

PROPOSITION 65 SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 The Parties

This Settlement Agreement (“**Agreement**”) is entered into by and between Keep America Safe and Beautiful (“**KASB**”) and Kreg Enterprises, Inc. (“**Kreg**”) with KASB and Kreg each individually referred to as a “**Party**” and, collectively, as the “**Parties.**” KASB is a non-profit corporation located in the State of California and proceeding in the public interest in conformity with California Health & Safety Code § 25249.7(d) to ensure chemicals known to the State of California to cause cancer, birth defects or other reproductive harm are disclosed in or eliminated from consumer products sold in California. Kreg is a person in the course of doing business, for purposes of California Health & Safety Code § 25249.11(b).

1.2 Allegations and Chemical

KASB alleges Kreg manufactures, imports, sells and distributes for sale in California clamps with vinyl/PVC components containing di(2-ethylhexyl) phthalate (“**DEHP**”) without providing the health hazard warning required by California Health & Safety Code §§ 25249.5 *et seq.* (“**Proposition 65**”). DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause cancer, birth defects and other reproductive harm.

1.3 Consumer Product Description

The consumer products forming the subject of this Agreement are specifically limited to the following clamps with vinyl/PVC components containing DEHP that are manufactured, imported, distributed, sold or offered for sale by Kreg in California: (1) *Kreg Classic 2” Face Clamp, Model Item # KHC-MICRO, UPC #6 47096 80602 6*; and (2) *Kreg Classic 3” Face Clamp, Model Item # KHC-PREMIUM, UPC #6 47096 80058 1*, referred to hereinafter, collectively, the “**Consumer Products**”.

1.4 Notice of Violation

On September 30, 2020, KASB served Kreg, the California Attorney General and the requisite public enforcement agencies with a 60-Day Notice of Violation (“**Notice**”), alleging

Kreg violated Proposition 65 when it failed to provide a clear and reasonable warning to its customers and to consumers in California that its Consumer Products can expose users to DEHP, a known carcinogen, developmental and reproductive toxin. No public enforcer has commenced and is diligently prosecuting an action to enforce the allegations set forth in the Notice.

1.5 No Admission

Kreg denies the material, factual, and legal allegations contained in the Notice and maintains all products it sold or distributed for sale in California, including the Consumer Products, have been, and are, in compliance with all laws. Nothing in this Agreement shall be construed as, nor shall compliance with this Agreement constitute or be construed as, an admission by Kreg of any fact, finding, conclusion of law, issue of law, or violation of law. This section shall not, however, diminish or otherwise affect Kreg's obligations, responsibilities and duties under this Agreement.

1.6 Effective Date

For purposes of this Agreement, the term "**Effective Date**" shall mean August 10, 2021.

2. INJUNCTIVE RELIEF: REFORMULATION OR WARNINGS

2.1 Reformulation Commitment

Commencing on the Effective Date, and continuing thereafter, each Consumer Product, as that term is specifically used and defined by Section 1.3, above, that Kreg manufactures, imports, distributes, sells or offers for sale, directly or indirectly, in or into California, shall either: (1) meet the Reformulation Standard for Reformulated Products, as defined by the following Section 2.2; or (2) shall bear a clear and reasonable health hazard warning, in accordance with the following Section 2.3.

2.2 Reformulation Standard

For purposes of this Agreement, "**Reformulated Products**" are defined as Consumer Products which, if they contain di(2-ethylhexyl)phthalate ("**DEHP**"), contain it in a maximum concentration of not more than 0.1 percent (1,000 parts per million) in any accessible

component (i.e. any component that may be touched during a reasonably foreseeable use of the Consumer Products when utilized according to its intended purpose) when analyzed by a laboratory accredited by the State of California, a federal agency, or a nationally recognized accrediting organization (“**Reformulation Standard**”).

For purposes of compliance with this Reformulation Standard, testing samples shall be prepared and extracted using Consumer Product Safety Commission (“**CPSC**”) methodology CPSC-CH-C1001.09.4 and analyzed using U.S. Environmental Protection Agency methodology 8270D or other methodologies utilized by federal or state government agencies to determine phthalate content in a solid substance.

