

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Ema Bell & InterMetro Industries Corporation

This Settlement Agreement is entered into by and between Ema Bell ("Bell") and InterMetro Industries Corporation ("InterMetro"). Together, Bell and InterMetro are collectively referred to as the "Parties." Bell is an individual that resides in the State of California,.

InterMetro, a Delaware corporation with its principal place of business in Pennsylvania, employs ten or more persons and is considered a person in the course of doing business for purposes of the Safe Drinking Water and Toxic Enforcement Act of 1986, Health & Safety Code section 25249.6, et seq. ("Proposition 65").

1.2 General Allegations

Bell alleges that InterMetro has imported, distributed and/or sold in the State of California floor protectors containing Di(2-ethylhexyl) phthalate (DEHP) without the requisite Proposition 65 warning.

On January 1, 1988, the State of California listed DEHP as a chemical known to the State to cause cancer. On October 24, 2003, the State of California listed DEHP as a chemical known to cause developmental male reproductive toxicity.

1.3 Product Description

The products covered by this Settlement Agreement are floor protectors, which InterMetro sells individually as *Floor Protectors*; UPC#0 41105 00022 9; L9991P (referred to hereafter as "Product" or "Products"), containing DEHP.

1.4 Notice of Violation

On July 29, 2015 Bell served InterMetro, The Container Store, Inc. (“The Container Store”), and various public enforcement agencies with a document entitled “Notice of Violation of California Health & Safety Code § 25249.5, *et seq.*” (the “Notice”). In the Notice, Bell alleges she is acting in the interest of the general public to promote awareness of exposures to toxic chemicals in products and to improve human health by reducing or eliminating hazardous substances contained in such products. The Notice provided InterMetro and such others, including public enforcers, with notice that alleged that InterMetro was in violation of California Health & Safety Code § 25249.5, for failing to warn consumers and customers that the Product exposed users in California to DEHP. No public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission

InterMetro denies the material factual and legal allegations contained in the Notice and in this Settlement Agreement and maintains that, to the best of its knowledge, all Products that are or have been sold and distributed in California, have been and are in compliance with Proposition 65, and further, notwithstanding the allegations in the Notice or in this Settlement Agreement, InterMetro maintains that it has not knowingly manufactured, sold, or offered for sale in California, or caused to be manufactured, sold or offered for sale in California, the Products in violation of Proposition 65. Nothing in this Settlement Agreement shall be construed as an admission by InterMetro of any fact, finding, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by InterMetro of any fact, finding, conclusion, issue of law or violation of law, such being specifically denied by InterMetro. However, this section shall not diminish or otherwise affect the 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 that is fourteen (14) days after this Settlement Agreement has been fully executed and submitted by or on behalf of Bell to the Attorney General of the State of California pursuant to California Health and Safety Code section 25249.7, subsections (e) and (f) and Title 11 of the California Code of Regulations, section 3003.

2. INJUNCTIVE RELIEF

2.1 Reformulation of the Products

Commencing on the Effective Date, and continuing thereafter, InterMetro shall not knowingly and intentionally ship, sell, or offer for sale in California, Products that are not Reformulated Products pursuant to Section 2.2 or Products that are not labeled with a clear and reasonable warning pursuant to Section 2.3 or Products for which it has not arranged for a suitable alternative method of providing any warning required by Proposition 65, as allowed under Section 2.3. For purposes of this Settlement Agreement, a "Reformulated Product" is a Product that meets the standard set forth in Section 2.2 below.

2.2 Reformulation Standard

"Reformulated Product" shall mean a Product that contains less than or equal to 1,000 parts per million ("ppm") of DEHP when analyzed pursuant to U.S. Environmental Protection Agency testing methodologies 3580A and 8270C or any substantially equivalent methodology that analyzes for DEHP with a detection limit (or "reporting limit") equal to or less than 1,000 ppm.

2.3 Clear and Reasonable Warnings

Commencing on the Effective Date, InterMetro shall provide a clear and reasonable warning for any Product that it knowingly and intentionally ships, sells, or offers to ship or sell in California that is not a Reformulated Product. InterMetro shall provide the warning affixed to the packaging or labeling with the following statement:

CALIFORNIA PROPOSITION 65 WARNING:

This product contains chemicals known to the State of California to cause cancer, and birth defects or other reproductive harm.

