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12	SUPERIOR COURT OF CALIFORNIA		
13	FOR THE COUNTY OF ALAMEDA		
14	PEOPLE OF THE STATE OF CALIFORNIA, ex rel. EDMUND G.	Case No. RG 10-530436	
15	BROWN, JR., Attorney General,	CONCENSE HIDOMENT AS TO	
16	Plaintiff,	CONSENT JUDGMENT AS TO DEFENDANT NAIZIL, INC.	
17	V.		
18	BAY AREA JUMP, et al.		
19	Defendants		
20			
21	CENTER FOR ENVIRONMENTAL	Case No. RG 10-530300	
22	HEALTH, a non-profit corporation,		
23	Plaintiff,		
24	v.		
25	CUTTING EDGE CREATIONS, INC., et al.		
26			
27	Defendants		
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	CONSENT JUDGMENT AS TO DEFENDANT NAIZIL, INC Case Nos. RG 10-530300 & 10-530436		

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On August 11, 2010, the People of the State of California ("People"), by and 1.1 through the Attorney General of the State of California ("Attorney General"), filed a complaint for civil penalties and injunctive relief for violations of Proposition 65 and unlawful business practices in the Superior Court for the County of Alameda. The People's Complaint alleges that the then-named defendants failed to provide clear and reasonable warnings that their inflatable structures made with vinyl such as bounce houses, combos, obstacle courses and interactives (the "Products") contain lead and lead compounds (together "Lead"), and that use of, and contact with, those Products results in exposure to Lead, a chemical known to the State of California to cause cancer and reproductive harm. The Complaint further alleges that under the Safe Drinking Water and Toxic Enforcement Act of 1986, Health & Safety Code § 25249.6, also known as "Proposition 65," businesses must provide persons with a "clear and reasonable warning" before exposing individuals to these chemicals, and that the Defendants failed to do so. The People's Complaint further alleges that the Lead levels in the Products exceed the standards set by the Consumer Product Safety Improvement Act ("CPSIA") of 2008. The Complaint also alleges that the violations of Proposition 65 and the CPSIA constitute unlawful acts in violation of the Unfair Competition Law, pursuant to Business & Professions Code §§ 17200, et seq. On January 27, 2011, the People amended their Complaint to add Naizil, Inc. ("Settling Defendant") as a defendant.

2.2 The Center for Environmental Health ("CEH") first brought the issue of Lead exposures from the Products to the attention of the Attorney General by issuing its first 60-Day Notice of Violation on February 19, 2010. On September 23, 2010, CEH issued an additional 60-day Notice of Violation (the "Notice") to the requisite public enforcers and Settling Defendant. The Notice alleges that Settling Defendant was violating Proposition 65 by manufacturing, distributing and/or and selling the Lead-containing Vinyl (as defined below) from which the Products (as defined below) are made, thereby exposing individuals to Lead once the Products enter the stream of commerce. CEH filed its case, Center for Environmental Health v. Cutting Edge Creations, Inc., et al., Alameda County Superior Court, Case No. RG 10-530300, on August

11, 2010. CEH also seeks civil penalties and injunctive relief for alleged violations of Proposition 65. On October 25, 2010, the People's action was coordinated with CEH's action. On December 17, 2010, CEH amended its Complaint to name Settling Defendant as a party.

- 1.3 On April 21, 2011, CEH filed its First Amended Complaint ("FAC"). The FAC clarified the allegations against Settling Defendant, making it clear that CEH's allegations were based on Settling Defendant's sale of the Vinyl which is used in Products manufactured by Settling Defendant's customers and sold for use in California. Some of the other defendants are customers of Settling Defendant, however, some of Settling Defendant's customers who make Products have not been named in either the People's complaint or the FAC.
- 1.4 Settling Defendant is named as a defendant in both the People's and CEH's Complaints.
- 1.5 Settling Defendant is a corporation that employs more than ten (10) persons and has employed ten or more persons at all times relevant to the allegations of the Complaint, and that distributes and/or sells Vinyl used in the Products which are sold and used in the State of California and/or has done so in the past four years.
- 1.6 For purposes of this Consent Judgment only, the People, CEH and the Settling Defendant stipulate that this Court has jurisdiction over the allegations of violations contained in the Notice and Complaints and personal jurisdiction over Settling Defendant as to the acts alleged in the Notice and Complaints, that venue is proper in Alameda County, and that this Court has jurisdiction to enter this Consent Judgment as a full and final resolution of all claims which were or could have been raised in the Complaints based on the facts alleged therein.
- and final settlement of all claims relating to the Products (as that term is defined below) arising from the failure to warn regarding the presence of Lead in such Products and the sale by Settling Defendant of Vinyl for the use in Products. Nothing in this Consent Judgment shall be construed as an admission by the Parties of any fact, conclusion of law, issue of law or violation of law, nor shall compliance with the Consent Judgment constitute or be construed as an admission by Parties of any fact, conclusion of law, issue of law. Nothing in this Consent Judgment