2.3 Clear and Reasonable Warnings

Commencing on or before the Effective Date, Kreg shall provide clear and reasonable warnings for all Consumer Products it manufactures, imports, or purchases, for sale in or into California that do meet the Reformulation Standard set forth in Section 2.2, in accordance with this Section 2.3 or in accordance with Title 27 California Code of Regulations §§ 25600, *et seq.* For purposes of this Section, any 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 and shall be provided in a manner such that it is clearly associated with the specific Product to which the warning applies.

(a) **Warning.** The Warning shall consist of one of the following statements:

⚠ **WARNING:** This product can expose you to DEHP, which is known to the State of California to cause birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov.

Or,

⚠ **WARNING:** This product can expose you to DEHP, which is known to the State of California to cause cancer. For more information go to www.P65Warnings.ca.gov.

(b) **Short-Form Warning.** Kreg may, but is not required to, use the following short-form warning as set forth in this subsection 2.3(b) (“**Short-Form Warning**”), subject to the

additional requirements in Sections 2.3.2 and 2.3.3, as follows:

⚠ **WARNING:** Cancer and Reproductive Harm - www.P65Warnings.ca.gov.

(c) **Foreign Language Requirement.** Where a consumer product sign, label or shelf tag used to provide a warning includes consumer information in a language other than English, the warning must also be provided in that other language, in addition to English.

2.3.1 Product Warnings

Kreg shall affix a warning to the Product label or otherwise directly on each Consumer Product that does meet the Reformulation Standard provided for sale in retail outlets in California or sold via mail order catalog and/or the internet to customers located in California. For the purpose of this agreement, “**Product label**” means a display of written, printed or graphic material printed on or affixed to a Product or its immediate container or wrapper. A warning provided pursuant to section 2.3(a) or (b) must print the word “**WARNING:**” in all capital letters and in bold font. The warning symbol to the left of the word “**WARNING:**” must be a black exclamation point in a yellow equilateral triangle with a black outline, except, if the labeling does not use the color yellow, then the symbol may be in black and white. The entire warning shall appear in a type size of at least 6-point type and no smaller than the largest type size used for other consumer information on the product. The warning shall consist of either the Warning, or the Short-Form Warning described in subsections 2.3(a) or (b), respectively.

2.3.2 Mail Order Catalog Warnings

In the event, after the Effective Date, Kreg prints new catalogs and sells Consumer Products that do meet the Reformulation Standard via mail order through such catalogs to customers located in California, Kreg shall provide a warning for each Consumer Product both on the Consumer Product label according to Section 2.3.1 and in the catalog, in a manner clearly associating the warning to the specific Consumer Product being purchased. Any warning provided in a mail order catalog shall be in the same type size or larger than other consumer information provided for the Consumer Product within the catalog and shall be provided on the

same page and in the same location as the display and/or description of the Product. The catalog warning may use the Short-Form Warning content described in Section 2.3(b), if the warning provided on the Consumer Product label also uses the Short-Form Warning content.

Where it is impracticable to provide the warning on the same page and in the same location as the display and/or description of the Product, Kreg may utilize a designated symbol of Kreg's choosing to cross reference the applicable warning and shall define the meaning of the designated symbol with the following language on the inside of the front cover of the catalog or on the same page as any order form for the Product(s):

⚠ WARNING: Certain products identified with this symbol [▼] and offered for sale in this catalog can expose you to di(2-ethylhexyl) phthalate, which is known to the State of California to cause birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov.

The designated symbol must appear on the same page and in close proximity to the display and/or description of the Product. On each page where the designated symbol appears, Kreg must provide a header or footer directing the consumer to the warning language and definition of the designated symbol.

