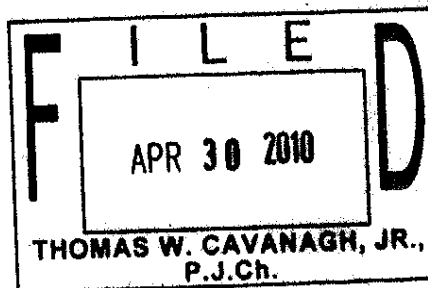


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Division of Consumer Affairs

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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
MONMOUTH COUNTY
DOCKET NO. MON-C-127-09

PAULA T. DOW, Attorney General of the State of New Jersey, and SHARON M. JOYCE, Acting Director of the New Jersey Division of Consumer Affairs,

Plaintiffs,

v.

SPECTRUM HOME FURNISHINGS, INC., CHARLES SEROUYA & SON, INC. a/k/a GALLERY, CS&S, INC., CHARLES SEROUYA, INC., JANE and JOHN DOES 1-10, individually and as owners, officers, directors, shareholders, founders, managers, agents, servants, employees, representatives and/or independent contractors of SPECTRUM HOME FURNISHINGS, INC., CHARLES SEROUYA & SON, INC. a/k/a GALLERY, CS&S, INC., CHARLES SEROUYA, INC., and XYZ CORPORATIONS 1-10,

Defendants.

Civil Action

FINAL CONSENT JUDGMENT

DISPOSITIVE ORDER

The parties to this Action and Final Consent Judgment ("Consent Judgment") are plaintiffs Paula T. Dow, Attorney General of the State of New Jersey, and Sharon M. Joyce, Acting Director

of the New Jersey Division of Consumer Affairs—(collectively, “Plaintiffs”),¹ and defendants Spectrum Home Furnishings, Inc., Charles Serouya & Son, Inc. a/k/a Gallery, CS&S, Inc., and Charles Serouya, Inc., (collectively, “Defendants”). As evidenced by their signatures below, the Plaintiffs and Defendants (collectively, “Parties”) do consent to the entry of this Consent Judgment and its provisions without trial or adjudication of any issue of fact or law, and without an admission of any liability or wrongdoing of any kind.

PRELIMINARY STATEMENT

Plaintiffs commenced this Action on June 17, 2009, alleging that Defendants engaged in deceptive conduct, among other things, in their Advertisement, offering for Sale and Sale of Household Furniture, home furnishings and other Merchandise. Specifically, Plaintiffs alleged that Defendants violated the New Jersey Consumer Fraud Act, N.J.S.A. 56:8-1 et seq. (“CFA”), the Refund Policy Disclosure Act, N.J.S.A. 56:8-2.14 et seq., (“Refund Act”), the Regulations Governing the Disclosure of Refund Policy in Retail Establishment, N.J.A.C. 13:45A-15.1 et seq. (“Refund Regulations”), the Deceptive Mail Order Practices Regulations, N.J.A.C. 13:45A-1.1 et seq., (“Mail Order Regulations”), the Regulations Governing the Delivery of Household Furniture and Furnishings, N.J.A.C. 13:45A-5.1 et seq., (“Furniture Regulations”) and the Regulations Governing General Advertising, N.J.A.C. 13:45A-9.1 et seq., (“Advertising Regulations”), among other things by: (1) delivering Defective Merchandise and/or Non-Conforming Merchandise; (2) failing to provide Consumers with Merchandise on the promised delivery date or at all; and (3)

¹ This action was commenced on behalf of Anne Milgram, former Attorney General of the State of New Jersey (“Attorney General”), and David M. Szuchman, former Director of the New Jersey Division of Consumer Affairs (“Director”). Pursuant to R. 4:34-4, the caption has been revised to reflect the current Attorney General and Acting Director.

refusing to provide Consumers with refunds irrespective of the reason for the Consumer's dissatisfaction. Defendants deny the allegations.

IT IS HEREBY ORDERED, ADJUDGED AND AGREED AS FOLLOWS:

1. JURISDICTION

1.1 The Parties admit jurisdiction of this Court over the subject matter and over the Parties for the purpose of entering into this Consent Judgment. The Court retains jurisdiction for the purpose of enabling the Parties to apply to this Court at any time for such further orders and relief as may be necessary for the construction, modification, enforcement, execution or satisfaction of this Consent Judgment.

2. VENUE

2.1 Pursuant to N.J.S.A. 56:8-8, venue as to all matters between the Parties hereto relating to or arising out of this Consent Judgment shall lie exclusively in the Superior Court of New Jersey, Chancery Division, Monmouth County.