shall prejudice, waive or impair any right, remedy argument or defense the Parties may have in this or any other future legal proceedings. By execution of this Consent Judgment and agreeing to provide the relief and remedies specified herein, Settling Defendant does not admit any violations of Proposition 65, applicable Business and Professions Code sections or any other law or legal duty. Settling Defendant expressly asserts that its Vinyl and the Products do not require a warning under Proposition 65 and denies any liability whatsoever.

2. **DEFINITIONS**

- 2.1 The "Actions" shall collectively mean the *People of the State of California v. Bay Area Jump, et al.*, Case No. RG 10-530436, Alameda County Superior Court (filed August 11, 2010), and the *Center for Environmental Health v. Cutting Edge Creations, Inc., et al.*, Case No. RG 10-530300, Alameda County Superior Court (filed August 11, 2010).
- 2.2 "Products" shall mean all inflatable structures made with Vinyl such as bounce houses, combos, obstacle courses and interactives.
- 2.3 "Vinyl" means the polyvinyl chloride fabric distributed and/or sold by Settling Defendant for use in the Products. Vinyl does not include polyvinyl chloride fabric distributed and/or sold by any of Settling Defendant's competitors.
- 2.4 The "Effective Date" of this Consent Judgment shall be the date on which this Consent Judgment is entered as a judgment by the trial court.
- 2.5 "Parties" shall mean the following entities: People of the State of California ex rel.

 Kamala D. Harris, CEH and Settling Defendant.
- 2.6 "Plaintiffs" shall mean People of the State of California ex rel. Kamala D. Harris, Attorney General and CEH.
- 2.7 "Pre-Settlement Products" means any Products manufactured with Settling Defendant's Vinyl after August 11, 2007, but prior to the Effective Date.
- 2.8 "Pre-Settlement Vinyl" means any Vinyl sold by Settling Defendant after August11, 2007, but prior to the Effective Date, and from which the Products are manufactured.

- 3.1 Immediate Vinyl Compliance. Immediately upon the Effective Date of this Consent Judgment, Settling Defendant shall insure that the level of Lead in Vinyl intended for sale in California is no higher than 100 ppm ("Compliance Level") as determined pursuant to total Lead testing, EPA Method 3050B or CPSIA Method CPSC-CH-E1001-08 (the "Test Protocols").
- 3.2 Settling Defendant's Independent Testing. In order to ensure compliance with Section 3.1, Settling Defendant shall conduct (or cause to be conducted) testing to confirm that Vinyl which it sells for use in Products sold in California complies with the Compliance Level. Settling Defendant shall either conduct the testing of the Vinyl using an X-Ray Fluorescence Analyzer or shall cause to have the testing performed by an independent, CPSIA-approved laboratory in accordance with either of the Test Protocols. Should Settling Defendant's XRF testing of the Vinyl yield a result above the Compliance Level, Settling Defendant may then utilize laboratory testing on the same Vinyl, and, if the laboratory test yields a result that is below the Compliance Level, Settling Defendant may rely on the laboratory test. Settling Defendant shall perform the testing described in this Section on each roll of Vinyl intended to be used in the Products.
 - (a) <u>Vinyl That Exceeds the Compliance Level.</u> If the results of the testing required pursuant to Section 3.2 show Lead levels in excess of the Compliance Level in the Vinyl, Settling Defendant shall not sell the Vinyl.

4. INJUNCTIVE RELIEF: CLEAR AND REASONABLE WARNINGS

- 4.1 Plaintiffs allege that warnings are necessary as to the Pre-Settlement Products because these products purportedly cause continuing exposures to Lead. While expressly denying such allegations, Settling Defendant agrees to implement the following programs to provide clear and reasonable warnings to persons who come into contact with Vinyl sold before the Effective Date of this Consent Judgment:
 - (a) <u>Informational Program</u>. Settling Defendant shall provide the mailed warnings and informational materials attached hereto as Exhibit A, in English and Spanish, to all parties who purchased Pre-Settlement Vinyl for use in manufacture of

Products distributed, rented and/or sold in the State of California. The informational materials provided pursuant to this section shall include an offer to either perform testing on such Pre-Settlement Vinyl or pay for testing of such Vinyl. Settling Defendants shall serve Plaintiffs with copies of all materials sent to its customers of the Pre-Settlement Vinyl pursuant to this section.

