

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Anthony E. Held, Ph.D., P.E., and Oved Apparel Corporation

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Dr. Held”) and Oved Apparel Corporation (“Oved Apparel”), with Held and Oved Apparel collectively referred to as the “Parties.” Dr. Held is an individual residing in the State of California who seeks to promote awareness of exposure to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Oved Apparel 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).

1.2 General Allegations

Dr. Held alleges that Oved Apparel has manufactured, distributed and/or sold vinyl zipper pulls on children’s apparel items which contain phthalates, including di(2-ethylhexyl)phthalate (hereinafter the “Listed Chemical”), without the requisite Proposition 65 warnings. The Listed Chemical is on the Proposition 65 list as a chemical known to cause cancer as well as birth defects and other reproductive harm.

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: vinyl zipper pulls on children’s apparel items containing the Listed Chemical such as, but not limited to, *Mecca USA Jacket, Black, MIN908603 (#8 83926 17068 8)*. All such vinyl zipper pulls containing the Listed Chemical are referred to hereinafter as the “Products”.

1.4 Notice of Violation

On or about August 14, 2009, Dr. Held served Oved Apparel and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (the “Notice”) that provided Oved Apparel and public enforcers with notice of alleged violations of California Health & Safety Code

§ 25249.6 for failing to warn consumers that the Products that Oved Apparel sold exposed users in California to the Listed Chemical. To the best of the parties' knowledge, no public enforcer has diligently prosecuted the allegations set forth in the Notice.

1.5 No Admission

Oved Apparel denies the material, factual and legal allegations contained in Dr. Held's Notice and maintains that all Products that it has sold and distributed in California have been and are in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Oved Apparel 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 Oved Apparel of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Oved Apparel. However, this section shall not diminish or otherwise affect Oved Apparel'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 October 26, 2009.

2. INJUNCTIVE RELIEF: REFORMULATION AND RECALL

2.1 Reformulation Standards

Reformulated Products are defined as those Products containing less than or equal to 1,000 parts per million ("ppm" or "mg/kg") of the Listed Chemical.

2.2 Reformulation Commitment and Discontinuation of Mecca USA Jacket

Oved Apparel hereby commits that one hundred percent (100%) of the Products that it manufactures, sells or ships after the Effective Date for sale in California, shall qualify as Reformulated Products.

2.3 Recall of Past Products

Oved Apparel hereby agrees to recall all vinyl zipper pulls on children's apparel items containing the Listed Chemical such as, but not limited to, *Mecca USA Jacket, Black, MIN908603 (#8 83926 17068 8)*, sold in California by sending each of its downstream distributors and retailers

a recall notice via certified mail. Each recall notice shall request that each distributor or retailer of Oved Apparel's children's apparel items with vinyl zipper pulls containing the List Chemical return its full inventory of such Products to Oved Apparel Corporation, 31 West 34th Street, 3rd Floor, New York, NY 10001 for a full refund payable within 30 days of the date of mailing. Each recall notice shall be mailed no later than the Effective Date and shall be made available to Dr. Held upon written request.

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

In settlement of all the claims referred to in this Settlement Agreement, Oved Apparel shall pay \$1,000 in civil penalties to be apportioned in accordance with California Health & Safety Code §25192, with 75% of these funds remitted to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty remitted to Anthony Held, Ph.D., P.E., as provided by California Health & Safety Code § 25249.12(d). Oved Apparel shall issue two separate checks for the penalty payment: (a) one check made payable to "Hirst & Chanler LLP in Trust For OEHHA" in the amount of \$750, representing 75% of the total penalty; and (b) one check to "Hirst & Chanler LLP in Trust for Anthony Held" in the amount of \$250, representing 25% of the total penalty. Two separate 1099s shall be issued for the above payments: (a) OEHHA, P.O. Box 4010, Sacramento, CA, 95814 (EIN: 68-0284486); and (b) Anthony Held, Ph.D., P.E., whose information shall be provided five (5) calendar days before the payment is due.

