

SETTLEMENT AGREEMENT

1. INTRODUCTION

1.1 Parties

This Settlement Agreement is entered into by and between John Moore (“Moore”) and Privilege International, Inc. (“Privilege International”), with Moore and Privilege International individually referred to as a “Party” and collectively as the “Parties.” Moore is an individual residing in 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. Privilege International 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 and Safety Code section 25249.6 *et seq.* (“Proposition 65”).

1.2 General Allegations

Moore alleges that Privilege International manufactures, imports, sells, or distributes for sale in the state of California, ottomans with vinyl/PVC components containing di(2-ethylhexyl)phthalate (“DEHP”) without first providing the clear and reasonable exposure warning required by Proposition 65. DEHP is listed pursuant to Proposition 65 as a chemical that is known to the state of California to cause birth defects and other reproductive harm.

1.3 Product Description

The products covered by this Settlement Agreement, and to which this Settlement Agreement is specifically limited, are ottomans with a faux leather covering material containing DEHP that were previously or are presently manufactured, sold, and/or distributed for sale in California by Privilege International. It is believed by the parties that all such ottomans are included on Exhibit A to this Settlement Agreement, and all such ottomans are referred to collectively hereinafter as the “Products.”

1.4 Notice of Violation

On or about August 31, 2012, Moore served Privilege International and certain requisite public enforcement agencies with a “60-Day Notice of Violation” (“Notice”) alleging that

Privilege International violated Proposition 65 by failing to warn its customers and consumers in California that the Products expose users to DEHP. To the best of the Parties' knowledge, no public enforcer has commenced and is diligently prosecuting an action to enforce the violations alleged in the Notice.

1.5 No Admission

Privilege International denies the material, factual, and legal allegations contained in the Notice and maintains that all of the products it has manufactured, sold, or distributed for sale 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 Privilege International of any fact, finding, conclusion of law, issue of law, or violation of law; nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Privilege International of any fact, finding, conclusion of law, issue of law, or violation of law, the same being specifically denied by Privilege International. This section shall not, however, diminish or otherwise affect Privilege International'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 February 1, 2012.

INJUNCTIVE RELIEF

2.1 Reformulated Products

Commencing on the Effective Date and continuing thereafter, Privilege International shall only manufacture, distribute, ship, sell, or offer to ship for sale in California Products which have been reformulated ("Reformulated Products"), or Products that are sold with a clear and reasonable warning pursuant to section 2.2.

For purposes of this consent judgment Reformulated Products contain a maximum of 1,000 parts per million DEHP by weight in any accessible component (i.e., any component that can be touched or handled during reasonably a foreseeable use) when analyzed pursuant to

Environmental Protection Agency testing methodologies 3580A and 8270C or equivalent methodologies used by state or federal agencies to determine DEHP content in a solid substance.

2.2 Product Warnings

Commencing on the Effective Date and continuing thereafter, Privilege International shall, for all Products that are not Reformulated Products, provide a clear and reasonable warning in compliance with this section. Each 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 before purchase or use. Each warning shall be provided in a manner such that the consumer or user understands to which *specific* Product the warning applies, so as to minimize the risk of consumer confusion. Privilege International shall affix the warning to the Product packaging, labeling, or, if no packaging or labeling exists, directly on each Product with the following language:

WARNING: This product contains DEHP, a chemical known to the State of California to cause birth defects or other reproductive harm.

3. MONETARY PAYMENTS

3.1 Payments Pursuant to Health & Safety Code Section 25249.7(b)

Except as provided in section 3.1.2, Privilege International shall pay \$6,000 in total civil penalties. Each civil penalty payment shall be allocated according to Health and Safety Code section 25249.12(c)(1) and (d), with seventy-five percent (75%) of the penalty amount paid to the California Office of Environmental Health Hazard Assessment and the remaining twenty-five percent (25%) of the penalty amount retained by Moore.

3.1.1 Initial Civil Penalty

Within ten (10) days of the Effective Date, Privilege International shall make an initial civil penalty payment of \$2,000. Privilege International shall provide its payment in two

checks made payable to: (a) “OEHHA” in the amount of \$1,500; and (b) “The Chanler Group in Trust for John Moore” in the amount of \$500.