(b) <u>Web Notice</u>. Settling Defendant does not currently have a web site. For a period of two years following the Effective Date, Settling Defendant will maintain a conspicuous link on its primary, customer oriented website, if it develops such a web site, that directs users to the web page that CEH will maintain with respect to Lead in the Products.

5. ADDITIONAL ACTIONS BY SETTLING DEFENDANT

- 5.1 Testing of Pre-Settlement Vinyl. Upon request by an individual or entity that purchased any Pre-Settlement Vinyl from Settling Defendant, Settling Defendant shall either perform or pay for testing for all Pre-Settlement Vinyl purchased from Settling Defendant. The testing pursuant to this section may be performed by X-Ray Fluorescence or pursuant to the Test Protocols.
- 5.2 Replacing Certain Pre-Settlement Vinyl. Settling Defendant shall, at its own cost, replace any Pre-Settlement Vinyl purchased from Settling Defendant still in use as of the Effective Date if the testing described in Section 5.1 reveals Lead levels in excess of 1,000 ppm, or provide a 50% discount on the replacement of any Vinyl if testing described in Section 5.1 reveals Lead levels in excess of 300 ppm.

6. PAYMENTS

6.1 Payment Timing. The total of all payments required under this Section 6 shall be \$36,000. The first \$10,000 shall be due within 5 days of Court approval of this Consent Judgment and paid by check made payable to the "California Department of Justice." The remaining \$26,000 shall be paid as follows: (1) \$5,000 per month for each of the first two months following entry of the Consent Judgment, with the first \$5,000 payment made payable to "Center for Environmental Health" and the second \$5,000 made payable to the "California Department of

Justice"; and (2) \$4,000 per month for the third, fourth, fifth and sixth months following entry of the Consent Judgment, with each such payment made payable to "Lexington Law Group."

- 6.2 <u>Civil Penalties</u>. Settling Defendant shall pay a civil penalty of \$10,000 pursuant to California Health & Safety Code §§ 25249.7(b) and 25249.12. Pursuant to § 25249.12, 75% of these funds shall be remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA"), and the remaining 25% apportioned evenly among the Attorney General and CEH.
- 6.3 Cy pres. Settling Defendant shall make the following payment in lieu of additional civil penalties. Settling Defendant shall pay \$5,000 to CEH. CEH shall use such funds to conduct periodic testing of the Products. To the extent that the owner of a Product that tests above 300 ppm for Lead does not have a Product replacement option available to it as a result of another Settlement involving a Product manufacturer and/or distributor, CEH will make a portion of the funds available to the Product owner to help replace such Product to the extent the request for replacement is made on or before December 31, 2013, and there are still funds available. The payment required under this section shall be made payable to CEH.
 - 6.4 Other Payments. Settling Defendant shall also make the following payments:
 - Attorney General. Settling Defendant shall pay the sum of \$5,000 to the Attorney General, to reimburse the fees and costs her office has expended with respect to this matter. Funds paid pursuant to this paragraph shall be placed in an interest-bearing Special Deposit Fund established by the Attorney General. These funds, including any interest, shall be used by the Attorney General, until all funds are exhausted, for the costs and expenses associated with the enforcement and implementation of Proposition 65, including investigations, enforcement actions, other litigation or activities as determined by the Attorney General to be reasonably necessary to carry out her duties and authority under Proposition 65. Such funding may be used for the costs of the Attorney General's investigation, filing fees and other court costs, payment to expert witnesses and technical consultants, purchase of equipment, travel, purchase of written materials, laboratory testing, sample collection, or any other cost associated with the Attorney General's duties or authority under Proposition 65. Funding placed in the Special Deposit Fund pursuant to

this paragraph, and any interest derived therefrom, shall solely and exclusively augment the budget of the Attorney General's Office and in no manner shall supplant or cause any reduction of any portion of the Attorney General's budget.

