

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between It's Academic of Illinois, Inc. ("It's Academic") and Whitney R. Leeman, Ph.D. ("Leeman"), with It's Academic and Leeman collectively referred to as the "Parties." It's Academic 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"). Leeman is an individual residing in the State of 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.

1.2 General Allegations

Leeman alleges that It's Academic has manufactured, distributed, shipped and/or offered for sale in the State of California book covers with vinyl/PVC components containing concentrations of di(2-ethylhexyl)phthalate ("DEHP") without the requisite Proposition 65 warning. DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects or other reproductive harm.

1.3 Product Description

The "Products" that are covered by this Settlement Agreement are defined book covers with vinyl/PVC components containing DEHP including, but not limited to, *Home Stretch Jumbo Stretchable Book Cover, Item #97311, UPC #7 25150 97311 9*, manufactured, imported, distributed, shipped and/or offered for sale in the State of California by It's Academic.

1.4 Notice of Violation

On or about January 23, 2015, Leeman served It's Academic and various public enforcement agencies with a "60-Day Notice of Violation" (the "Notice") that provided the recipients with notice of alleged violations of Proposition 65 based on It's Academic's failure to warn consumers that the Products exposed users in the State of California to DEHP. To the best

of the Parties' knowledge, no public enforcer has prosecuted the allegations set forth in the Notice.

1.5 No Admission

It's Academic denies all factual and legal allegations contained in Leeman's Notice, and maintains that all of the products that it has sold and/or offered for sale in the State of California, including the Products, have been and are in compliance with all federal, state, or local laws. Nothing in this Settlement Agreement shall be construed as an admission by It's Academic 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 It's Academic of any fact, finding, conclusion of law, issue of law or violation of law. However, this Section shall not diminish or otherwise affect It's Academic's obligations, responsibilities and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean the date this Settlement Agreement is signed by all Parties.

2. INJUNCTIVE RELIEF: WARNINGS AND REFORMULATION STANDARD

2.1 Reformulation Standard

Reformulated Products are defined as Products containing concentrations less than 0.1 percent (1000 parts per million) of DEHP, di-n-butyl ("DBP"), butyl benzyl phthalate ("BBP"), and Diisononyl phthalate ("DINP") in each accessible component when analyzed by a laboratory accredited by the State of California, a federal agency or similar nationally recognized accrediting organization pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C, or equivalent methodologies utilized by federal or state agencies for the purpose of determining DEHP, DBP, BBP or DINP content in a solid substance. By entering into this Settlement Agreement, the Parties do not intend to expand or restrict any obligations or responsibilities that may be imposed upon It's Academic by laws other than

Proposition 65, nor do the Parties intend this Settlement Agreement to affect any defenses available to It's Academic under laws other than Proposition 65.

2.2 Vendor Notification Requirement

To the extent it has not already done so, on or before the Effective Date, It's Academic shall provide the reformulation standard specified in Section 2.1 to each of its then-current Vendors of the Products, or vinyl component parts thereof, that will be sold or offered for sale to California citizens and shall instruct each Vendor to use reasonable efforts to provide Products, or vinyl component parts thereof, that comply with the reformulation standard for Reformulated Products in Section 2.1 above. For purposes of this Settlement Agreement, the term "Vendor(s)" means a person or entity that manufactures, imports, distributes, sells, or otherwise supplies the Products or component parts of the Products to It's Academic, its parents, assignees, subsidiaries and/or affiliated entities under common ownership.

2.3 Warnings Required: Product Labeling

Commencing on the Effective Date, for all Products other than Reformulated Products, It's Academic shall provide clear and reasonable warnings that state:

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

It's Academic may affix this warning to the packaging, labeling or directly on any Products that are not Reformulated Products which are sold or offered for sale to institutional or individual consumers within the State of California and institutional customers with nationwide distribution. 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(s) the warning applies, so as to minimize the risk of consumer confusion.

2.4 Exceptions To Warning Requirements

The warning requirements set forth in Section 2.3 shall not apply to: (i) any Products distributed by It's Academic prior to the Effective Date; or (ii) Reformulated Products (as defined in Section 2.1 above).

3. MONETARY PAYMENTS

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

In settlement of all the claims referred to in this Settlement Agreement, It's Academic shall pay a total of \$12,000 in accordance with this Section. Each penalty payment will be allocated by Leeman in accordance with California Health & Safety Code § 25249.12(c)(1) & (d), with 75% of the funds being remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty retained by Leeman, as follows:

3.1.1 Initial Civil Penalty

It's Academic shall pay an initial civil penalty in the amount of \$2,000 within five business days of the Effective Date in one check made payable to: "Whitney Leeman, Client Trust Account."

