

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Anthony E. Held, Ph.D., P.E., and Paris Accessories, Inc.

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Dr. Held”) and Paris Accessories, Inc. (“Paris Accessories”), with Held and Paris Accessories collectively referred to as the “Parties.” Dr. Held is an individual residing in the State of California who asserts that he seeks to promote awareness of exposure to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer products. Paris Accessories 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 Paris Accessories has manufactured, distributed and/or offered for sale children’s shoes 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 birth defects and other reproductive harm. Paris Accessories asserts that it has conducted an independent investigation of the Products (as defined in Section 1.3) identified on the Notice (as defined in Section 1.4), and based thereon, denies that the subject product contained the Listed Chemical, or if it did, the amount present was such that Paris Accessories was not required to provide a warning under the “Safe Harbor” provisions of Proposition 65.

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows:

children's shoes containing the Listed Chemical such as, but not limited to, *Summer Days Sandals* (#0 39174 53370 0). All such children's shoes containing the Listed Chemical are referred to hereinafter as the "Products."

1.4 Notice of Violation

On or about February 12, 2010, Dr. Held served Paris Accessories and various public enforcement agencies with a document entitled "60-Day Notice of Violation" (the "Notice") that provided Paris Accessories and public enforcers with notice of alleged violations of California Health & Safety Code § 25249.6 for failing to warn consumers that the Products that Paris Accessories 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

As detailed above, Paris Accessories 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 Paris Accessories 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 Paris Accessories of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Paris Accessories. However, this section shall not diminish or otherwise affect Paris Accessories' obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean June

15, 2010.

2. INJUNCTIVE RELIEF: REFORMULATION

2.1 Reformulation Commitment

As of the Effective Date, Paris Accessories shall only manufacture or cause to be manufactured Products for sale in California that are Phthalate Free, as set forth below. For purposes of this Settlement Agreement, "Phthalate Free" Products shall mean Products containing less than or equal to 1,000 parts per million ("ppm") of the Listed Chemical, when analyzed pursuant to Environmental Protection Agency ("EPA") testing methodologies 3580A and 8270C.

Paris Accessories further commits that 100% of the Products that it offers for sale in California after June 15, 2010 shall be Phthalate Free.

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

In settlement of all the claims referred to in this Settlement Agreement, Paris Accessories shall pay \$4,000 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). Paris Accessories shall issue two separate checks for the penalty payment: (a) one check made payable to "The Chanler Group in Trust For OEHHA" in the amount of \$3,000, representing 75% of the total penalty; and (b) one check to "The Chanler Group in Trust for Anthony Held" in the amount of \$1,000, 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 or before the Effective Date at the following address:

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

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, Paris Accessories shall reimburse Dr. Held's counsel for fees and costs, incurred as a result of investigating, bringing this matter to Paris Accessories' attention, and negotiating a settlement in the public interest. Paris Accessories shall pay Dr. Held's counsel \$20,000 for all attorneys' fees, expert and investigation fees, and related costs, with no part of this payment going to Dr. Held. The payment shall be issued in a third separate check made payable to "The Chanler Group" and shall be delivered on or before the Effective Date, at the following address:

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

Paris Accessories shall issue a separate 1099 for attorney's fees and costs paid in the amount of \$20,000 to The Chanler Group, 2560 Ninth Street, Parker Plaza, Suite 214, Berkeley, California 94710 (EIN: 94-3171522).

5. RELEASE OF ALL CLAIMS

5.1 Dr. Held's Release of Paris Accessories

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 Paris Accessories 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 that arise under Proposition 65, as such claims relate to Paris Accessories' alleged failure to warn about exposures to the Listed Chemical contained in the Products.

5.2 Paris Accessories' Release of Dr. Held

Paris Accessories, 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.

6. 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 Paris Accessories 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.

7. 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 Paris Accessories:

Donald Oberfield
Paris Accessories, Inc.
1385 Broadway, 21st Floor
New York, NY 10118

With copy to:

Michael C. Baum
Andrew V. Jablon
Resch Polster & Berger LLP
9200 Sunset Blvd., 9th Floor
Los Angeles, CA 90069

To Dr. Held:

Proposition 65 Coordinator
The Chanler Group
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.

8. 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.

9. 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).

10. MODIFICATION

This Settlement Agreement may be modified only by 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:

APPROVED

By Anthony Held at 2:42 pm, Jun 08, 2010

Date: _____

By: _____

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

AGREED TO:

Date: _____

By: _____

Donald Oberfield, President
Paris Accessories, Inc.

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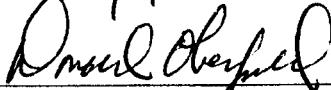
Date: _____

By: _____

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

AGREED TO:

Date: 6/7/10

By: 

Donald Oberfield, President
Paris Accessories, Inc.