2.3.3 Internet Warnings

If, after the Effective Date, Kreg sells Consumer Products that do not meet the Reformulation Standard via the internet to customers located in California, Kreg shall provide warnings for each Consumer Product on the Product label in accordance with Section 2.3.1 and by prominently displaying the warning to the customer prior to completing the purchase or during the purchase of the Consumer Products without requiring customers to seek out the warning. The warning or a clearly marked hyperlink to the warning using the word "WARNING" given in conjunction with the sale of the Consumer Products via the internet shall appear: (a) on the same web page on which the Consumer Product is displayed; (b) on the same web page as the order form for the Consumer Product; (c) on the same page as the price for any Consumer Product; or (d) on one or more web pages displayed to a purchaser during the

checkout process. The warning shall appear in any of the above instances adjacent to or immediately following the display, description or price of the Consumer Product for which it is given in the same type size or larger than other consumer information provided for the Consumer Product. The internet warning may use the Short-Form Warning content described in Section 2.3(b), if the warning provided on the Consumer Product label also uses the Short-Form Warning content.

2.4 Compliance with Warning Regulations

Kreg may comply with the warning requirements of Section 2.3 by any other means authorized pursuant to Health and Safety Code §§ 25249.5 *et seq.* and/or by adhering to the safe harbor guidelines published by the Office of Environmental Health Hazard Assessment, as set forth in Title 27, Div. 4, Chap. 1, Ar. 6 of the California Code of Regulations, commencing at §§ 25600 *et seq.*, and as may be amended from time to time.

3. MONETARY SETTLEMENT TERMS

3.1 Initial Civil Penalty Payment

Pursuant to Health and Safety Code § 25249.7(b), Kreg agrees to pay a civil penalty of \$2,750 within five (5) business days of the Effective Date. Kreg's civil penalty payment will be allocated according to Health and Safety Code §§ 25249.12(c)(1) and (d), with seventy-five percent (75%) of the penalty paid to the California Office of Environmental Health Hazard Assessment ("OEHHA"), and the remaining twenty-five percent (25%) retained by KASB. Kreg shall issue its payment in two checks made payable to: (a) "OEHHA" in the amount of \$2,062.50; and (b) "Keep America Safe and Beautiful" in the amount of \$687.50. KASB's counsel shall deliver to OEHHA and KASB their respective portions of the penalty payment.

3.2 Final Waivable Civil Penalty

Kreg shall pay a second civil penalty of \$2,750. However, the second civil penalty shall be waived in its entirety, if, on or before December 30, 2021, an officer of Kreg provides an attested declaration to Seven Hills LLP and KASB, according to the Notice provisions outlined

in the following Section 7, certifying, as of the Effective Date and continuing thereafter, all Consumer Products sold in California by Kreg are Reformulated Products in compliance with the Reformulation set forth in the preceding Section 2.2, or, in the alternative, that all such Consumer Products have been discontinued. If Kreg opts to provide a declaration averring to Consumer Product reformulation, such declaration shall be accompanied by test results, performed after the date of the Notice and demonstrating the Consumer Products, as defined by Section 1.3, comply with the Reformulation Standard denoted in Section 2.2.

Unless the second civil penalty is waived, on or before December 31, 2021 Kreg shall issue a check made payable to "OEHHA" in the amount of \$2,062.50 and a check made payable to "Keep America Safe and Beautiful" in the amount of \$687.50, delivered to the address in Section 3.4, below.

3.3 Reimbursement of Attorneys' Fees and Costs

KASB and its counsel offered to resolve the allegations in the Notice without reaching terms on the amount of reimbursement of attorneys' fees and costs. Shortly after the Parties finalized the other material settlement terms, they negotiated and reached an accord on the amount of reimbursement to be paid to KASB's 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 and reporting of this Agreement to the Office of the California Attorney General. Within five (5) business days of the Effective Date, Kreg agrees to issue a check in the amount of \$20,000, payable to "Seven Hills LLP", for all fees and costs incurred in investigating, bringing this matter to Kreg's attention, negotiating a settlement in the public interest, and reporting its terms to Office of the California Attorney General, pursuant to Section 9.