3.1.2 Final Civil Penalty

It's Academic shall pay a final civil penalty of \$10,000 on or before August 31, 2015. The final civil penalty shall be waived in its entirety if an officer of It's Academic provides Leeman with written certification that It's Academic has met and continues to meet the Reformulation Standard specified in Section 2.1 above such that all Products manufactured, produced, assembled, imported, distributed, shipped, sold or offered for sale in State of California as of the certification date, and continuing into the future, are Reformulated Products. Leeman must receive any such certification on or before August 15, 2015; time is of the essence.

Unless waived in its entirety, It's Academic shall issue a check for any remaining portion of the final civil penalty made payable to "Whitney Leeman, Client Trust Account." In accordance with California Health & Safety Code § 25249.12(c)(1) & (d), Leeman will remit 75% of the funds remitted to OEHHA and retain 25% of the funds.

3.2 Representations

It's Academic represents that the sales data and other information concerning its Product sales information, knowledge of DEHP, prior reformulation and/or warning efforts, that it provided to Leeman in negotiating this Settlement Agreement was truthful to its knowledge at the time of execution of this Settlement Agreement and a material factor upon which Leeman relied to determine the amount of civil penalties assessed pursuant to Health & Safety Code § 25249.7. If, within twelve months of the Effective Date, Leeman discovers and presents to It's Academic, evidence demonstrating that the preceding representation and warranty was materially inaccurate, then It's Academic shall have 30 days to meet and confer regarding Leeman's contention. Should this 30 day period pass without any such resolution between Leeman and It's Academic, Leeman shall be entitled to file a formal legal claim including, but not limited to, a claim for damages for breach of contract.

3.3 Reimbursement of Fees and Costs

The parties acknowledge that Leeman and her 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. It's Academic 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 Leeman and her counsel under general contract principles and the private attorney general doctrine codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. It's Academic shall pay \$20,000 in two equal installments for fees and costs incurred as a result of investigating, bringing this matter to It's Academic's attention, and negotiating a settlement in the public interest. It's Academic shall tender a check for its first installment payable to "The Chanler Group," within five days of the Effective Date, and a check for its second installment payable to "The Chanler Group," on or before August 31, 2015.

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3.4 **Payment Procedures**

All payments pursuant to Sections 3.1 and 3.3 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. **RELEASE OF ALL CLAIMS**

4.1 **Leeman's Release of It's Academic**

This Settlement Agreement is a full, final, and binding resolution between Leeman and It's Academic of any violation of Proposition 65 that was or could have been asserted by Leeman on behalf of herself as an individual and *not* in her representative capacity, her past and current agents, representatives, attorneys, successors and/or assignees, against It's Academic, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys and each entity to whom It's Academic directly or indirectly distributes or sells the Products including, but not limited to, downstream distributors, wholesalers, customers, franchisees, cooperative members, licensees and retailers, including Staples, Inc., ("Releasees"), based on the alleged failure to warn about potential exposures to DEHP contained in the Products sold and/or offered for sale by It's Academic in the State of California before the Effective Date as set forth in the Notice. Compliance with the terms of this Settlement Agreement constitutes compliance with Proposition 65 with respect to exposures to DEHP from Products sold or distributed by It's Academic after the Effective Date.

In further consideration of the promises and agreements herein contained, Leeman on behalf of herself as an individual and *not* in her representative capacity, her 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 she may have against It's Academic and Releasees, including, without limitation, all actions, causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses or expenses including, but not limited to, investigation fees, expert fees, and attorneys' fees arising

under Proposition 65 with respect to DEHP, DBP, BBP or DINP in Products sold and/or offered for sale by It's Academic before the Effective Date.

4.2 It's Academic's Release of Leeman

It's Academic waives any and all claims against Leeman, her attorneys and other representatives, for any and all actions taken or statements made (or those that could have been taken or made) by Leeman and her attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against it in this matter and/or with respect to the Products.

5. 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 DEHP, then It's Academic shall provide written notice to Leeman 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.

6. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be sent by: (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 It's Academic:

Bruce Shapiro, President
It's Academic of Illinois, Inc.
4080 Commercial Avenue
Northbrook, IL 60062

For Leeman:

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

With a copy on behalf of It's Academic to:

Peg Carew Toledo
TOLEDO DON LLP
3001 Douglas Blvd., Suite 340
Roseville, CA 95661

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.

7. COUNTERPARTS; FACSIMILE/PDF 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.

8. 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.

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

Leeman agrees to comply with the reporting form requirements referenced in California Health & Safety Code § 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: 7/29/15

Date: 8-12-2015

By: Whitney Leeman
Whitney Leeman

By: Bruce Shapiro
Bruce Shapiro, President
It's Academic of Illinois, Inc.