

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 John Moore and Publications International, Ltd.

This Settlement Agreement is entered into by and between John Moore (“Moore”) and Publications International, Ltd. (“PIL”) with Moore and PIL collectively referred to as the “Parties.” Moore is an individual residing in the State of California who seeks to promote awareness of exposures to toxic chemicals and to improve human health by reducing or eliminating hazardous substances contained in consumer products. PIL 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

Moore alleges that PIL has manufactured, distributed, and/or offered for sale books containing the phthalate chemical di(2-ethylhexyl)phthalate (“DEHP”) without the requisite Proposition 65 warnings. DEHP is listed pursuant to Proposition 65 as a chemical known to the State of California to cause birth defects and other reproductive harm. DEHP shall be referred to herein as the “Listed Chemical.”

1.3 Product Description

The products that are covered by this Settlement Agreement are defined as follows: books containing the Listed Chemical sold by PIL including, but not limited to, albums such as the *Memories Digital Album Simple 1-2-3 (#0 42799 75961 5)*; all such items are referred to hereinafter as the “Products.”

1.4 Notice of Violation

On or about June 17, 2010, Moore served PIL and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided PIL and public enforcers with notice that PIL was alleged to be in violation of California

Health & Safety Code § 25249.6 for failing to warn consumers and other individuals in California that the Products it sold exposed users 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

PIL denies the material, factual, and legal allegations contained in Moore's Notice and maintains that all of the Products 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 PIL 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 PIL of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by PIL. However, this section shall not diminish or otherwise affect PIL'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 November 1, 2010.

2. INJUNCTIVE RELIEF: REFORMULATION

2.1 Reformulation Commitment

As of the Effective Date, PIL shall only manufacture or cause to be manufactured, purchase, ship, sell, or offer to ship for sale in California, Products that are "DEHP Free." For purposes of this Settlement Agreement, "DEHP Free" Products shall mean Products containing no more than 0.1 percent (1,000 parts per million) of the Listed Chemical when analyzed pursuant to Environmental Protection Agency testing methodologies 3580A and 8270C, or equivalent methodologies utilized by federal or state agencies for the purpose of determining the presence of the Listed Chemical in a given sample.

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

In settlement of all the claims referred to in this Settlement Agreement, PIL shall pay \$2,500 in civil penalties to be apportioned in accordance with California Health & Safety Code §25192. Seventy-five percent of the penalty amount is to be remitted to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA"); and the remaining twenty-five percent of the penalty shall be paid to Moore, as provided by California Health & Safety Code §§ 25249.12(c)(1) & (d). PIL 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 \$1,875; and (b) one check to "The Chanler Group in Trust for John Moore" in the amount of \$625. Two separate 1099s shall be issued for the above payments: (a) OEHHA, P.O. Box 4010, Sacramento, CA, 95814 (EIN: 68-0284486); and (b) John Moore, whose information shall be provided five calendar days before the payment is due.

Payment shall be delivered to Moore's counsel within ten days of 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

4.1 Attorney Fees and Costs

The parties acknowledge that Moore and his 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. PIL 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 Moore and his counsel under general contract

principles and the private attorney general doctrine codified at California Code of Civil Procedure (CCP) §1021.5, for all work performed through the mutual execution of this agreement. PIL shall pay the total amount of \$27,000 for fees and costs incurred as a result of investigating, bringing this matter to its attention, and negotiating a settlement in the public interest. PIL shall make the check payable to “The Chanler Group.” Payment shall be delivered within ten days of the Effective Date, to the following address:

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

PIL shall issue a separate 1099 for its reimbursement of attorney’s fees and costs to The Chanler Group, 2560 Ninth Street, Parker Plaza, Suite 214, Berkeley, California 94710 (EIN: 94-3171522).

5. RELEASE OF ALL CLAIMS

5.1 Moore’s Release of PIL

In further consideration of the promises and agreements contained herein, and for the payments to be made pursuant to Sections 3 and 4, Moore 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 PIL 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 (collectively “Releasees”), that arise under Proposition 65, as such claims relate to PIL’s alleged failure to warn about exposures to the Listed Chemical contained in the Products. The Parties further understand and agree that this release shall not extend upstream to any entities that manufactured the Products or any component parts thereof, or to any distributors or suppliers who sold Products or any component parts thereof to PIL.

The Parties intend and agree that this Settlement Agreement shall be given full effect for purposes of precluding claims regarding the Products against PIL or the Releasees under Proposition 65 as covered under this release. If requested in writing by PIL (within twelve months of the Effective Date), PIL may ask Moore to file a complaint and seek approval of this Settlement Agreement through a court approved consent judgment incorporating the terms of this Settlement Agreement pursuant to California Health and Safety Code Section 25249.7, or as may be otherwise allowed by law. If requested, Moore agrees to reasonably cooperate with PIL and to use his best efforts and that of his counsel to support the entry of a consent judgment incorporating the terms of this Settlement Agreement for approval by a superior court in California. Pursuant to CCP Sections 1021 and 1021.5, PIL will reimburse Moore and his counsel for their reasonable fees and costs incurred in filing the complaint and seeking judicial approval of this Settlement Agreement, in an amount not to exceed \$15,000. No fees under this paragraph will be due and owing to Moore or his counsel unless a written request is made by PIL to have Moore file a complaint and seek a consent judgment. PIL will remit payment to The Chanler Group, at the address set forth in Section 8 below. Such additional fees shall be paid by PIL within ten days after its receipt of monthly invoices from Moore for work performed under this paragraph.

5.2 PIL's Release of Moore

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

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 PIL may provide written notice to Moore 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 notice 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 PIL:

Dorothy M. Weber, Esq.
Shukat Arrow Hafer Weber & Herbsman, LLP
111 West 57th Street, Suite 1120
New York, New York 10019

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.

9. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile, 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 optically scanned image of a Party's signature shall be valid, as if original.

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

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

11. MODIFICATION

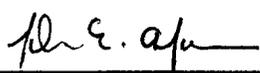
This Settlement Agreement may be modified only by written agreement of the Parties.

12. AUTHORIZATION

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

AGREED TO:

Date: OCTOBER 26, 2010

By: 

John Moore

AGREED TO:

Date: 10/21/10

By: 

Jeffrey J. Coyle, COO / CFO
Publications International, Ltd.