

SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the Department of the Navy and Navy Exchange Service Command (“NEXCOM”), a Non-Appropriated Fund Instrumentality or NAFI (collectively the “United States”); Hilborn Hamburger, Inc., William H. Griffin and M. Paul Goulian (collectively the Defendants); and Ira Green, Inc. (hereafter referred to as “the Parties”), through their authorized representatives.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree as follows:

- A. Hilborn Hamburger, Inc. (“Hilborn”) is a New York corporation with its principal office located in New Jersey at 122 Dayton Avenue, Passaic, New Jersey, 07055. William H. Griffin (“Griffin”) is an individual who resides in the State of New Jersey and at all relevant times was an owner of Hilborn. M. Paul Goulian (“Goulian”) is an individual who resides in the State of New Jersey and is the President of Hilborn.
- B. Ira Green, Inc. (“IGI”) (the “Relator”) is a New York corporation with its principal office located at 177 Georgia Avenue, Providence, Rhode Island, 02905. On May 27, 2004, the relator filed a qui tam action in the United States District Court for District of New Jersey, captioned, *United States, ex rel. Ira Green, Inc. v. Hilborn Hamburger, Inc., William H. Griffin and Paul Goulian*, Civil Action No. 04-2507 (JAP) (hereinafter “the Civil Action”). The United States has not intervened in the Civil Action. The Civil Action has remained under seal, and Defendants have not been required to file any responsive pleadings.

C. NEXCOM is a Non-Appropriated Fund Instrumentality (“NAFI”) of the U.S. Department of Defense and is an armed services exchange as defined in DOD Instruction 1015.15 (15 May 2005) established pursuant to the authority of the Secretary of the Navy. NEXCOM provides support, operational policies and procedures, retail and services management, fiscal management of NAFI resources.

D. The United States contends that the Defendants submitted or caused to be submitted claims for payment to the United States and its agencies and instrumentalities including NEXCOM.

E. The United States contends that it has certain civil claims under the False Claims Act, 31 U.S.C. § 3729, et. seq., other federal or state statutes, common law, administrative regulations, and/or other potential remedies against the Defendants, arising in or related to the conduct alleged in this paragraph below and in the Civil Action, during the period from October 1, 1999 to December 31, 2006 (hereinafter referred to as the “Covered Conduct”), that:

1. Defendants submitted or caused to be submitted false claims to the United States for defective and non-conforming military insignia items sold to NEXCOM.
2. Said defective and non-conforming military insignia included various metal and non-metal military insignia, including medals, decoration sets, qualification badges, rank insignia and unit insignia (hereinafter “Military Insignia”).

3. The Military Insignia was defective because it did not conform to relevant military specifications, purchase descriptions and certification requirements for each product.

F. The United States also contends that it has certain administrative claims against Defendants for engaging in the Covered Conduct.

G. Defendants substantially dispute all allegations arising in or related to the Civil Action and the Covered Conduct. This Agreement, and the payments made pursuant to this Agreement, are neither an admission of liability by Defendants nor a concession by the United States that its claims are not well founded.

H. The parties agree that presently, NEXCOM is holding in suspense a total of at least \$181,094.68, which sum had been designated for payment to Hilborn by NEXCOM for past invoices issued by Hilborn (hereinafter referred to as the "Suspended Funds").

I. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, pursuant to the Terms and Conditions below, the Parties reach a full and final settlement of all claims as alleged in or relating to the Civil Action or the Covered Conduct.

III. TERMS AND CONDITIONS

1. Hilborn agrees to pay to the United States on behalf of the Defendants the sum of \$251,094.68 (the “Settlement Amount”). The United States agrees to pay 19% of the Settlement Amount plus any additional amount recovered pursuant to Paragraphs 12, if any, to the Relator (“the Relator’s Share”). The foregoing payments shall be made as follows:
 - a. The sum of SEVENTY THOUSAND AND 00/100 (\$70,000.00) Dollars shall be paid to the United States by Hilborn delivering simultaneously with Defendants’ execution of this Agreement a certified check in that amount, which certified check shall be held in escrow by the United States Attorney’s Office, District of New Jersey, Financial Litigation Unit until delivery to Defendants of the Stipulation of Dismissal required by paragraph 18 below stamped “Filed”, at which time the escrow terminates.
 - b. The balance of the Settlement Amount of ONE HUNDRED EIGHTY ONE THOUSAND NINETY FOUR AND 68/100 (\$181,094.68) Dollars represents the “Suspended Funds” that are presently held by NEXCOM. Defendants agree that the Suspended Funds shall be immediately released and retained by NEXCOM, upon delivery to Defendants of the filed Stipulation of Dismissal, as reimbursement for NEXCOM’s alleged losses arising in or related to the Covered Conduct.