3. EFFECTIVE DATE

3.1 This Consent Judgment shall be effective on the date that it is entered with the Court ("Effective Date").

4. DEFINITIONS

As used in this Consent Judgment, the following words or terms shall have the following meanings, which meanings shall apply wherever the words and terms appear in this Consent Judgment:

4.1 "Action" shall refer to the matter titled Paula T. Dow, Attorney General of the State of New Jersey, and Sharon M. Joyce, Acting Director of the New Jersey Division of Consumer

Affairs v. Spectrum Home Furnishings, Inc., Charles Serouya & Son, Inc. a/k/a Gallery, CS&S, Inc., and Charles Serouya, Inc., Superior Court of New Jersey, Chancery Division, Monmouth County, Docket No. C-127-09, and all pleadings and proceedings related thereto, including the Complaint, filed June 17, 2009.

4.2 “Additional Consumer” shall refer to any Consumer who submits to the Division directly or through another agency, after the Effective Date, a written Consumer complaint concerning Defendants’ business practices.

4.3 “ADR Unit” shall refer to the Alternative Dispute Resolution Unit of the Division.

4.4 “Advertisement” shall be defined in accordance with N.J.S.A. 56:8-1(a). For purposes of the Advertising Regulations, “Advertisement” shall be defined in accordance with N.J.A.C. 13:45A-9.1. These definitions apply to other forms of the word “Advertisement” including, without limitation, “Advertise” and “Advertised.”

4.5 “Affected Consumer” shall refer to any Consumer who directly or indirectly submitted to the Division a complaint concerning Defendants’ business practices up to and including the Effective Date.

4.6 “Attorney General” shall refer to the Attorney General of the State of New Jersey and the Office of the Attorney General of the State of New Jersey.

4.7 “CALA” shall refer to the Consumer Affairs Local Assistance offices within counties and/or municipalities of the State.

4.8 “Clearly and Conspicuously” shall mean a statement that, regardless of the medium in which it is made, is presented in such size, color, contrast, duration, location and audibility, compared to the other information with which it is presented, that it is readily apparent and

understandable and in language and terms used in accordance with their common or ordinary usage and meaning. If such statement modifies, explains or clarifies other information with which it is presented, it must be presented in proximity to the information it modifies, explains or clarifies and in a manner that is readily apparent and understandable.

4.9 “Consumer” shall refer to any Person who is offered Merchandise for Sale.

4.10 “Delivery Fees” shall refer to any costs or fees that Defendants require Consumers to pay for the delivery of Merchandise.

4.11 “Defective Merchandise” shall refer to Merchandise that is damaged at or about the time of delivery or otherwise indicated to be damaged or unfit for its intended use at the time of delivery.

4.12 “Defendants’ Websites” shall refer to the following internet websites owned and operated by the Defendants: (a) www.greatchandeliers.com; (b) www.greatchandelier.com; (c) www.Gallery84.com; (d) www.gallery840.com; (e) www.gallery803.com; (f) www.gallery87.com; (g) www.freedomcrystal.com; (h) www.crystalfreedom.com; (I) www.spectrumhome4.com; (j) www.spectrumhome3.com; (k) www.spectrumhome.com; (l) www.gspncrystal.com; and (m) www.wholesalechandeliers.com.

4.13 “Division” or “Division of Consumer Affairs” shall refer to the New Jersey Division of Consumer Affairs.

4.14 “Household Furniture” shall be defined in accordance with [N.J.A.C. 13:45A-5.1\(d\)](#).

4.15 “Merchandise” shall be defined in accordance with [N.J.S.A. 56:8-1\(c\)](#) and includes Household Furniture.

4.16 “Non-Conforming Merchandise” shall refer to Merchandise that differs from the Merchandise that a Consumer ordered or purchased or Merchandise that differs in quality and characteristics from Representations made by Defendants to Consumers at the time of Sale.

4.17 “Partial Delivery” shall refer to the delivery of less than all of the Merchandise ordered or purchased by a Consumer.

4.18 “Person[s]” shall be defined in accordance with N.J.S.A. 56:8-1(d).

4.19 “Represent” shall mean to state or imply through claims, statements, questions, conduct, graphics, symbols, lettering, formats, devices, language, documents, message or any other manner or means by which meaning might be conveyed. This definition applies to forms of the word “Represent” including, without limitation, “Misrepresent,” “Represented” and “Representation.”

4.20 “Restitution” shall refer to all methods undertaken by Defendants to resolve Affected Consumer complaints including, but not limited to, the issuance of credits or refunds or the reversal of credit card or debit card charges.

4.21 “Sale” shall be defined in accordance with N.J.S.A. 56:8-1(e).

4.22 “State” shall refer to the State of New Jersey.

5. INJUNCTIVE RELIEF AND BUSINESS PRACTICES

5.1 Defendants shall not engage in any unfair or deceptive acts or practices in the conduct of their business in the State and shall comply with all applicable State and/or Federal laws, rules and regulations as now constituted or as may hereafter be amended including, but not limited to, the CFA, Refund Act, Refund Regulations, Mail Order Regulations, Furniture Regulations and Advertising Regulations.