3.1.2 Final Civil Penalty; Certification of Reformulation

On September 1, 2013, Privilege International shall make a final civil penalty payment of \$4,000. The final civil penalty payment shall be waived in its entirety, however, if, no later than August 15, 2013, an officer of Privilege International certifies in writing to Moore’s counsel that one-hundred percent (100%) of the Products purchased for sale or manufactured for sale in California as of the date of the certification are Reformulated Products as defined by section 2, and that Privilege International will continue to only purchase or manufacture Products for sale in California that are Reformulated Products. Unless waived, Privilege International shall provide the final civil penalty payment in two checks made payable to: (a) “OEHHA” in the amount of \$3,000; and (b) “The Chanler Group in Trust for John Moore” in the amount of \$1,000.

3.2 Attorney Fees and Costs

The Parties reached 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 section 1021.5 for all work performed in this matter. Under these legal principles, Privilege International shall pay \$20,500 for all fees and costs incurred investigating, bringing this matter to the attention of Privilege International’s management, and negotiating a settlement in the public interest. Privilege International shall deliver its payment within ten (10) days of the Effective Date in a check payable to “The Chanler Group.”

3.3 Payment Procedures

3.3.1. Payment Address

(a) All payments to Moore and The Chanler Group made pursuant to sections 3.1 and 3.2 shall be delivered to the following address:

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

(b) All payments to OEHHA (EIN: 68-0284486) made pursuant to section 3.1, shall be delivered directly to OEHHA (Memo line “Prop 65 Penalties”) at the following addresses:

Mike Gyrics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010
Sacramento, CA 95812-4010

With a copy of the checks payable to OEHHA mailed to The Chanler Group at the address payment address provided in section 3.3.1, as proof of payment to OEHHA.

3.3.2 Required Tax Documentation (1099 Forms)

(a) For each penalty payment to OEHHA, a 1099 shall be issued to the Office of Environmental Health Hazard Assessment, 1001 I Street, Sacramento, CA 95814 (EIN: 68-0284486);

(b) For each penalty payment to Moore, a 1099 shall be issued to “John Moore” whose address and tax identification number shall be furnished upon request after this Settlement Agreement has been fully executed by the Parties; and

(c) For the reimbursement of fees and costs pursuant to section 3.2, Privilege International shall issue a separate 1099 form to “The Chanler Group” (EIN: 94-3171522).

4. CLAIMS COVERED AND RELEASED

4.1 Moore’s Release of Privilege International

This Settlement Agreement is a full, final, and binding resolution between Moore and Privilege International of any violation of Proposition 65 that was or could have been asserted by

Moore, on behalf of himself, or on behalf of his past and current agents, representatives, attorneys, successors, and assignees, against Privilege International, its parents, subsidiaries, affiliated entities under common ownership, directors, officers, employees, attorneys, and each entity to whom Privilege International directly or indirectly distributes or sells the Products, including, without limitation, its downstream distributors, wholesalers, customers, retailers, franchisees, cooperative members, and licensees (“Releasees”), alleging unwarned exposures to DEHP from any Products manufactured, sold or distributed for sale by Privilege International in California prior to the Effective Date.

In further consideration of the promises and agreements herein contained, Moore, on his own behalf and on behalf of 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 against Privilege International and Releasees, including, without limitation, all actions and causes of action, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses, including, without limitation, investigation fees, expert fees, and attorneys’ fees arising under Proposition 65 for unwarned exposures to DEHP from the Products manufactured, sold, or distributed for sale in California by Privilege International prior to the Effective Date.

4.2 Privilege International’s Release of Moore

Privilege International, on its own behalf and on behalf of its past and current agents, representatives, attorneys, successors, and assignees, hereby waives any and all claims that it may have against Moore 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 Moore 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.

5. POST EXECUTION CONVERSION TO CONSENT JUDGMENT

Within twelve months of the execution of this Settlement Agreement, Privilege International may request in writing that Moore draft and file a complaint, incorporate the terms

of this Settlement Agreement into a proposed consent judgment providing a release for the Products in the public interest, and seek court approval of the consent judgment pursuant to Health and Safety Code section 25249.7, or as may be otherwise allowed by law. If requested, Moore and Privilege International agree to reasonably cooperate and to use their best efforts, and those of their counsel, to obtain an entry of judgment in accordance with the terms of this Settlement Agreement by a superior court in California in a timely manner.

Pursuant to Code of Civil Procedure sections 1021 and 1021.5, if so requested, Privilege International agrees to reimburse Moore and his counsel for the reasonable fees and costs incurred in connection with work performed pursuant to this section in an amount not to exceed \$15,000, exclusive of fees and cost on appeal, if any. Within ten days of receiving a monthly invoice from Moore's counsel for work performed under this section, Privilege International will remit payment to the address provided in section 3.4.