- (b) <u>CEH's Attorney Fees</u>. Settling Defendant shall pay \$16,000 to reimburse CEH and its attorneys for their reasonable investigation fees and costs, attorneys' fees, and any other costs incurred as a result of investigating, bringing this matter to the attention of Settling Defendant and the People, litigating and negotiating a settlement in the public interest. The payment required under this section shall be made payable to Lexington Law Group.
- 6.5 Each payment required by this Consent Judgment shall be made through the delivery of separate checks payable to the applicable person, as follows:
 - (a) Attorney General. Payments due to OEHHA and the Attorney General shall be made payable to the "California Department of Justice," and sent to the attention of Robert Thomas, Legal Analyst, Department of Justice, 1515 Clay Street, 20th Floor, Oakland, CA 94612.
 - (b) <u>CEH/Lexington Law Group</u>. The payments due to CEH and the Lexington Law Group shall be made payable as set forth above and sent to: Mark N. Todzo, Lexington Law Group, 503 Divisadero Street, San Francisco, CA 94117.
- 6.6 <u>Copies of Checks</u>. Settling Defendant will cause copies of each check issued by it pursuant to this Consent Judgment to be sent to: Jamie Jefferson, Deputy Attorney General, 1515 Clay Street, 20th Floor, Oakland, CA 94612.

7. MODIFICATION OF CONSENT JUDGMENT

- 7.1 This Consent Judgment may only be modified by express written agreement of the Parties with the approval of the Court; by an order of this Court on noticed motion from the People, CEH or Settling Defendant in accordance with law; or by the Court in accordance with its inherent authority to modify its own judgments.
- 7.2 Before filing an application with the Court for a modification to this Consent
 Judgment, the party seeking modification shall meet and confer with the other Parties to determine

8. <u>ENFORCEMENT</u>

the Consent Judgment.

8.1 Enforcement by Plaintiffs. Plaintiffs may, by motion or application for an order to show cause before this Court, enforce the terms and conditions contained in this Consent Judgment or seek resolution of any dispute arising under this Consent Judgment. In any proceeding to enforce the terms of this Consent Judgment, Plaintiffs may seek whatever fines, costs, penalties, or remedies are provided by law for failure to comply with the Consent Judgment. However, Plaintiffs may not seek any fees or costs if Settling Defendant agrees to take the action demanded by Plaintiffs during the meet and confer process described in Section 8.4, below, and implements such action in a prompt manner.

whether the modification may be achieved by consent. If a proposed modification is agreed upon,

then the Parties will present the modification to the Court by means of a stipulated modification to

- Enforcement by Separate Action. Where violations of this Consent Judgment constitute subsequent violations of Proposition 65 or other laws independent of the Consent Judgment and/or those alleged in the Complaint, Plaintiffs and/or CEH are not limited to enforcement of the Consent Judgment, but may instead elect to seek, in another action, whatever fines, costs, penalties, or remedies are provided for by law for failure to comply with Proposition 65 or other laws. In any action brought by the People and/or CEH or another enforcer alleging subsequent violations of Proposition 65 or other laws, Settling Defendant may assert any and all defenses that are available, including the *res judicata* or collateral estoppel effect of this Consent Judgment. Plaintiffs must elect whether (a) to use the enforcement provisions of Section 8.1 of this Consent Judgment or (b) to bring a new action pursuant to this Subsection 8.2.
- 8.3 <u>Meet and Confer Required.</u> Before any party institutes any proceeding or separate action based on an alleged violation of the Consent Judgment, the moving or enforcing party (Moving Party) shall meet and confer with the other party (Other Party) in good faith in an attempt to informally resolve the alleged violation.
- **8.4** The terms of this Consent Judgment shall be enforced exclusively by the Parties hereto.

9.1 Each signatory to this Consent Judgment certifies that he or she is fully authorized to stipulate to this Consent Judgment and to enter into and execute the Consent Judgment on behalf of the party he or she represents.

10. CLAIMS COVERED

resolution between the People, CEH, and Settling Defendant of any violation of Proposition 65, Business & Professions Code §§ 17200, et seq., and 17500, et seq., or any other statutory or common law claims that have been or could have been asserted in the Notice or Complaints against Settling Defendant for failure to provide clear and reasonable warnings of exposure to Lead from the use of the Vinyl by Settling Defendant's customers. Compliance with the terms of this Consent Judgment resolves any issue now, in the past, and in the future, concerning compliance by Settling Defendant, its parents, divisions, subdivisions, subsidiaries, sister companies, affiliates, cooperative members, licensors and licensees, and the shareholders, officers, predecessors, successors, and assigns of any of them, with the requirements of Proposition 65 or Business & Professions Code §§ 17200, et seq., and 17500, et seq., arising from or relating to exposures to Lead in or from the Products. This Consent Judgment does not resolve any claims that Plaintiffs may assert with respect to (i) products other than the Products or (ii) chemicals other than Lead.