5.2 Defendants shall not accept payment for Merchandise, then fail to deliver the Merchandise to the Consumer.

5.3 Defendants shall not fail to deliver Merchandise on the promised delivery date or at all.

5.4 Defendants shall not Misrepresent the expected delivery date of Merchandise.

5.5 Defendants shall not offer for Sale and/or sell Merchandise that is defective or damaged.

5.6 Defendants shall not Misrepresent to Consumers the brand or manufacturer of Merchandise offered for Sale.

5.7 Defendants shall not deliver Merchandise to Consumers that is of a different quality or condition from the Merchandise ordered.

5.8 Defendants shall not Advertise and/or offer for Sale Merchandise, whether through Defendants' Websites or otherwise, then deliver to Consumers Merchandise that is of a different or inferior quality or condition of the Advertised Merchandise, as prohibited by N.J.S.A. 56:8-2.2.

5.9 In any Advertisement of Merchandise accompanied by a picture or illustration of the Merchandise in an assembled condition when it is intended to be sold unassembled, Defendants shall indicate that the Merchandise is to be sold unassembled, in accordance with N.J.S.A. 56:8-2.4.

5.10 Defendants shall not Advertise Merchandise as assembled, then deliver to Consumers Merchandise that is unassembled, accompanied by inadequate or unclear assembly instructions.

5.11 Within thirty (30) days of the Effective Date, Defendants shall Clearly and Conspicuously post their refund policy on Defendants' Websites, in accordance with the Refund Act, N.J.S.A. 56:8-2.16 and the Refund Regulations, N.J.A.C. 13:45A-15.2(a)1.

5.12 Defendants shall not fail to notify Consumers of Defendants' refund policy when Consumers order Merchandise over the telephone.

5.13 Defendants shall issue refunds and/or credit card chargebacks to Consumers who cancel their Merchandise orders prior to delivery.

5.14 Defendants shall issue refunds and/or credit card chargebacks to Consumers who return Defective Merchandise and/or Non-Conforming Merchandise to Defendants.

5.15 For all Merchandise Advertised and/or offered for Sale though a mail order or catalog, Defendants shall deliver such Merchandise by the promised delivery date, or within six (6) weeks after accepting money through the mail or any electronic transfer medium, in accordance with N.J.A.C. 13:45A-1.1(b)1.

5.16 For all Merchandise Advertised and/or offered for Sale though a mail order or catalog, if Defendants fail to deliver such Merchandise by the promised delivery date, or within six (6) weeks after accepting money through the mail or any electronic medium, Defendants shall: (a) make a full refund, in accordance with N.J.A.C. 13:45A-1.1(b)2; (b) send the Consumer a letter, in accordance with N.J.A.C. 13:45A-1.1(b)3; or (c) send the Consumer substituted Merchandise of equivalent or superior quality, in accordance with N.J.A.C. 13:45A-1.1(b)4.i, ii, iii.

5.17 For all Merchandise Advertised and/or offered for Sale though a mail order or catalog, if Defendants fail to deliver Merchandise, make a Partial Delivery of Merchandise or deliver Defective or Non-Conforming Merchandise to Consumers, Defendants shall offer Consumers the option of canceling the order for a full refund or accepting delivery at a later date, in accordance with N.J.A.C. 13:45A-5.1(a), (b), (e).

5.18 Within thirty (30) days of the Effective Date, Defendants shall include in all contract forms and/or sales documents for Household Furniture the date of the order as well as the following sentence in ten-point bold face type, as required by N.J.A.C. 13:45A-5.2(a): **“The merchandise you have ordered is promised for delivery to you on or before (insert date or length of time agreed upon).”**

5.19 Defendants shall fill in the delivery date at the time the contract of Sale is entered into or when the sales documents are issued, either as a specific day of a specific month or as an agreed upon length of time, in accordance with N.J.A.C. 13:45A-5.2(b).

5.20 Within thirty (30) days of the Effective Date, Defendants shall include on the first page of all contract forms and/or sales documents for Household Furniture the following notice in ten-point bold face type, as required by N.J.A.C. 13:45A-5.3(a):

If the merchandise ordered by you is not delivered by the promised delivery date (insert name of seller) must offer you the choice of (1) canceling your order with a prompt, full refund of any payments you have made, or (2) accepting delivery at a specific later date.

5.21 Defendants shall deliver all ordered Merchandise by or on the promised delivery date, in accordance with N.J.A.C. 13:45A-5.1(a)1.

5.22 In the event Defendants cannot deliver all ordered Merchandise by or on the promised delivery date, Defendants shall provide Consumers with written notice, among other things, informing them of their option to cancel for a full refund or accept delivery at a later date, in accordance with N.J.A.C. 13:45A-5.1(a)2.

5.23 In the event Defendants make a Partial Delivery of ordered Merchandise by or on the delivery date, Defendants shall provide Consumers with written notice, among other things,

informing them of their option to cancel for a full refund or to accept delivery at a later date, in accordance with N.J.A.C. 13:45A-5.1(b).

5.24 In the event Defendants deliver Defective Merchandise and/or Non-Conforming Merchandise, Defendants shall provide Consumers with the option of cancelling the order for a full refund or accepting delivery at a later date, in accordance with N.J.A.C. 13:45A-5.1(e)1.