- c. Contingent upon the United States receiving the Settlement Amount from Defendants and as soon as feasible after receipt, the United States shall pay \$47,708.00 to Relator by electronic funds transfer (the “Relator’s Share”).
2. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of Defendants in this Agreement, contingent upon Defendants’ full payment of the Settlement Amount, and subject to Paragraph 12 below (concerning bankruptcy proceedings commenced within ninety-one (91) days of the Effective Date of this Agreement or any payment under this Agreement), the United States (on behalf of itself, its officers, agents, agencies, and departments) fully, finally and generally releases Defendants, their officers, directors, employees, successors-in-interest, agents and assigns from any civil or administrative monetary claim (including attorney’s fees, costs, and expenses of every kind and however denominated) the United States has asserted, could have asserted or may have against the Defendants, their officers, directors, employees, successor-in-interest, agents and assigns, arising in or related to the Civil Action or the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; any other federal or state statute; or any common law theories, including but not limited to, payment by mistake, unjust enrichment, breach of contract, and fraud.
3. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of Defendants in this Agreement, contingent upon Defendants’ full payment of the Settlement Amount, and subject to Paragraph 12 below (concerning bankruptcy

proceedings commenced within ninety-one (91) days of the Effective Date of this Agreement or any payment under this Agreement), Relator, through its duly authorized representative for itself and its officers, directors, employees, independent contractors, successor-in-interest, agents and assigns, fully, finally and generally releases Defendants, their officers, directors, employees, successor-in-interest, agents and assigns from any and all claims (including attorney's fees, costs and expenses of every kind and however denominated) which the Relator or the United States has asserted, could have asserted, or may have against the Defendants, their officers, directors, employees, successor-in-interest, agents and assigns, including but not limited to, those arising in or related to the Civil Action or the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733, any other federal or state statute, or any common law theories, including but not limited to unfair competition, fraud or otherwise.

4. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including Defendants and Relator) are the following claims of the United States:
 - a. Any civil, criminal, or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);
 - b. Any criminal liability;
 - c. Except as explicitly stated in this Agreement, any administrative action, including suspension or debarment from Federal programs;

- d. Any liability to the United States (or its agencies) for any conduct other than that arising in or related to the Civil Action or the Covered Conduct;
 - e. Any liability based upon such obligations as are created by this Agreement; and
 - f. Any liability for failure to deliver goods or services due for any conduct other than that arising in or related to the Civil Action or the Covered Conduct;
 - g. Any liability for express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, which are not included in or related to the Civil Action or the Covered Conduct.
5. Conditioned upon receipt of Relator's Share, Relator, through its duly authorized representative for itself and its officers, directors, employees, independent contractors, successor-in-interest, agents and assigns, fully, finally and generally releases, waives, and forever discharges the United States, its officers, agents, instrumentalities and employees (including NEXCOM), from any claims arising from or relating to 31 U.S.C. § 3730, including 31 U.S.C. §§ 3730(b), (c), (c)(5), (d), and (d)(1), from any claims arising from the filing of the Civil Action, and from any other claims for a share of the Settlement Amount, and in full settlement of any claims Relator may have under this Agreement. This Agreement does not resolve or in any manner affect any claims the United States has or may have against the Relator arising under Title 26, U.S. Code (Internal Revenue Code), or any claims arising under this Agreement.
6. Defendants waive and will not assert any defense Defendants may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in

whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

7. Defendants fully, finally and generally release the United States, its agencies, employees, servants, agents and instrumentalities (including NEXCOM) from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which Defendants have asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, agents and instrumentalities (including NEXCOM), arising in or related to the Civil Action or the Covered Conduct, the United States' investigation and prosecution of the Civil Action and Covered Conduct, and all invoices to NEXCOM which are outstanding as of the Effective Date of this Agreement, including but not limited to, the Suspended Funds; except for the following invoice which is due and outstanding: Invoice No. 0160068-0254904-IN in the amount of \$14,733.20 dated April 13, 2007. In addition, Defendants agree to refrain from making any claim, initiating any lawsuit, and/or pursuing any other action whether at law or in equity that would in any way impair or impede NEXCOM's absolute right to sell its Hilborn military insignia inventory, that has been held in Pensacola, Florida since the inception of the

Civil Action and keep any and all proceeds from such sale, free of all liens and encumbrances, whether legal or equitable.

8. Defendants fully, finally and generally release Relator, its officers, directors, employees, successors-in-interest, agents and assigns, from any claims (including attorney's fees, costs and expenses of every kind and however denominated) which Defendants have asserted, could have asserted, or may assert in the future against Relator, its officers, directors, employees, successor-in-interest, agents and assigns, arising in or related to the Civil Action or the Covered Conduct or the investigation.
9. This Agreement is intended to be for the benefit of the Parties only. The Parties do not release any claims against any other person or entity who is not released by Paragraphs 2, 3, 5, 7 and 8.
10. This Agreement is binding on Defendants', Relator's and NEXCOM's successors, transferees, heirs, and assigns.
11. Hilborn warrants that it has reviewed its financial situation and that it currently is solvent within the meaning of 11 U.S.C. §§ 547(b)(3) and 548(a)(1)(B)(ii)(I), and will remain solvent following payment to the United States of the Settlement Amount. Further, the Parties warrant that, in evaluating whether to execute this Agreement, they (a) have intended that the mutual promises, covenants, and obligations set forth constitute a contemporaneous exchange for new value given to Hilborn, within the meaning of 11 U.S.C. § 547(c)(1); and (b) conclude that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties

warrant that the mutual promises, covenants, and obligations set forth herein are intended and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which Hilborn was or became indebted to on or after the date of this transfer, within the meaning of 11 U.S.C. § 548(a)(1).

