

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Laurence Vinocur and ArtSkills, Inc. (fka Steven B. Golden Associates, Inc.)

This Settlement Agreement is entered into by and between Laurence Vinocur (“Vinocur”) and ArtSkills, Inc., formerly known as Steven B. Golden Associates, Inc. d/b/a ArtSkills, (“ArtSkills”), with Vinocur and ArtSkills collectively referred to as the “Parties.” Vinocur 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. ArtSkills 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 §§ 25249.5 *et seq.* (“Proposition 65”).

1.1 General Allegations

Vinocur alleges that ArtSkills has manufactured, imported, sold and/or distributed for sale in California, poster light cords containing di(2-ethylhexyl)phthalate (“DEHP”). DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause cancer and birth defects and other reproductive harm.

1.2 Product Description

The products that are covered by this Settlement Agreement are defined as poster light cords with vinyl/PVC components, whether freestanding or attached to a poster frame, including, but not limited to, *ArtSkills Poster Lights*, UPC #6 72125 01236 9 and UPC #6 72125 01404 2, that are manufactured, imported, sold and/or distributed for sale in California by ArtSkills (hereinafter the “Products”). ArtSkills has in the past manufactured, imported, acquired, sold and/or distributed for sale in California a variety of additional products which may have contained DEHP or other phthalates listed under Proposition 65, including (a) poster boards, letters, and related decoration/learning materials, stickers, and markers, (b) decorative tapes and

accessories, (c) art and craft kits and tools, and (d) photo backdrops, scenes, and props (“Additional Products”).

1.3 Notice of Violation

On July 11, 2014, Vinocur served ArtSkills and certain requisite public enforcement agencies with a “60-Day Notice of Violation” (“Notice”) that provided the recipients with notice of alleged violations of Proposition 65 based on ArtSkills’ alleged failure to warn its customers, consumers, workers and other individuals that the Products exposed users in California to DEHP. To the best of the Parties’ knowledge, no public enforcer has commenced or is diligently prosecuting the allegations set forth in the Notice.

1.4 No Admission

ArtSkills denies the material factual and legal allegations contained in Vinocur’s Notice and maintains that all products that it has manufactured, imported, acquired, distributed, and/or sold in California, including the Products and Additional Products, have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by ArtSkills 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 ArtSkills of any fact, finding, conclusion, issue of law, or violation of law. However, this section shall not diminish or otherwise affect ArtSkills’ obligations, responsibilities, and duties under this Settlement Agreement.

1.5 Effective Date

For purposes of this Settlement Agreement, the term “Effective Date” shall mean December 24, 2014.

2. INJUNCTIVE RELIEF: REFORMULATION

2.1 Reformulation Standards

Reformulated Products are defined as Products containing DEHP in concentrations less than 0.1 percent (1,000 parts per million) when analyzed pursuant to U.S. Environmental Protection Agency (“EPA”) testing methodologies 3580A and 8270C or any other methodology

utilized by federal or state agencies for the purpose of determining the DEHP content in a solid substance.

2.2 Reformulation Commitment

As of the Effective Date, all Products and Additional Products manufactured, imported, or acquired for sale in the State of California by ArtSkills shall be Products that qualify as Reformulated Products as defined in Section 2.1 above. Although it may continue to distribute them to customers located outside of the State of California, ArtSkills shall attempt to label all previously acquired Products and Additional Products remaining in its inventory for which it does not have good faith reason to believe are Reformulated Products as not available for authorized sale in California.

2.3 Representations and Warranties

Based on its receipt of Vinocur's Notice, ArtSkills represents and warrants that it has implemented a broad reformulation program to limit DEHP, butyl benzyl phthalate ("BBP"), di-n-butyl phthalate ("DBP"), di-isodecyl phthalate ("DIDP"), diisononyl phthalate ("DINP") and di-n-hexyl phthalate ("DnHP") in components of the Products and Additional Products that may be handled, touched, or mouthed to concentrations of less than 0.1 percent (1,000 parts per million) each when analyzed pursuant to U.S. Environmental Protection Agency ("EPA") testing methodologies 3580A and 8270C or any other methodology utilized by federal or state agencies for the purpose of determining the phthalate content in a solid substance.¹

3. MONETARY PAYMENTS

3.1 Civil Penalties Pursuant To Health & Safety Code § 25249.7(B)

In settlement of all the claims referred to in this Settlement Agreement, ArtSkills has been assessed a total of \$8,000 in civil penalties in light of the representations and warranties ArtSkills has provided in Section 2.3 above. In accordance with California Health & Safety Code § 25249.12(c)(1) and (d), on or before the December 30, 2014, ArtSkills shall provide its

¹ DEHP, BBP, DBP, DIDP, DINP, and DnHP are collectively referred to herein as the "Listed Chemicals."

payment in two checks to: (a) "OEHHA" in the amount of \$6,000; and (b) "Laurence Vinocur, Client Trust Account" in the amount of \$2,000. All penalty payments shall be delivered to the addresses listed in Section 3.3 below.