5.25 In any Advertisement of Merchandise, Defendants shall not make any false or misleading Representations of fact concerning the reasons for, existence or amounts of price reductions, the nature of an offering or the quantity of Advertised Merchandise available for Sale, in accordance with N.J.A.C. 13:45A-9.2(a)9.

5.26 In Advertisements for Merchandise offered for Sale at \$100.00 or more, Defendants shall not fail to state the former price, price range or amount of reduction, in accordance with N.J.A.C. 13:45A-9.4(a)2.

5.27 Upon a Consumer's return of Defective Merchandise and/or Non-Conforming Merchandise, Defendants shall not charge the Consumer Delivery Fees for the replacement Merchandise.

5.28 Defendants shall not charge Consumers Delivery Fees for the subsequent delivery of Merchandise to complete what was originally a Partial Delivery.

5.29 Defendants shall not fail to respond to Consumer complaints, inquiries and/or reports of Defective Merchandise or Non-Conforming Merchandise as well as requests for refunds.

5.30 Within two (2) business days of Defendants' actual receipt of a telephone call, letter or e-mail from a Consumer, Defendants shall provide a response.

5.31 Defendants shall not provide conflicting information to Consumers who request an exchange or return of Merchandise.

5.32 Defendants shall implement policies and/or procedures to ensure that their employees are aware of a Consumer's right to a refund pursuant to N.J.A.C. 13:45A-1.1(b)2, N.J.A.C. 13:45A-1.1(b)3, N.J.A.C. 13:45A-1.1(b)4, N.J.A.C. 13:45A-5.1(a)2, N.J.A.C. 13:45A-5.1(b) and N.J.A.C. 13:45A-5.1(e).

5.33 Defendants shall instruct their employees that, upon a Consumer's request, a manager or supervisor shall be made available to speak with the Consumer, and such manager or supervisor shall be made available, but no more than one (1) business day after the request.

5.34 Defendants shall not post a refund policy on Defendants' Websites or otherwise, that is inconsistent with the requirements of N.J.A.C. 13:45A-1.1(b)2, N.J.A.C. 13:45A-1.1(b)3, N.J.A.C. 13:45A-1.1(b)4, N.J.A.C. 13:45A-5.1(a)2, N.J.A.C. 13:45A-5.1(b) or N.J.A.C. 13:45A-5.1(e).

6. AFFECTED CONSUMER COMPLAINTS

6.1 Attached as Exhibit A is a list that identifies each Affected Consumer.

6.2 Within thirty (30) days of the Effective Date, the Division shall notify the Affected Consumers, in writing of the following: (a) that their complaints have been forwarded to the Defendants; (b) that he/she should expect a response from Defendants within thirty (30) days; and (c) the right to refer his/her complaint to the ADR Unit for binding arbitration if Defendants dispute the complaint and/or requested relief.

6.3 Within forty-five (45) days of the Effective Date, Defendants shall send a written response to the Affected Consumers, with a copy to the following: New Jersey Division of

Consumer Affairs, Office of Consumer Protection, Case Management Tracking Supervisor, 124 Halsey Street, P.O. Box 45025, Newark, New Jersey 07101.

6.4 If Defendants do not dispute the Affected Consumer's complaint and requested relief, Defendants' written response shall so inform the Affected Consumer. Defendants shall contemporaneously forward to such Affected Consumer the requested relief. Where Restitution concerns the reversal of credit or debit card charges, Defendants shall include documents evidencing such adjustments have been made. Where Restitution concerns a refund or other payment, such shall be made by check made payable to the Affected Consumer. Where Restitution concerns replacement of Defective Merchandise or Non-Conforming Merchandise, Defendants shall make arrangements to provide such replacement Merchandise to the Affected Consumer.

6.5 If Defendants dispute the Affected Consumer's complaint and/or requested relief, Defendants' written response shall include copies of all documents concerning Defendants' dispute of the Affected Consumer's complaint.

6.6 Within sixty (60) days of the Effective Date, Defendants shall notify the Division as to whether each Affected Consumer's complaint has been resolved. Such notification shall include the following:

- (a) The name and address of the Affected Consumer;
- (b) Whether or not the Affected Consumer's complaint has been resolved;
- (c) An identification of any Restitution provided to the Affected Consumer;
- (d) Copies of all documents evidencing any Restitution;
- (e) In the event the Restitution was returned as undeliverable, the efforts Defendants had undertaken to locate the Affected Consumer; and

- (f) Confirmation that Defendants sent all mailings to the Affected Consumer as required by this Section.

6.7 Following the Division's receipt and verification that an Affected Consumer's complaint has been resolved, the complaint shall be deemed closed for purposes of this Consent Judgment.