The 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 of purchase or use. In the alternative, InterMetro may, at its option, make reasonable, alternative arrangements to have the foregoing warning displayed in connection with the Products at the retail outlet with such conspicuousness, as compared with other words, statements, designs, or devices in the label, labeling or display as to render it likely to be read and understood by an ordinary individual under customary conditions of purchase or use.

In the event that the Office of Environmental Health Hazard Assessment promulgates one or more regulations requiring or permitting warning text and/or methods of transmission different than those set forth above, InterMetro shall be entitled to use, at its discretion, such other warning text and/or method of transmission without being deemed in breach of this Agreement.

3. PENALTIES PURSUANT TO HEALTH & SAFETY CODE § 25249.7(b)

In settlement of all the claims referred to in this Settlement Agreement, InterMetro shall pay a total of \$2,375.00 in civil penalties in accordance with this Section. The penalty payment will be allocated in accordance with California Health & Safety Code § 25249.12(c)(1) and (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty remitted to Bell. Each penalty payment shall be delivered to the addresses listed in Section 3.2 below. InterMetro shall be liable for payment of interest, at a rate of 10% simple interest, for all amounts due and owing that are not received within twelve (12) business days of the Effective Date.

3.1 Civil Penalty

Within ten (10) days of the Effective Date, InterMetro shall issue two separate checks for the initial civil penalty payment to (a) "California Office of Environmental Health Hazard Assessment" in the amount of \$1,781.25; and (b) "Brodsky & Smith, LLC in Trust for Bell" in the amount of \$593.75. All penalty payments shall be delivered to the addresses listed in Section 3.2 below.

3.2 Payment Procedures

(a) **Issuance of Payments.** Payments shall be delivered as follows:

(i) All payments owed to Bell, pursuant to Section 3.1 shall be delivered to the following payment address:

Evan J. Smith, Esquire
Brodsky & Smith, LLC
Two Bala Plaza, Suite 510
Bala Cynwyd, PA 19004

(ii) All payments owed to OEHHHA (EIN: 68-0284486), pursuant to Section 3.1 shall be delivered directly to OEHHHA (Memo Line "Prop 65 Penalties") at the following addresses:

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

(b) **Copy of Payments to OEHHA.** InterMetro agrees to provide Bell's counsel with a copy of the check payable to OEHHA, simultaneously with its penalty payment to Bell, to be delivered to the address provided in Section 3.2(a)(i), as proof of payment to OEHHA.

(C) **Tax Documentation.** InterMetro agrees to provide a completed IRS 1099 for its payments to each of the following payees under this Settlement Agreement:

(i) "Ema Bell" whose address and tax identification number shall be provided after this Settlement Agreement is fully executed by the Parties;

(ii) "Brodsky & Smith, LLC" whose tax identification number shall be provided after this Settlement Agreement is fully executed by the Parties at the address provided in Section 3.2(a)(i); and

(iii) "Office of Environmental Health Hazard Assessment" 1001 I Street, Sacramento, CA 95814.

4. REIMBURSEMENT OF FEES AND COSTS

The parties acknowledge that Bell 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. Bell then expressed a desire to resolve the fee and cost issue shortly after the other settlement terms had been finalized. The Parties reached an accord on the compensation claimed by Bell and her counsel under the private attorney general doctrine and principles codified at California Code of Civil Procedure § 1021.5, for all work performed through the mutual execution of this agreement. By entering into this Settlement Agreement, InterMetro does not admit that the private attorney general doctrine or Code of Civil Procedure § 1021.5 are applicable to this matter. InterMetro shall pay to Bell and her counsel for fees and costs allegedly incurred as a result of

investigating and bringing this matter to InterMetro's attention, and negotiating a settlement in the public interest the amount of \$21,375.00. Within ten (10) days of the Effective Date, InterMetro shall issue a check payable to "Brodsky & Smith, LLC" in the foregoing amount for delivery to the following address:

Evan Smith, Esquire
Brodsky & Smith, LLC
Two Bala Plaza, Ste. 510
Bala Cynwyd, PA 19004

5. RELEASE OF ALL CLAIMS

5.1 Release of InterMetro, The Container Store, Downstream Customers and Entities, and Upstream Manufacturers and Suppliers

Bell, acting on her own behalf, releases to the greatest extent allowed by law InterMetro, The Container Store, and their respective past and current parents, subsidiaries, affiliated entities, marketplaces, directors, officers, agents, employees, attorneys and each person or entity to whom InterMetro directly or indirectly distributes or sells the Products, including but not limited to, downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members and licensees, and to each person or entity that manufactured or supplied the Products or any component thereof (collectively, the "Releasees"), from all claims for violations of Proposition 65 through the Effective Date based on their failure to warn about alleged exposures to the chemical DEHP contained in Products which were distributed, sold and/or offered for sale by InterMetro, directly or indirectly, to customers and consumers in the State of California. This settlement is a full, final and binding resolution of all claims that were or could have been asserted against InterMetro, The Container Store, and/or the Releasees for failure to provide warnings for alleged exposures to DEHP contained in the Products.

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Section(s) 3 and 4 above, Bell, on behalf of herself,

her past and current agents, representatives, attorneys (including, but not limited to, Brodsky & Smith), successors and/or assignees, provides a release herein which shall be effective as a full and final accord and satisfaction, as a bar to all actions, causes of action, obligations, costs, expenses, attorneys' fees, damages, losses, claims, liabilities and demands against InterMetro, The Container Store, and/or any of the Releasees of any nature, character, or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of the alleged or actual exposure to the chemicals DEHP in the Products.

5.2 InterMetro's Release of Bell

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

Neither this release, nor Bell's release in section 5.1, above, nor the release in section 5.3, below, shall act as a release of any claims that may exist between Releasees arising out of or related to this matter.

5.3 California Civil Code Section 1542

It is possible that other claims not known to the Parties arising out of the facts alleged in the Notice and relating to the Products will develop or be discovered. Bell on behalf of herself only, on one hand, and InterMetro, on the other hand, acknowledge that this Agreement is expressly intended to cover and include all such claims up through the Effective Date, including all rights of action therefor. The Parties acknowledge that the claims released in Sections 5.1 and 5.2 above may include unknown claims, and nevertheless waive to the greatest extent allowed by law California Civil Code section

1542 as to any such unknown claims. California Civil Code section 1542 reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Bell and InterMetro each acknowledge and understand the significance and consequences of this specific waiver of California Civil Code section 1542.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are deemed 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 law 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, InterMetro shall provide written notice to Bell 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 a Product is so affected.

8. NOTICES

Unless specified herein, all correspondence and notices required to be provided pursuant to this Settlement Agreement shall be in writing and personally delivered or sent by: (i) first-class (registered or certified mail) return receipt requested; or (ii) overnight or two-day courier on any party by the other party to the following addresses:

For InterMetro:

Willard Sickles, PE
Manager, Product Safety & Compliance Engineering
InterMetro Industries Corporation
651 N Washington St.
Wilkes-Barre, PA 18705

And a copy to:

Peter W. McGaw
Archer Norris
2033 North Main Street, Suite 800
Walnut Creek, CA 94596
T: 925.930.6600
F: 925.930.6620

For Bell:

Evan J. Smith
Brodsky & Smith, LLC
Two Bala Plaza, Suite 510
Bala Cynwyd, PA 19004
877-534-2590

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.

9. COUNTERPARTS: 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.

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

Bell agrees to comply with the reporting requirements referenced in Health & Safety Code section 25249.7(f) and to provide contemporaneously to InterMetro a copy of any submission made pursuant to that section.

11. MODIFICATION

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

12. **AUTHORIZATION**

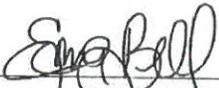
The undersigned are authorized to execute this Settlement Agreement and have read, understood and agree to all of the terms and conditions contained of this Settlement Agreement.

AGREED TO:

AGREED TO:

Date: 01/9/16

Date: 2/16/16

By: 
Ema Bell

By: 
InterMetro