12. If within ninety-one (91) days of the Effective Date of this Agreement or of any payment made hereunder, Hilborn commences any case, proceeding, or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors, (a) seeking to have any order for relief of any of Hilborn's debts, or seeking to adjudicate Hilborn as bankrupt or insolvent; or (b) seeking appointment of a receiver, trustee, custodian, or other similar official for Hilborn or for all or any substantial part of Hilborn's assets, Hilborn agrees as follows:

- a. Hilborn's obligations under this Agreement may not be avoided pursuant to 11 U.S.C. § 547, and Hilborn will not argue or otherwise take the position in any such case, proceeding, or action that: (i) Hilborn's obligations under this Agreement may be avoided under 11 U.S.C. § 547; (ii) Hilborn was insolvent at the time this Agreement was entered into, or became insolvent as a result of the payment made to the United States; or (iii) the mutual promises, covenants, and obligations set forth in this Agreement do not constitute a contemporaneous exchange for new value given to Hilborn.
- b. If Hilborn's obligations under this Agreement are avoided for any reason, including, but not limited to, through the exercise of a trustee's avoidance powers

under the Bankruptcy Code, the United States, at its sole option, may rescind the releases in this Agreement, and bring any civil and/or administrative claim, action, or proceeding against Defendants for the claims that would otherwise be covered by the releases provided above. Hilborn agrees that (i) any such claims, actions, or proceedings brought by the United States are not subject to an “automatic stay” pursuant to 11 U.S.C. § 362(a) as a result of the action, case, or proceeding described in the first clause of this Paragraph, and that Hilborn will not argue or otherwise contend that the United States' claims, actions, or proceedings are subject to an automatic stay; and (ii) Hilborn will not plead, argue, or otherwise raise any defenses under the theories of statute of limitations, laches, estoppel, or similar theories, to any such civil or administrative claims, actions, or proceeding which are brought by the United States within ninety (90) calendar days of written notification to Hilborn that the releases have been rescinded pursuant to this Paragraph, except to the extent such defenses were available on the date that the Civil Action was filed; and (iii) the United States has a claim against Hilborn in the amount of \$753,284.04, and the United States may pursue its claim in the case, action, or proceeding referenced in the first clause of this Paragraph, as well as in any other case, action, or proceeding.

- c. Defendants acknowledge that the agreements in this Paragraph are provided in exchange for valuable consideration provided in this Agreement.

13. Defendants, Relator and the United States shall each bear their own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement. Relator waives any attorneys fees or costs to which it may be entitled under 31 U.S.C. § 3730(d).
14. Defendants represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.
15. Relator represents that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.
16. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the District of New Jersey.
17. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.
18. Upon receipt of the payment described in Paragraph 1.a. above, the United States and the Relator shall promptly sign and file in the Civil Action a Notice of Intervention and Joint Stipulation of Dismissal with prejudice and without costs as to all claims and all parties within the Civil Action, in the form annexed hereto as Exhibit "A". The United States shall promptly deliver to Relator and Defendants a copy of said Stipulation of Dismissal stamped "Filed" by the Clerk of the United States District Court.

19. The individuals signing this Agreement on behalf of Defendants represent and warrant that they are authorized by Defendants to execute this Agreement. The individual(s) signing this Agreement on behalf of the Relator represent and warrant that he is authorized by Relator to execute this Agreement. The United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.
20. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.
21. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.
22. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement. The United States shall timely notify all Parties of the Effective Date of the Agreement.

[SIGNATURE BLOCKS ON FOLLOWING PAGES]

HILBORN HAMBURGER, INC. - DEFENDANT

DATED: _____

By: _____
M. PAUL GOULIAN, PRESIDENT

WILLIAM H. GRIFFIN - DEFENDANT

DATED: _____

WILLIAM H. GRIFFIN

M. PAUL GOULIAN - DEFENDANT

DATED: _____

M. PAUL GOULIAN

HELLRING, LINDEMAN, GOLDSTEIN & SIEGAL, LLP.
One Gateway Center
Newark, New Jersey 07102
(973) 621-9020

DATED: _____

By: _____
JONATHAN L. GOLDSTEIN, ESQ.
*Attorney(s) for Defendants, Hilborn Hamburger, Inc.,
William H. Griffin and M. Paul Goulian*

IRA GREEN, INC.- RELATOR

DATED: _____ By: _____

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Fairfax, Virginia 22031
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THOMAS W. HALM, JR., ESQ.
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(609) 987-6855

DATED: _____ By: _____

BRIAN A. DARST, ESQ.
Attorney(s) for Relator, Ira Green, Inc.

THE UNITED STATES OF AMERICA

CHRISTOPHER J. CHRISTIE
United States Attorney
District of New Jersey

DATED: _____ BY: _____
RUDOLPH A. FILKO
Assistant United States Attorney