

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Anthony E. Held, Ph.D., P.E. and Conscious Corporation

This Settlement Agreement is entered into by and between Anthony E. Held, Ph.D., P.E. (“Dr. Held”) and Conscious Corporation (“Conscious”), with Dr. Held and Conscious 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. Conscious 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 Conscious has manufactured, distributed, sold and/or offered for sale in California footwear containing the phthalate chemical di(2-ethylhexyl)phthalate (“DEHP”) without the requisite Proposition 65 health hazard warnings. DEHP is listed pursuant to Proposition 65 as a chemical known to cause birth defects and other reproductive harm.

1.3 Product Description

The products that are covered by this Settlement Agreement are footwear containing DEHP including, but not limited to, *Flojos Shelby, Item No. 121 (#8 36777 20325 8)*, manufactured, distributed, sold and/or offered for sale in California by Conscious, hereinafter referred to as the “Products.”

1.4 Notice of Violation

On or about September 1, 2011, Dr. Held served Conscious and various public enforcement agencies with a document entitled “60-Day Notice of Violation” (“Notice”) that provided the recipients with notice of alleged violations of Proposition 65 by

Conscious for failing to warn its customers and consumers that the Products it manufactured, distributed, sold and/or offered for sale in California exposed users to DEHP. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting the allegations set forth in the Notice.

1.5 No Admission

Conscious denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products that it has sold and distributed in California, including the Products, have been, and are, in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Conscious of any fact, finding, conclusion, issue of law, or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Conscious of any fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Conscious. However, this section shall not diminish or otherwise affect Conscious' obligations, responsibilities, and duties under this Settlement Agreement.

1.6 Effective Date

For purposes of this Settlement Agreement, the term "Effective Date" shall mean July 1, 2012.

2. INJUNCTIVE RELIEF: REFORMULATION

2.1 Reformulation Standards and Commitment

As of the Effective Date, Conscious shall manufacture, distribute, sell and/or offer for sale in California only Products that are "DEHP Free." For purposes of this Settlement Agreement, "DEHP Free" Products shall mean Products containing less than or equal to 1,000 parts per million (0.1%) DEHP when analyzed pursuant to Environmental Protection Agency testing methodologies 3580A and 8270C, or any method utilized by state or federal agencies for the purposes of determining the DEHP content in a solid substance.

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

In settlement of all claims referred to in this Settlement Agreement, Conscious shall pay \$8,000 in combined penalty payments and credits in civil penalties.

For its cooperation in the settlement process and its commitment to reformulate the Products to be DEHP Free pursuant to Section 2 above, Dr. Held shall provide Conscious with a penalty credit of \$5,000. Thereafter, the remaining penalty amount of \$3,000 will be paid by Conscious and apportioned according to Health & Safety Code §§ 25249.12 (c)(1) & (d), with 75% of the penalty amount remitted to the state of California's Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the penalty paid to Dr. Held. Conscious shall issue two checks for the penalty payment: (a) one check payable to "The Chanler Group in Trust for OEHHA" in the amount of \$2,250, and (b) one check payable to "The Chanler Group in Trust for Dr. Anthony E. Held" in the amount of \$750. Two 1099 forms shall be provided for the above payments to: (a) Office of Environmental Health Hazard Assessment, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486); and (b) Dr. Anthony E. Held, whose address and tax identification number shall be furnished, upon request, at least five (5) calendar days before payment is due. Payment 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

4. REIMBURSEMENT OF FEES AND COSTS

The Parties acknowledge that Dr. Held 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. Conscious 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 Dr. Held and his counsel under the private attorney general doctrine and principles of contract law. Under these legal principles, Conscious shall reimburse Dr. Held's counsel for fees and costs incurred as a result of investigating, bringing this matter to Conscious' attention, and negotiating a settlement in the public interest. Conscious shall pay Dr. Held's counsel \$27,000 for all attorneys' fees, expert and investigation fees, and related costs. The payment shall be issued in a third check made payable to "The Chanler Group" and shall be delivered on or before the Effective Date to the following address:

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

Conscious shall issue a separate 1099 for attorneys' fees and costs paid to The Chanler Group (EIN: 94-3171522).