3.4 Payments

All payments payable and due under this Agreement shall be delivered to KASB's counsel at following address:

Seven Hills LLP

Attn: Kimberly Gates Johnson
4 Embarcadero Center, Suite 1400
San Francisco, CA 94111

4. **CLAIMS COVERED AND RELEASED**

4.1 **KASB's Release of Kreg**

This Agreement is a full, final and binding resolution between KASB, as an individual and *not* on behalf of the public, and Kreg, of any violation of Proposition 65 that was or could have been asserted by KASB on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees (“**Releasers**”), against Kreg, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Kreg directly or indirectly distributes or sells Consumer Products, including, but not limited, to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees (collectively, “**Releasees**”), based on alleged exposures to DEHP and the failure to provide a warning about exposure to DEHP contained in the specific Consumer Products, defined at Section 1.3, *supra*, manufactured, distributed, sold or offered for sale by Kreg, as alleged in the Notice, prior to the Effective Date

In further consideration of the promises and agreements herein contained, KASB as an individual and *not* on behalf of the public, on behalf of itself, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all of KASB's rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims KASB 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, investigation fees, expert fees, and attorneys' fees arising under Proposition 65 with respect to DEHP in the specific Consumer Products, as defined by Section 1.3, that are manufactured, distributed, sold and/or offered for sale by Kreg prior to the Effective Date, against Kreg and Releasees.

The Parties further understand and agree that this Section 4.1 release shall not extend upstream to any entities that manufactured the Consumer Products or any component parts

thereof, or to any distributors or suppliers who sold the Consumer Products or any component parts thereof to Kreg. Nothing in this Section affects KASB's right to commence or prosecute an action under Proposition 65 against a Releasee that does not involve Kreg's Consumer Products.

4.2 Kreg's Release of KASB

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

5. SEVERABILITY

If, subsequent to the execution of this Agreement, any provision of this Agreement is deemed by a court to be unenforceable, the validity of the remaining provisions shall not be adversely affected.

6. GOVERNING LAW

The terms of this Agreement shall be governed by the laws of the State of California and apply within California. In the event that Proposition 65 is repealed, preempted, or is otherwise rendered inapplicable by reason of law generally, or as to the Consumer Products, then Kreg may provide KASB with written notice of any asserted change in the law, and shall have no further injunctive obligations pursuant to this Agreement, with respect to, and to the extent that, the Consumer Products are so affected. Nothing in this Agreement shall be interpreted to relieve Kreg from its obligation to comply with any pertinent state or federal law or regulation.

7. NOTICE

Unless specified herein, all correspondence and notice required by this Agreement shall be in writing and sent by: (i) first-class registered or certified mail, return receipt requested; or (ii) a recognized overnight courier to any Party by the other at the following addresses:

For Kreg:

Todd Sommerfeld, Chief Executive Officer
Kreg Enterprises, Inc.
201 Campus Dr.
Huxley, IA 50124-9760

With a Copy to:

Sarah Choi, Esq.
Dentons US LLP
1999 Harrison St., Ste. 1300
San Francisco, CA 94612

For KASB:
Kimberly Gates Johnson, Partner
Seven Hills LLP
4 Embarcadero Center, Suite 1400
San Francisco, CA 94111

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.

8. COUNTERPARTS, FACSIMILE AND PDF SIGNATURES

This Agreement may be executed in counterparts and by 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.

9. COMPLIANCE WITH REPORTING REQUIREMENTS

KASB and its counsel agree to comply with the reporting form requirements referenced in California Health and Safety Code § 25249.7(f).

10. ENTIRE AGREEMENT

This 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, or understandings related thereto, if any, are hereby merged herein and therein. There are no warranties, representations, or other agreements between the Parties except as expressly set forth herein. No representations, oral or otherwise, express or implied, other than those specifically referred to in this Agreement have been made by any Party hereto. No other agreements not specifically contained or referenced herein, oral or otherwise, shall be deemed to

exist or to bind any of the Parties hereto.

11. MODIFICATION


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

12. AUTHORIZATION

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

AGREED TO:


Date: 8/10/2021

By: 

Ngoc-Bich Hoang Vo, CEO
Keep America Safe and Beautiful

AGREED TO:

Date: 8-9-21

By: 

Todd Sommerfeld, Chief Executive
Officer
Kreg Enterprises, Inc.