Payment shall be delivered to Dr. Held's counsel on the Effective Date at the following address:

Hirst & Chanler LLP
Attn: Proposition 65 Coordinator
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710

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4. REIMBURSEMENT OF FEES AND COSTS

The parties reached an accord on the compensation due to Dr. Held and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Oved Apparel shall reimburse Dr. Held's counsel for fees and costs, incurred as a result of investigating, bringing this matter to Oved Apparel's attention, and negotiating a settlement in the public interest. Oved Apparel shall pay Dr. Held and his counsel \$19,000 for all attorneys' fees, expert and investigation fees, and related costs. The payment shall be issued in a third separate check made payable to "Hirst & Chanler LLP" and shall be delivered on the Effective Date, at the following address:

HIRST & CHANLER LLP
Attn: Proposition 65 Controller
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710

Oved Apparel shall issue a separate 1099 for attorney's fees and costs paid in the amount of \$19,000 to Hirst & Chanler LLP, 455 Capitol Mall, Suite 605, Sacramento, CA 95814 (EIN: 20-3929984).

5. RELEASE OF ALL CLAIMS

5.1 Dr. Held's Release of Oved Apparel

In further consideration of the promises and agreements herein contained, and for the payments to be made pursuant to Sections 3 and 4, Dr. Held on behalf of himself and in his representative capacity, his past and current agents, representatives, attorneys, successors, and/or assignees, and in the interest of the general public, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims, 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 attorney's fees) of any nature whatsoever, whether known or unknown, fixed or contingent (collectively "claims"), against Oved Apparel and each of its

wholesalers, licensors, licensees, auctioneers, retailers, distributors, franchisees, dealers, customers, owners, purchasers, users, parent companies, corporate affiliates, subsidiaries, and their respective officers, directors, attorneys, representatives, shareholders, agents, and employees, and sister and parent entities, including 5 Star Apparel LLC, Mecca 5 Star, and International News, Inc., (collectively “Releasees”) that arise under Proposition 65, as such claims relate to Oved Apparel’s alleged failure to warn about exposures to the Listed Chemical contained in the Products.

Dr. Held in his individual capacity and *not* his representative capacity hereby releases all claims which he now has or may have in the future against Oved Apparel, 5 Star Apparel LLC, Mecca 5 Star, and International News, Inc., irrespective of the subject matter, of all character, kind and nature, whether said claims are known or unknown or are suspected or unsuspected and Dr. Held expressly waives any and all rights and benefits which he now has, or in the future may have, under California Civil Code § 1542, which provides as follows:

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

It is expressly agreed and understood that the general release by Dr. Held of Oved Apparel is a determinative consideration of Oved Apparel’s willingness and decision to enter into this Settlement Agreement.

5.2 Oved Apparel’s Release of Dr. Held

Oved Apparel, on behalf of itself and its Releasees, waives any and all claims against Dr. Held, his attorneys, and other representatives for any and all actions taken by Dr. Held and his attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against them in this matter, and/or with respect to the Products.

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6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, 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.

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 Oved Apparel may provide written notice to Dr. Held 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.

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 courier on any party by the other party at the following addresses:

To Oved Apparel:

Daniel Bellizio, Esq.
OVED APPAREL CORPORATION
31 West 34th Street, 3rd Floor
New York, NY 10001

To Dr. Held:

Proposition 65 Coordinator
HIRST & CHANLER LLP
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710-2565

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. Should Dr. Held become aware of any vinyl zipper pulls manufactured, distributed or sold by Oved Apparel and/or its Releasees in

California that Dr. Held believes violates § 2 of this Settlement Agreement, Dr. Held agrees to provide Oved Apparel with written notice which identifies the products at issue by model and style number and shall include relevant test data showing the presence of DEHP. Within thirty (30) days following Oved Apparel receipt of such notice, Oved Apparel shall have the option to provide Dr. Held, at the addresses listed in this Section, with testing information demonstrating its compliance with § 2. If such testing information is satisfactory to Held, no further action shall be taken by Dr. Held. If such testing information is not satisfactory to Dr. Held, then within sixty (60) days of Dr. Held informing Oved Apparel in writing that the testing information is not satisfactory and reasons for such determination, Dr. Held and Oved Apparel agree to mediate any alleged violation of § 2 before the American Arbitration Association. If such mediation is unsuccessful, then Dr. Held may bring any action allowable by law to enforce the provisions of § 2. Oved Apparel agrees to use its best efforts to cure any alleged breach of § 2 during the exchange of information and mediation procedures.

9. COUNTERPARTS; FACSIMILE 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.

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

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

11. MODIFICATION

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

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12. 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:

APPROVED

By Anthony Held at 2:56 pm, Oct 26, 2009

Date: _____

AGREED TO:

Date: _____

By: _____

Anthony E Held
Anthony E. Held, Ph.D., P.E.

By: _____

Isaac Oved
Isaac Oved, President
Oved Apparel Corporation