6.8 If within ninety (90) days of the Effective Date: (a) Defendants have not notified the Division that an Affected Consumer's complaint has been resolved; (b) Defendants have notified the Division that the Affected Consumer's complaint has not been resolved; or (c) Defendants have notified the Division that the Affected Consumer refuses Defendants' offer of Restitution, the Division shall forward such Affected Consumer complaint to the ADR Unit reach a resolution of the complaint through binding arbitration. Defendants agree herein to consent to this arbitration process and to be bound by the arbitrator's decision. Defendants further agree to be bound by the immunity provisions of the New Jersey Arbitration Act, N.J.S.A. 2A:23B-14, and the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq. The Division shall notify in writing any such Affected Consumer of the referral of the complaint to the ADR Unit. Thereafter, the arbitration shall proceed in accordance with the ADR Guidelines (a copy of which is attached as Exhibit B).

6.9 If Defendants fail or refuse to participate in the ADR program, the arbitrator may enter a default against Defendants. Unless otherwise specified in the arbitration award, Defendants shall pay all arbitration awards within thirty (30) days of the arbitrator's decision. Defendants' failure or refusal to participate in the arbitration process or to timely pay an arbitration award shall constitute a violation of this Consent Judgment.

6.10 If an Affected Consumer refuses to participate in the ADR program, that Affected Consumer's complaint shall be deemed closed for purposes of this Consent Judgment.

6.11 The Parties may agree in writing to alter any time periods or deadlines set forth in this Section.

7. ADDITIONAL CONSUMER COMPLAINTS

7.1 For a period of one (1) year from the Effective Date, the Division shall forward to Defendants copies of any Additional Consumer complaints. The Division shall forward to Defendants the Additional Consumer complaint within thirty (30) days of the Division's receipt thereof.

7.2 During the one (1) year period, the Division shall notify each Additional Consumer in writing, with a copy to Defendants' designate, of the following: (a) that the Additional Consumer's complaint has been forwarded to Defendants; (b) that he/she should expect a response from Defendants within thirty (30) days; and (c) the right to refer his/her complaint to the ADR Unit for binding arbitration if Defendants dispute the Additional Consumer's complaint and/or requested relief.

7.3 Within thirty (30) days of receiving the Additional Consumer's complaint from the Division, Defendants shall send a written response to each Additional Consumer, with a copy to the following: New Jersey Division of Consumer Affairs, Office of Consumer Protection, Case Management Tracking Supervisor, 124 Halsey Street, Post Office Box 45025, Newark, New Jersey 07101.

7.4 If Defendants do not dispute the Additional Consumer's complaint and requested relief, Defendants' written response shall so inform the Additional Consumer. Defendants shall

contemporaneously forward to such Additional Consumer the appropriate Restitution. Where Restitution concerns the reversal of credit or debit card charges, Defendants shall include documents evidencing that such adjustments have been made. Where Restitution concerns a refund or other payment, such shall be made by a certified check payable to the Additional Consumer. Where Restitution concerns replacement of Defective Merchandise or Non-Conforming Merchandise, Defendants shall make arrangements to provide such replacement Merchandise to the Additional Consumer.

7.5 If Defendants dispute the Additional Consumer's complaint and/or the requested relief, Defendants' written response shall include copies of all documents concerning Defendants' dispute of the Additional Consumer's complaint.

7.6 Within forty-five (45) days of Defendants' receipt of the Additional Consumer's complaint, Defendants shall notify the Division as to whether such Additional Consumer's complaint has been resolved. Such notification shall include the following:

- (a) The name and address of the Additional Consumer;
- (b) Whether or not the Additional Consumer's complaint has been resolved;
- (c) An identification of any Restitution provided to the Additional Consumer;
- (d) Copies of all documents evidencing any Restitution;
- (e) In the event Defendants' written response was returned as undeliverable, the efforts Defendants undertook to locate the Additional Consumer; and
- (f) Confirmation that Defendants sent all mailings to the Additional Consumer as required by this Section.

7.7 Following the Division's receipt and verification that an Additional Consumer's complaint has been resolved, the Additional Consumer's complaint shall be deemed closed for purposes of this Consent Judgment.

7.8 If within sixty (60) days of Defendants' receipt of the Additional Consumer's complaint: (a) Defendants have not notified the Division that an Additional Consumer's complaint has been resolved; (b) Defendants have notified the Division that the Additional Consumer's complaint has not been resolved; or (c) Respondent has notified the Division that the Additional Consumer refuses Defendants' offer of Restitution, the Division shall forward such Additional Consumer's complaint to the ADR Unit to reach a resolution of the complaint through binding arbitration. Defendants agree herein to consent to this arbitration process and to be bound by the arbitrator's decision. Defendants further agree to be bound by the immunity provisions of the New Jersey Arbitration Act, N.J.S.A. 2A:23B-14, and the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq. The Division shall notify in writing both the Additional Consumer and Defendants' designate of the referral of the Additional Consumer's complaint to the ADR Unit. Thereafter, the arbitration shall proceed in accordance with the ADR Guidelines.

7.9 If Defendants refuse to participate in the ADR program, the arbitrator may enter a default against Defendants. Unless otherwise specified in the arbitration award, Defendants shall pay all arbitration awards within thirty (30) days of the arbitrator's decision.

