Health and Safety Code section 25249.7(b), Royal shall pay \$11,000 in civil penalties. Each penalty payment shall be allocated according to Health and Safety Code section 25249.12(c)(1) and (d), with 75% of the penalty amount paid to the California Office of Environmental Health Hazard Assessment (“OEHHA”) and the remaining 25% of the penalty paid to Held.

3.1.1 Initial Civil Penalty. Within five days of the Effective Date, Royal shall make an initial civil penalty payment of \$1,000. Royal shall provide its payment in two checks for the following amounts made payable to: (a) “OEHHA” in the amount of \$750; and (b) “Moscone Emblidge Sater & Otis in Trust for Anthony Held” in the amount of \$250.

3.1.2 Final Civil Penalty. On or before May 15, 2014, Royal will make a final civil penalty payment of \$10,000. Pursuant to California Code of Regulations title 11 section 3203(c), the final civil penalty payment will be waived in its entirety if, no later than May 1, 2014, an officer of Royal certifies in writing to Held’s counsel that, as of the date of its certification, one-hundred percent (100%) of the Products Royal ships for sale or distributes for sale in California are Reformulated Products as defined by Section 2, and that Royal will continue to offer only Reformulated Products in California in the future. The option to certify timely reformulation or continued withdrawal of the Products from market in lieu of making the final civil penalty payment constitutes a material term of this Settlement Agreement, and with regard to such term, time is of the essence.

3.2 Attorney 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 section 1021.5 for all work performed in this matter. Under these legal principles, Royal shall reimburse Held and his counsel \$20,000 for the fees and costs incurred in investigating, bringing this matter to the attention of Royal’s management, and negotiating a settlement in the public interest. Royal shall provide payment in the form of three checks made payable to “Moscone Emblidge Sater & Otis LLP in Trust” and

delivered according to the following schedule: (a) within five days of the Effective Date, Royal shall deliver a check for \$6,000; (b) on or before May 20, 2014, Royal shall deliver a second check for \$7,000; and (c) on or before June 20, 2014, Royal shall deliver a third check for \$7,000.

Royal represents that, as of the Effective Date, it lacks the financial capacity to satisfy all of the monetary obligations provided by this Settlement Agreement, and must do so in installments, as set forth above. The Parties agree, however, that, in the event that Royal fails to make any payment required by this Settlement Agreement, or any payment is delayed by more than five days, all amounts owed will become due immediately.

3.3 Payment Procedures. Payments are to be delivered according to the following subsections.

3.3.1 Payment Address for Held. All payments to Held and his counsel under this Settlement Agreement are to be delivered to the following address:

Moscone Emblidge Sater & Otis LLP
Attn: Proposition 65 Controller
220 Montgomery Street, Suite 2100
San Francisco, CA 94104

3.3.2 Payment Addresses for OEHHA. All payments to OEHHA under this Settlement Agreement will be delivered directly to OEHHA (Memo line “Prop. 65 Penalties”) at one of the following addresses, as appropriate:

For United States Postal Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010
Sacramento, CA 95812-4010

For Non-U.S. Postal Delivery or Courier:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment

1001 I Street
Sacramento, CA 95812-4010

3.3.3 Copy of Payments to OEHHA. Royal agrees to provide Held’s counsel with a copy of each check payable to OEHHA, simultaneous with its penalty payments to Held, to be delivered to the address provided in Section 3.3.1.

3.3.4 Tax Documentation. Royal agrees to provide a completed IRS 1099 form for its payments to each of the following payees under this Settlement Agreement:

- (a) “Anthony Held” whose address and tax identification number shall be provided after this Settlement Agreement is fully executed by the Parties;
- (b) “Moscone Emblidge Sater & Otis LLP” (EIN: 80-0826360) at the address provided in section 3.3.1; and
- (c) “Office of Environmental Health Hazard Assessment” (EIN: 68-0284486),
1001 I Street, Sacramento, CA 95814.