11. PROVISION OF NOTICE

- 11.1 Notices sent pursuant to this Consent Judgment shall be sent to the person(s) and addresses set forth in this paragraph. Any party may modify the person and address to whom the notice is to be sent by sending each other party notice by certified mail, return receipt requested. Said change shall take effect for any notice mailed at least five days after the date the return receipt is signed by the party receiving the change.
- 11.2 Notices shall be sent by overnight delivery, or by concurrent e-mail and by First Class Mail, to the following when required:

1	For the Attorney General:		
2	Jamie Jefferson, Deputy Attorney General		
3	California Department of Justice 1515 Clay Street, 20 th Floor		
4	Oakland, CA 94612 Jamie.Jefferson@doj.ca.gov		
5	and simultaneously to:		
6	Robert Thomas, Legal Analyst California Department of Justice		
7	1515 Clay Street, 20 th Floor Oakland, CA 94612		
8	Robert.Thomas@doj.ca.gov		
9	For the Center for Environmental Health:		
10	Mark N. Todzo Lexington Law Group		
11	503 Divisadero Street San Francisco, CA 94117		
12	mtodzo@lexlawgroup.com		
13	For the Settling Defendant:		
14	David B. Madariaga		
15	Fowler Law Group 11845 West Olympic Blvd., Suite 710 Los Angeles, CA 90064		
16	dmadariaga@fowlerlawgroup.com		
17	11.3 Written Notification. Within 15 days of completing the actions required by		
18	Sections 3.1 (Immediate Vinyl Compliance) and 4.1 (b) (Web Notice), and also on Plaintiffs'		
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23	12.1 This Consent Judgment shall be submitted to the Court for entry by noticed motion		
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13. **ENTIRE AGREEMENT** This Consent Judgment contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and any and all prior discussions, negotiations, commitments and understandings related hereto. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any party hereto. No other agreements not specifically referred to herein, oral or otherwise, shall be deemed to exist or to bind any of the Parties. 14. **RETENTION OF JURISDICTION** This Court shall retain jurisdiction of this matter to implement and enforce the Consent Judgment, and to resolve any disputes that may arise as to the implementation of this Judgment. 15. **EXECUTION IN COUNTERPARTS** The stipulations to this Consent Judgment may be executed in counterparts and by means of facsimile, which taken together shall be deemed to constitute one document. IT IS SO ORDERED and ADJUDGED: OCT 0 2 2012 DATED: JUDGE OF THE SUPERIOR COURT IT IS SO STIPULATED: KAMALA D. HARRIS Attorney General of California JANILL RICHARDS Supervising Deputy Attorney General

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Deputy Attorney General

For People of the State of California

DATED: Ava 3, 2012	CENTER FOR ENVIRONMENTAL HEALTH
	By: CHARLIE PIZARRO Associate Director
DATED:	NAIZIL, INC.
	By: Its:
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1	DATED:	CENTER FOR ENVIRONMENTAL HEALTH	
2	DATED.		
3			
4		By:CHARLIE PIZARRO	
5		Associate Director	
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7	DATED:	NAIZIL, INC.	
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9		TOHN PETIZIAN This	
10		Its: PRESIDENT	
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	CONSENT JUDGMENT AS TO DEFENDANT NAIZIL, INC Case Nos. RG 10-530300 & 10-530436		

Exhibit A

Letter to Customers of Pre-Settlement Vinyl

Dear Customer:

Our records show that you purchased vinyl from us during the period August 11, 2007, to []. This letter is written to inform you that some of the vinyl distributed and sold by Naizil, Inc. during this time period contains lead.

WARNING – Lead is a chemical known to the state of California to cause cancer and reproductive harm.

All of our vinyl has now been formulated to reduce the amount of lead to levels below those of concern. However, some of our older products manufactured during the time period identified above may have lead levels that are of concern.

We would like to provide you with the opportunity to have the vinyl you purchased from us during this time period tested to determine if such vinyl contains high levels of lead. If you purchased vinyl from us during the period from August 11, 2007, to [] that you still have in your possession, please contact [Name] at [telephone number] to arrange for testing of such vinyl. Naizil, Inc. will conduct or pay for all testing of the vinyl.

If the testing of any of the vinyl you purchased from Naizil, Inc. reveals lead levels in excess of 1,000 parts per million, Naizil, Inc. will replace the vinyl. If the testing reveals lead levels between 300 parts per million and 1,000 parts per million, Naizil, Inc. will provide 50% off of the cost of any replacement product.

In the meantime, you can reduce exposures to lead from the vinyl by employing the following practices:

- a. Keeping the vinyl and products manufactured with the vinyl clean;
- b. Having children wash their hands after coming into contact with the vinyl;
- c. Food, beverages and other ingestible items should not come into contact with the vinyl; and
- d. Clothing that comes into contact with the vinyl should be cleaned after use.

For further information, please call [name] at [number].

Sincerely,

Name