7.10 If an Additional Consumer fails or refuses to participate in the ADR program, that Additional Consumer's complaint shall be deemed closed for the purposes of this Consent Judgment.

7.11 Following the expiration of the one (1) year period, Defendants may request to continue the Additional Consumer complaint resolution process for up to three (3) successive one

(1) year periods, upon written notice by Defendants to the Division provided thirty (30) days prior to the expiration of the initial or any subsequent one (1) year period.

7.12 The Parties may agree in writing to alter any time periods or deadlines set forth in this Section.

8. SETTLEMENT AMOUNT

8.1 The Parties have agreed to a settlement of the Action in the amount of Two Hundred Sixteen Thousand, Nine Hundred Thirty-Eight and 00/100 Dollars (\$216,938.00) ("Settlement Amount").

8.2 The Defendants shall pay One Hundred Four Thousand Six Hundred Fifty-Seven and 00/100 Dollars (\$104,657.00) of the Settlement Amount ("Settlement Payment") according to the following schedule:

- (a) Defendant shall pay Twenty Thousand and 00/100 Dollars (\$20,000.00) on or before the Effective Date; and
- (b) Commencing on June 1, 2010, Defendants shall make seventeen (17) payments of Four Thousand Nine Hundred Seventy-Nine and 82/100 Dollars (\$4,979.82) on the first day of each month until October 1, 2011.

8.3 From the Settlement Payment, Sixty-One Thousand Two Hundred Seven and 00/100 Dollars (\$61,207.00) comprises reimbursement for the Plaintiffs' attorneys' fees and Twenty Three Thousand Four Hundred Fifty and 00/100 Dollars (\$23,450.00) comprises reimbursement for the Plaintiffs' investigative costs, pursuant to N.J.S.A. 56:8-11 and N.J.S.A. 56:8-19, and Twenty Thousand and 00/100 Dollars (\$20,000.00) comprises civil penalties, pursuant to N.J.S.A. 56:8-13.

8.4 All payments in satisfaction of the Settlement Payment shall be made by certified or cashier's check made payable to "New Jersey Division of Consumer Affairs" and shall be forwarded to the undersigned:

New Jersey Division of Consumer Affairs
Office of Consumer Protection
P.O. Box 45025
Newark, New Jersey 07101
Attention: Case Management Tracking Unit

8.5 Upon making the Settlement Payment, Defendants shall immediately be fully divested of any interest in, or ownership of, the moneys paid. All interest in the moneys, and any subsequent interest or income derived therefrom, shall inure entirely to the benefit of the Division pursuant to the terms herein.

8.6 For a period of eighteen (18) months following the Effective Date, or until the obligations in Section 8.2 are satisfied, the One Hundred Twelve Thousand Two Hundred-Eighty One and 00/100 Dollars (\$112,281.00) balance of the Settlement Amount, which comprises civil penalties pursuant to N.J.S.A. 56:8-13 ("Suspended Penalty"), shall be suspended and automatically vacated at the end of that period, provided:

- (a) Defendants comply in all material respects with the restraints and conditions set forth in this Consent Judgment;
- (b) Defendants make all Restitution payments as required under Section 6 and Section 7; and
- (c) Defendants make the Settlement Payment of One Hundred Four Thousand Six Hundred Fifty-Seven and 00/100 Dollars (\$104,657.00) in the manner required under Section 8.2.

8.7 In the event Defendants materially fail to comply with Section 8.6, Plaintiffs shall provide Defendants with notice seeking payment of the entire Suspended Penalty. In any such

notice, however, Plaintiffs shall provide Defendants with the specific details of the Defendants' alleged noncompliance and Defendants shall be afforded a fifteen (15) day period within which to cure any such noncompliance. In the event of Defendants' failure to cure any such noncompliance, Plaintiffs may move on short notice or by Order to Show Cause to have a judgment entered for the entire Suspended Penalty.

9. DISMISSAL OF ACTION

9.1 The entry of this Consent Judgment constitutes a dismissal with prejudice of the Action.

10. GENERAL PROVISIONS

10.1 This Consent Judgment is entered into by the Parties as their own free and voluntary act and with full knowledge and understanding of the obligations and duties imposed by this Consent Judgment.

10.2 This Consent Judgment shall be governed by, and construed and enforced in accordance with, the laws of the State.

10.3 The Parties have negotiated, jointly drafted and fully reviewed the terms of this Consent Judgment and the rule that uncertainty or ambiguity is to be construed against the drafter shall not apply to the construction or interpretation of this Consent Judgment.

10.4 This Consent Judgment contains the entire agreement among the Parties. Except as otherwise provided herein, this Consent Judgment shall be modified only by a written instrument signed by or on behalf of the Plaintiffs and Defendants.

10.5 Except as otherwise explicitly provided in this Consent Judgment, nothing herein shall be construed to limit the authority of the Attorney General to protect the interests of the State or the people of the State.