4. CLAIMS COVERED AND RELEASED

4.1 Held’s Release of Royal and Lowe’s Companies, Inc. (collectively “Releasees”).

This Settlement Agreement is a full, final, and binding resolution between Held and Royal of any violation of Proposition 65 that was or could have been asserted by Held, on behalf of himself, or on behalf of his past and current agents, representatives, attorneys, successors, and assignees, against Releasees, their successors, assignees, parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Royal directly or indirectly distributes or sells the Products, including, without limitation, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees, based on unwarned exposures to TDCPP from Products manufactured, sold or distributed for sale in California by Royal prior to the Effective Date.

In further consideration of the promises and agreements herein contained, Held, on his own behalf and on behalf of his past and current agents, representatives, attorneys, successors, and assignees, hereby waives all rights to institute or participate in, directly or indirectly, any

form of legal action, and releases all claims that he may have against Releasees with respect to unwarned exposures to TDCPP from Products manufactured, sold or distributed for sale in California by Royal prior to the Effective Date, including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses, including, without limitation, investigation fees, expert fees, and attorneys' fees arising under Proposition 65.

4.2 Royal's Release of Held. Royal, on its own behalf and on behalf of its past and current agents, representatives, attorneys, successors, assignees and Releasees, hereby waives any and all claims that it may have had, prior to the Effective Date, 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 and the Releasees 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, Royal may request in writing that Held draft and file a complaint, incorporate the terms of this Settlement Agreement into a proposed consent judgment providing a release for the Products in the public interest, and seek court approval of the consent judgment pursuant to Health and Safety Code section 25249.7, or as may be otherwise allowed by law. If requested, Held and Royal agree to reasonably cooperate and to use their best efforts, and those of their counsel, to obtain an entry of judgment in accordance with the terms of this Settlement Agreement by a superior court in California in a timely manner.

Pursuant to Code of Civil Procedure sections 1021 and 1021.5, if so requested, Royal agrees to reimburse Held and his counsel for the reasonable fees and costs incurred in connection with work performed pursuant to this section in an amount not to exceed \$10,000, exclusive of fees and cost on appeal, if any. Within ten days of receiving an invoice for work performed under this section, Royal will remit payment to the address provided in Section 3.3.1.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining provisions 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 Royal may provide written notice to Held of any asserted change in the law, and have no further obligations pursuant to this Settlement Agreement, with respect to, and to the extent that, the Products are so affected. Nothing in this Settlement Agreement shall be interpreted to relieve Royal from any obligation to comply with any pertinent state or federal law.

8. NOTICE

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and sent by: (a) personal delivery; (b) first-class, registered or certified mail, return receipt requested; or (c) a recognized overnight courier on any Party by the other at the following addresses:

For Royal:

Eric Liu, President
Royal Manufacturing, Inc.
4525 Frederick Drive SW
Atlanta, GA 30336

With a copy to:

Randall Haimovici, Esq.
Shook Hardy & Bacon LLP
1 Montgomery St Ste 2700
San Francisco, CA 94104

For Held:

Moscone Emblidge Sater & Otis LLP
Attn: Proposition 65 Controller
220 Montgomery Street, Suite 2100
San Francisco, CA 94104

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 and Safety Code section 25249.7(f).

11. ENTIRE AGREEMENT

This Settlement 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 and understandings related hereto. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any party hereto. No other agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties.

12. MODIFICATION

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

13. AUTHORIZATION

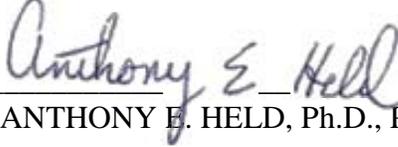
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective Parties and have read, understood and agree to all of the terms and conditions of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: May 6, 2014

Date: _____

By: 
ANTHONY E. HELD, Ph.D., P.E.

By: _____
Eric Liu, President
ROYAL MANUFACTURING, INC.

AGREED TO:

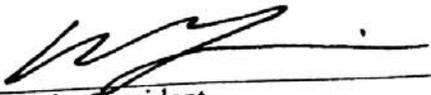
Date: _____

By: _____

ANTHONY E. HELD, Ph.D., P.E.

AGREED TO:

Date: 5/1/14 _____

By:  _____

**Eric Liu, President
ROYAL MANUFACTURING, INC.**