



**U.S. Department of Justice**

*United States Attorney  
Southern District of New York*

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*The Silvio J. Mollo Building*

*One Saint Andrew's Plaza  
New York, New York 10007*

March 6, 2012

**BY EMAIL ATTACHMENT**

Eric H. Sussman, Esq.  
Kaye Scholer LLP  
3 First National Plaza  
70 West Madison Street, Suite 4100  
Chicago, IL 60602-4231

**Re: Essie Cosmetics LTD**

Dear Mr. Sussman:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York ("this Office") will not criminally prosecute Essie Cosmetics LTD ("Essie") for any crimes (except for criminal tax violations as to which this Office cannot and does not make any agreement) related to Essie's violations of the International Emergency Economic Powers Act ("IEEPA"), in connection with its knowing sale and distribution of nail care products to a business entity in Iran from in or about May 2009, up to and including in or about April 2010 (the "Covered Conduct").

Moreover, if Essie fully complies with the understandings specified in this Agreement, no information provided by or on behalf of Essie will be used against Essie in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except the Covered Conduct and applies only to Essie and not to any other entity or individual. Essie expressly understands that the protections provided to Essie by this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger, or plan of reorganization, unless and until such successor formally adopts and executes this Agreement. The protections arising from this Agreement will not apply to any purchaser of all or substantially all of the assets of Essie, unless such purchaser enters into a written agreement, on terms acceptable to this Office, agreeing in substance to undertake all of the obligations set forth in the paragraph entitled "Continuing Obligation To Cooperate."

**Continuing Obligation To Cooperate.** It is understood that, in connection with any matter relating to Essie's operations, finances, and corporate governance, including the Covered Conduct, Essie: (a) shall truthfully and completely disclose all information with respect to the activities of Essie, its officers and employees, and others concerning all matters relating to

Essie about which this Office inquires, which information can be used for any purpose, except as limited by the second paragraph of this Agreement; (b) shall cooperate fully with this Office and the United States Department of Homeland Security ("DHS"); (c) shall, at the Office's request, use its best efforts to assist the Office in any prosecution or investigation arising out of the Covered Conduct by providing logistical, technical, accounting, and any other support requested for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (d) shall, at this Office's request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent, or employee at any meeting or interview or before the grand jury or at any trial or other court proceeding; (e) shall use its best efforts promptly to provide to this Office upon request any document, record, or other tangible evidence relating to matters about which this Office or DHS inquires; and (f) shall bring to this Office's attention all criminal conduct by or criminal investigations of Essie or its senior managerial employees that comes to the attention of Essie's board of directors or senior management, as well as any administrative proceeding or civil action brought by any governmental authority which alleges fraud by or against Essie. It is further understood that Essie shall commit no crimes whatsoever. Moreover, any assistance that Essie may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. Essie's obligations under this paragraph shall continue until the later of: (1) a period of two years from the date of the signing of this Agreement; or (2) the date upon which any prosecutions arising out of the Covered Conduct are final.

**Obligations to Comply with Administrative Forfeiture and Comply with Settlement of Civil Matter.** Within thirty (30) days of the date on which all parties have executed this Agreement, Essie shall: (a) comply with, and not contest, the administrative forfeiture by the Department of Homeland Security of \$200,000 ;(b) enter into, and abide by, a civil settlement agreement with OFAC and complete a settlement with OFAC in the amount of \$250,000; and (c) provide documents sufficient to verify that Essie has fully complied with its obligations with respect to (a) and (b), above.

**Additional Obligations.** It is understood that, should Essie commit any crimes subsequent to the date of signing of this Agreement, or should it be determined that Essie has given false, incomplete, or misleading information, or should Essie violate any provision of this Agreement, Essie shall thereafter be subject to prosecution for any federal criminal violation of which this Office has knowledge, including perjury and obstruction of justice. The running of the statute of limitations with respect to any such prosecution that was not time-barred by the applicable statute of limitations, shall be tolled from that date until the period of cooperation described in the paragraph entitled "Continuing Obligation to Cooperate" has expired. It is the intent of this Agreement to waive all defenses based on the statute of limitations with respect to any such prosecution that was not time-barred as of the execution of this Agreement, to the extent set forth above.

It is understood that, if it is determined, after signing this Agreement, that Essie has committed any crime, other than the Covered Conduct, has given false, incomplete, or misleading information, or has violated any provision of this Agreement, whether such conduct

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was committed before or after the signing of this Agreement: (a) all statements made by Essie to this Office or DHS, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against Essie; and (b) Essie shall not assert any claim under the United States Constitution, any statute, Rule 11(e)(6) of the Federal Rules of Criminal Procedure, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. It is the intent of this Agreement to waive all rights in the foregoing respects.

It is further understood that this Agreement does not bind any federal, state, or local prosecuting authority other than this Office. This Office will, however, bring the cooperation and remedial actions of Essie to the attention of other prosecuting offices, if requested by Essie.

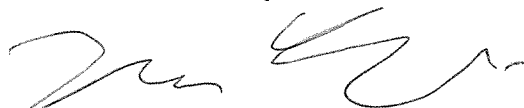
It is understood that this Agreement is a public document and may be provided to any person by the Office and/or Essie.

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This Agreement supersedes all prior, if any, understandings, promises and/or conditions between this Office and Essie. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by all parties.

Very truly yours,


PREET BHARARA  
United States Attorney

By:   
Zachary Feingold/Amanda Kramer  
Assistant United States Attorneys  
Telephone: (212) 637-2436/2478

APPROVED:


  
Jonathan Kolodner  
Acting Chief, Criminal Division

AGREED AND CONSENTED TO:

  
Essie Cosmetics LTD  
By: Max Sortino, CEO

MARCH 26, 2012  
Date

APPROVED:

  
Eric H. Sussman, Esq.  
Kaye Scholer LLP  
Attorney for Essie

April 2, 2012  
Date