10.6 If any portion of this Consent Judgment is held invalid or unenforceable by operation of law, the remaining terms of this Consent Judgment shall not be affected.

10.7 This Consent Judgment shall be binding upon the Parties and their successors in interest. In no event shall assignment of any right, power or authority under this Consent Judgment avoid compliance with this Consent Judgment.

10.8 This Consent Judgment is entered into by the Parties for settlement purposes only. Neither the fact of, nor any provision contained in this Consent Judgment shall be construed as: (a) an approval, sanction or authorization by the Attorney General, the Division or any other governmental unit of the State of any act or practice of Defendants; or (b) an admission by Defendants that any of their acts or practices described in or prohibited by this Consent Judgment are unfair or deceptive or violate the CFA, Refund Act, Refund Regulations, Mail Order Regulations, Furniture Regulations and/or the Advertising Regulations. Neither the existence of, nor the terms of this Consent Judgment shall be deemed to constitute evidence or precedent of any kind except in: (a) an action or proceeding by one of the Parties to enforce, rescind or otherwise implement any or all of the terms herein; or (b) an action or proceeding involving a Released Claim (as defined in Section 12) to support a defense of res judicata, collateral estoppel, release or other theory of claim preclusion, issue preclusion or similar defense.

10.9 Unless otherwise prohibited by law, any signatures by the Parties required for filing of this Consent Judgment may be executed in counterparts, each of which shall be deemed an original, but all of which shall together be one and the same Consent Judgment.

11. REPRESENTATIONS AND WARRANTIES

11.1 The Parties Represent and warrant that their signatories to this Consent Judgment have the authority to act for and bind the respective Parties.

11.2 Defendants Represent and warrant that within fifteen (15) days of the Effective Date, they shall maintain uniform policies and procedures to facilitate the resolution of Consumer complaints, disputes and/or inquiries in a timely manner.

12. RELEASE

12.1 In consideration of the injunctive relief, payments, undertakings, mutual promises and obligations provided for in this Consent Judgment and conditioned on Defendants providing Restitution in the manner specified in Sections 6 and 7 and making the Settlement Payment in the manner specified in Section 8, Plaintiffs hereby agree to release Defendants from any and all civil claims or Consumer related administrative claims, to the extent permitted by State law, which Plaintiffs could have brought prior to the Effective Date against Defendants for violations of the CFA, Refund Act, Refund Regulations, Mail Order Regulations, Furniture Regulations and/or the Advertising Regulations as alleged in the Action, as well as the matters specifically addressed in this Consent Judgment (the "Released Claims").

12.2 Notwithstanding any term of this Consent Judgment, the following do not comprise Released Claims: (a) Private rights of action provided, however, that nothing herein shall prevent Defendants from raising the defense of set-off against a Consumer who has received Restitution; (b)

actions to enforce this Consent Judgment; and (c) any claims against Defendants by any other agency or subdivision of the State.

13. FORBEARANCE ON EXECUTION AND DEFAULT

13.1 Defendants agree to pay all reasonable attorneys' fees and costs including, but not limited to Court costs, associated with any successful collection efforts by the Plaintiffs pursuant to this Consent Judgment.

13.2 On the Effective Date, Defendants shall provide Plaintiffs with written notice of the current addresses, telephone numbers and facsimile numbers for service of process in the event of default until their obligations under this Consent Judgment are completed. Within five (5) days of relocating to a new address or obtaining new telephone or facsimile numbers, Defendants shall provide such information to Plaintiffs in writing. In the event of Defendants' default under Sections 6, 7, and 8 of this Consent Judgment, service upon Defendants shall be effective upon mailing a notice via First Class Mail accompanied by a confirmed receipt facsimile transmission to the address most recently provided by Defendants.

13.3 Until the Settlement Payment has been made as provided in Section 8 and until Restitution has been furnished as provided by Sections 6 and 7, Defendants shall provide Plaintiffs with written notification of any proposed change in Defendants' business structure including, but not limited to, dissolution, merger, assignment, bankruptcy filing or sale. Defendants shall provide such notification at least thirty (30) days prior to the effective date of any such change.

14. PENALTIES FOR FAILURE TO COMPLY

14.1 The Attorney General (or designated representative) shall have the authority to enforce the injunctive provisions of this Consent Judgment or to seek sanctions for violations hereof or both.

14.2 The Parties agree that any future violations of the injunctive provisions of this Consent Judgment and/or the CFA, Refund Act, Refund Regulations, Mail Order Regulations, Furniture Regulations and/or Advertising Regulations by Defendants shall constitute a second or succeeding violation pursuant to N.J.S.A. 56:8-13 and that Defendants may be liable for enhanced civil penalties.