3.2 Reimbursement of Fees and Costs

The parties acknowledge that Vinocur 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 reimbursement issue to be resolved after the material terms of the agreement had been settled. Shortly after the other settlement terms had been finalized, ArtSkills expressed a desire to resolve the fee and cost issue. The parties then attempted to (and did) reach an accord on the compensation due to Vinocur 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. ArtSkills shall pay \$28,500 for fees and costs incurred as a result of investigating, bringing this matter to ArtSkills' attention, and negotiating a settlement in the public interest. Vinocur's counsel has agreed to reduce the amount due under this paragraph based, in part, on ArtSkills' Reformulation Commitment as set forth in Section 2.2 above and the representations and warranties ArtSkills has given in Section 2.3 above. ArtSkills shall make the check payable to "The Chanler Group" and shall deliver payment on or before December 30, 2014, to the address listed in Section 3.3.1(a) below.

3.3 Payment Procedures

3.3.1 Issuance of Payments

(a) The payment owed to Vinocur and his counsel, pursuant to Sections 3.1 and 3.2 shall be delivered to the following payment address:

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

(b) The payment owed to OEHHA, pursuant to Section 3.1, shall be delivered directly to OEHHA (Memo line “Prop 65 Penalties”) at one of the following addresses, as appropriate:

For United States Postal Service Delivery:

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

For Non-United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

3.3.2 Proof of Payment. A copy of the check payable to OEHHA shall be mailed, simultaneous with payment, to The Chanler Group at the address set forth in Section 3.3.1(a) above, as proof of payment to OEHHA.

4. CLAIMS COVERED AND RELEASED

4.1 Vinocur’s Release of ArtSkills

This Settlement Agreement is a full, final and binding resolution between Vinocur and ArtSkills of any violation of Proposition 65 that was or could have been asserted by Vinocur on behalf of himself, his past and current agents, representatives, attorneys, successors and/or assignees, against ArtSkills, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys and each entity to whom ArtSkills 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, imported, distributed, sold and/or offered for sale by ArtSkills in California before the Effective Date. This release is provided in Vinocur’s individual capacity and is not a release on behalf of the public.

In further consideration of and reliance on the Reformulation Commitment set forth in Section 2.2 above and the representations and warranties provided by ArtSkills in Section 2.3 above, Vinocur on behalf of himself, his past and current agents, representatives, attorneys, successors and/or assignees, hereby waives all of his rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that he 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 -- limited to and arising under Proposition 65 with respect to Listed Chemicals in the Products and Additional Products manufactured, imported or acquired by ArtSkills before the Effective Date. This release is also provided in Vinocur's individual capacity and is not a release on behalf of the public.

4.2 ArtSkills' Release of Vinocur

ArtSkills, on behalf of itself, its past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against Vinocur 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 Vinocur 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 or Additional Products.

5. SEVERABILITY

If 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.

6. GOVERNING LAW

The terms of this Settlement Agreement shall be governed by the laws of the State of California. In the event that Proposition 65 is repealed, preempted, or is otherwise rendered inapplicable by reason of law generally, or if any of the provisions of this Settlement Agreement are rendered inapplicable or are no longer required as a result of any such repeal or preemption,

or rendered inapplicable by reason of law generally as to the Products, then ArtSkills shall provide written notice to Vinocur 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. Nothing in this Settlement Agreement shall be interpreted to relieve ArtSkills from any obligation to comply with any pertinent state or federal laws.

7. **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 to any party by the other party at the following addresses:

To Defendant ArtSkills, Inc. :

David E. Robinson, Esq.
VP Business Development
& General Counsel
ArtSkills, Inc.
3935 Rabold Circle South
Bethlehem, PA 18020

To Plaintiff Laurence Vinocur:

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

with a copy to:

Robert Falk
Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105

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.

8. **COUNTERPARTS; FACSIMILE AND SIGNATURES**

This Settlement Agreement may be executed in counterparts and by facsimile or pdf signature, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document. A facsimile or pdf signature shall be as valid as the original.

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

Vinocur and his attorneys agree to comply with the reporting form requirements referenced in California Health & Safety Code section 25249.7(f).

10. MODIFICATION

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

11. AUTHORIZATION

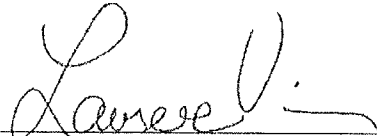
The undersigned are authorized to execute this Settlement Agreement on behalf of their respective parties and have read, understood, and agree to all of the terms and conditions of this Settlement Agreement.

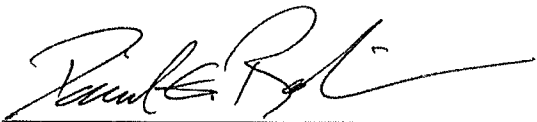
AGREED TO:

AGREED TO:

Date: December 22, 2014

Date: 12/23/2014

By: 
Laurence Vinocur

By: 
David E. Robinson, Esq.
VP Business Development
& General Counsel
ArtSkills, Inc.