5. CLAIMS COVERED AND RELEASED

5.1 Release

This Settlement Agreement is a full, final and binding resolution between Dr. Held and Conscious, of any violation of Proposition 65 that was or could have been asserted by Dr. Held on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, against Conscious, its parents, subsidiaries, affiliated entities that are under common ownership, directors, officers, employees, attorneys, and each entity to whom Conscious directly or indirectly distributes or sells Products, including but not limited to downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, licensors, and licensees ("Releasees"), based on their failure to warn about alleged exposures to DEHP contained in the Products that were manufactured, distributed, sold and/or offered for sale by Conscious in California before the Effective Date.

In further consideration of the promises and agreements herein contained, Dr. Held, on behalf of himself, his past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives all rights to institute or participate in, directly or indirectly, any form of legal action and releases all claims that he 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 -- including, but not limited to, investigation fees, expert fees, and attorneys' fees, but exclusive of fees and costs on appeal -- limited to and arising under Proposition 65 with respect to DEHP in the Products manufactured, distributed, sold and/or offered for sale by Conscious before the Effective Date (collectively "claims"), against Conscious and Releasees.

5.2 Dr. Held's Individual Release of Claims

Dr. Held also, in his individual capacity only and *not* in his representative capacity, 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 of plaintiff of any nature, character or kind, whether known or unknown, suspected or unsuspected, limited to and arising out of alleged or actual exposures to DEHP in the Products manufactured, distributed, sold and/or offered for sale by Conscious.

5.3 Conscious' Release of Dr. Held

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

6. POST EXECUTION ACTIVITIES

Within twelve months of the execution of this Settlement Agreement Conscious may ask Dr. Held, in writing, to file a complaint, incorporate the terms of this Settlement Agreement into a proposed consent judgment, and to seek the court's approval of the consent judgment pursuant to California Health and Safety Code section 25249.7, or as may be otherwise allowed by law. If so requested, Dr. Held agrees to reasonably cooperate with Conscious 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 Code of Civil Procedure sections 1021 and 1021.5, Conscious will reimburse Dr. Held and his counsel for their reasonable fees and costs incurred in filing the complaint, converting the Settlement Agreement into a proposed consent judgment and seeking judicial approval of the consent judgment, in an amount not to exceed \$16,000, exclusive of fees and cost that may be incurred on appeal. Conscious will remit payment to The Chanler Group, at the address set forth in Section 9 below. Such additional fees shall be paid by Conscious within ten days after its receipt of monthly invoices from Dr. Held for work performed under this paragraph.

7. 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

8. 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 Conscious 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.

9. 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: (a) first-class, registered or certified mail, return receipt requested; or (b) overnight courier on any party by the other party at the following addresses:

To Conscious:

Sheng Yen Lin, President
Conscious Corporation
355 East Thousand Oaks Boulevard
Thousand Oaks, CA 91360

With copy to:

Dean Hazard
Arnold Bleuel LaRoche Mathews & Zirbel LLP
300 Esplanade Drive, Suite 2100
Oxnard, CA 93036

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.

10. COUNTERPARTS; FACSIMILE SIGNATURES

This Settlement Agreement may be executed in counterparts and by facsimile or 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. A facsimile or .pdf signature shall be as valid as the original.

11. 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).

12. MODIFICATION

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

13. 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:

AGREED TO:

Date:

APPROVED By Tony Held at 10:00 am, Jun 28, 2012

Date: _____

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

By: _____
Sheng Yen Lin, President
Conscious Corporation

12. **MODIFICATION**

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

13. **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.

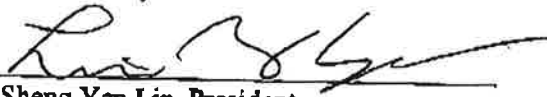
AGREED TO:

AGREED TO:

Date: _____

Date: June 26, 2012

By: _____
Anthony E. Held, Ph.D., P.E.

By: 
Sheng Yen Lin, President
Conscious Corporation