15. COMPLIANCE WITH ALL LAWS

15.1 Except as provided in this Consent Judgment, no provision herein shall be construed as:

- (a) Relieving Defendants of their obligation to comply with all State and Federal laws, regulations or rules, as now constituted or as may hereafter be amended, or as granting permission to engage in any acts or practices prohibited by any such laws, regulations or rules; or
- (b) Limiting or expanding any right Plaintiffs may otherwise have to obtain information, documents or testimony from Defendants pursuant to any State or Federal law, regulations or rule, as now constituted or as may hereafter be amended, or limiting or expanding any right Defendants may otherwise have pursuant to any State or Federal law, regulation or rule, to oppose any process employed by Plaintiffs to obtain such information, documents or testimony.

16. NOTICES UNDER THIS CONSENT JUDGMENT

16.1 Except as otherwise provided herein, any notices or other documents required to be sent to the Plaintiffs or Defendants pursuant to this Consent Judgment shall be sent by United States mail, Certified Mail Return Receipt Requested, or other nationally recognized courier service that

provides for tracking services and identification of the Person signing for the documents. The notices and/or documents shall be sent to the following addresses:

For the Plaintiffs:

Sabina P. McKinney, Deputy Attorney General
State of New Jersey
Office of the Attorney General
Department of Law and Public Safety
Division of Law
Consumer Fraud Prosecution Section
124 Halsey Street - 5th Floor
P.O. Box 45029-5029
Newark, New Jersey 07101

For the Defendants:

Gregory P. Shugar, Esq.
The Shugar Law Offices
1200 S. Church Street, Ste. 20
Mount Laurel, New Jersey 08054

IT IS ON THE 30th DAY OF April, 2010 SO ORDERED,
ADJUDGED AND DECREED.

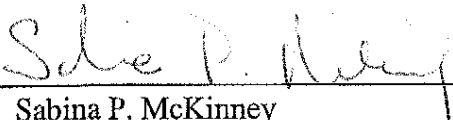


HON. THOMAS W. CAVANAGH, JR., P.J.Ch.

JOINTLY APPROVED AND
SUBMITTED FOR ENTRY:

FOR THE PLAINTIFFS:

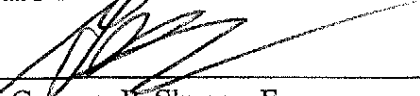
PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY

By: 
Sabina P. McKinney
Deputy Attorney General
Consumer Fraud Prosecution Section
124 Halsey Street-5th Floor
Post Office Box 45029-5029
Newark, New Jersey 07101
Telephone: (973) 648-4584

Dated: 4/26, 2010

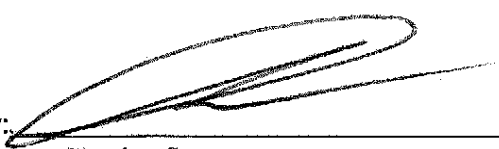
FOR DEFENDANTS:

THE SHUGAR LAW OFFICES

By: 
Gregory P. Shugar, Esq.
1200 S. Church Street, Ste. 20
Mount Laurel, New Jersey 08054
Telephone: (856) 222-1400

Dated: 4/22, 2010

SPECTRUM HOME FURNISHINGS, INC.,
CHARLES SEROUYA & SON, INC. a/k/a GALLERY,
CS&S, INC. and CHARLES SEROUYA, INC.

By: 
Charles Serouya
President

Dated: 4/21/10, 2010

GUARANTY

The Undersigned, Charles Serouya, does hereby personally guarantee the amounts due and owing by Defendants to the Plaintiffs pursuant to the Final Consent Judgment entered into between the Plaintiffs and Defendants, specifically the Restitution set forth in Sections 6 and 7 and the Settlement Payment and Suspended Penalty set forth in Section 8.

The Undersigned further agrees that if Defendants default and fail to make any or all of the payments described in Sections 6, 7 or 8 of the Final Consent Judgment, the Undersigned will pay any and all outstanding amounts due and owing to the Plaintiffs at the time of default. The Undersigned further agrees that in the event of such default by Defendants, a Judgment will be entered against the Undersigned for all outstanding amounts due and owing by Defendants to the Affected Consumers and/or the Plaintiffs at the time of default.

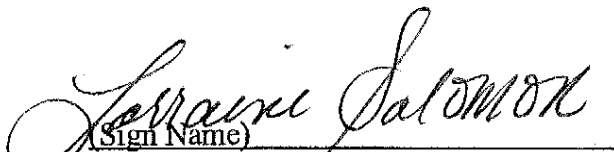
The Undersigned agrees that this Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey.

The Undersigned also covenants and agrees that his liability on this Guaranty shall be absolute and unconditional.

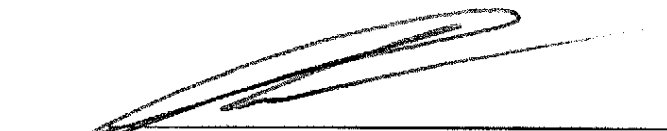
In WITNESS WHEREOF, Charles Serouya, has signed this Guaranty on the 21st day of

April, 2010.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF:


(Sign Name)

(Print Name)



Charles Serouya

Lorraine Salomon
Notary Public
Commission Exp. 8/10/2010