6. SEVERABILITY

If, subsequent to the execution of this Settlement Agreement, any provision of this Settlement Agreement is held by a court to be unenforceable, the validity of the remaining provisions 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 Privilege International may provide written notice to Moore of any asserted change in the law, and 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 sent by: (i) personal delivery; (ii) first-class,

registered or certified mail, return receipt requested; or (iii) a recognized overnight courier on any party by the other party at the following addresses:

For Privilege International, Inc.:

Eddy Sarraf, President
Privilege International, Inc.
2419 Firestone Boulevard
South Gate, CA 90280

with a copy to:

Daniel Graber, Esq.
The Graber Law Firm
1040 Avenue of the Americas, Suite 1101
New York, NY 10018

For Moore:

The Chanler Group
Attn: Proposition 65 Coordinator
2560 Ninth Street
Parker Plaza, Suite 214
Berkeley, CA 94710-2565

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.

9. 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.

10. POST-EXECUTION ACTIVITIES

Moore agrees to comply with the reporting form requirements referenced in Health and Safety Code section 25249.7(f).

11. MODIFICATION

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

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:

AGREED TO:

Date: 2-20-13

Date: 2-6-13

By: 
John Moore

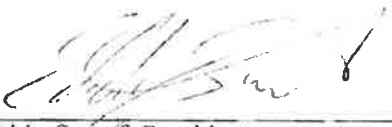
By: 
Eddy Sarraf, President
Privilege International, Inc.

EXHIBIT A TO SETTLEMENT AGREEMENT

Product Description	Item No.	UPC
36in Round Faux Leather Ottoman	16022	805572160226
36in Sq. Faux Leather Ottoman	16023	805572160233
Faux Leather Rectangle Bench	16024	805572160240
Faux Leather Ottoman	16025	805572160257
23in Round Faux Leather Ottoman	16026	805572160264
23in Round Faux Leather Ottoman	16027	805572160271
23in Round Faux Leather Ottoman	16028	805572160288
20in Round Faux Leather Ottoman	16029	805572160295
20in Round Faux Lether Ottoman	16030	805572160301
20in Round Faux Leather Ottoman	16031	805572160318
16in Round Faux Leather Ottoman	16032	805572160325
16in Round Faux Leather Ottoman	16033	805572160332
16in Round Faux Leather Ottoman	16034	805572160349
Faux Leather Ottoman - Alligator Blk	63077	805572630774
Faux Leather Ottoman - Alligator Red	63078	805572630781
Faux Leather Ottoman - Alligator Blk	63079	805572630798
Faux Leather Ottoman - Alligator Red	63080	805572630804
Faux Leather Ottoman - Tobbaco Brn	63081	805572630811
Faux Leather Ottoman - Coffee Brn	63082	805572630828
Faux Leather Ottoman - Tobbaco Brn	63083	805572630835
Faux Leather Ottoman - Midnight Blk	63084	805572630842
Faux Leather Ottoman - Tobbaco Brn	63085	805572630859
Faux Leather Ottoman - Midnight Blk	63086	805572630866
Faux Leather Ottoman - Alligator Slate	63087	805572630873
Faux Leather Ottoman - Alligator Slate	63088	805572630880
Faux Leather Ottoman - Alligator Slate	63089	805572630897
Faux Leather Ottoman - Tobbaco Brn	63090	805572630903
Faux Leather Ottoman - Chocolate	63091	805572630910
Faux Leather Ottoman - Blk Weave	63092	805572630927
Faux Leather Ottoman - Alligator Red	63093	805572630934
Faux Leather Ottoman - Tobbaco Brown	63094	805572630941
Faux Leather Ottoman - Alligator Red	63095	805572630958
Faux Leather Ottoman - Alligator Red	63096	805572630965
Faux Leather Ottoman - Blk Weave	63097	805572630972
Faux Leather Ottoman - Alligator Stone	63098	805572630989
Faux Leather Ottoman - Alligator White	63099	805572630996
Faux Leather Ottoman - Tobbaco Brn	63100	805572631009
Faux Leather Ottoman - Midnight Blk	63102	805572631023
Faux Leather Ottoman - Alligator Red	63103	805572631030
Faux Leather Ottoman - Alligator Slate	63104	805572631047
Faux Leather Ottoman - White	63105	805572631054
Faux Leather Ottoman - Orange	63106	805572631061
Faux Leather Ottoman - Blue	63107	805572631078
Faux Leather Ottoman - Navy	63108	805572631085