

Evan J. Smith, Esquire (SBN 242352) Ryan P. Cardona, Esquire (SBN 302113) BRODSKY & SMITH, LLC 9595 Wilshire Blvd., Ste. 900 Beverly Hills, CA 90212 ALAMEDA COUNTY Telephone: (877) 534-2590 Facsimile: (310) 247-0160 JAN 72 2017 Attorneys for Plaintiff CLERK OF THE SUPERIOR COU SUPERIOR COURT OF THE STATE OF CALIFORNIA 8 COUNTY OF ALAMEDA 10 Case No.: RG16822618 GABRIEL ESPINOSA. 11 (PROPOSED) ORDER APPROVING Plaintiff, PROPOSITION 65 SETTLEMENT AND 12 CONSENT JUDGMENT michael Markman 13 Judge: L.C. INDUSTRIES, INC. t/a LCI 14 BRANDS and STEIN MART HOLDING Dept.: 302 CORP. t/a STEIN MART, 15 Hearing Date: January 10, 2017 Defendants. 16 Hearing Time: 2:30 PM 17 Reservation #: R-1801065 18 Plaintiff Gabriel Espinosa and Defendants L.C. Industries, Inc. and Stein Mart Holding 19 Corp. have agreed to the terms of the settlement memorialized in the [Proposed] Consent 20 Judgment attached as Exhibit A to the Declaration of Evan J. Smith in Support of Motion to 21 Approve Proposition 65 Settlement and Consent Judgment lodged herewith, and Plaintiff has 22 moved this Court for an Order approving the settlement. 23 After consideration of the papers submitted and the arguments presented, the Court finds 24 that the settlement agreement set forth in the Consent Judgment meets the criteria established by 25 California Health'& Safety Code § 25249.7(f)(4), in that: 26 1. The injunctive relief required by the Consent Judgment complies with 27 Proposition 65;

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THE SUPERIOR COURT Michael M. Markman



Evan J. Smith, Esquire (SBN 242352) Ryan P. Cardona, Esquire (SBN 302113) BRODSKY & SMITH, LLC JAN 122017 9595 Wilshire Blvd., Ste. 900 CLERK OF THE SUPERIOR COURT Beverly Hills, CA 90212 Telephone: (877) 534-2590 Facsimile: (310) 247-0160 Attorneys for Plaintiff SUPERIOR COURT OF THE STATE OF CALIFORNIA COUNTY OF ALAMEDA 10 Case No. RG16822618 GABRIEL ESPINOSA, 11 [PROPOSED] CONSENT JUDGMENT Plaintiff, 12 Judge: michael Markman 13 302 Dept.: .C. INDUSTRIES, INC. t/a LCI BRANDS and STEIN MART HOLDING 14 Hearing Date: January 10, 2017 CORP. t/a STEIN MART, 15 Hearing Time: 2:30 PM Defendants. 16 Reservation #: R-1801065 17 18 19 20 21 22

[PROPOSED] CONSENT JUDGMENT

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1. Introduction

On March 24, 2016, Gabriel Espinosa ("Espinosa") served L.C. Industries, Inc. ("LCI"), Stein Mart Holding Corp. ("Stein Mart") and various public enforcement agencies with a document entitled "Notice of Violation of California Health & Safety Code § 25249.6, et seq." (the "Notice"). The Notice provided LCI, Stein Mart, and such others, including public enforcers, with notice that alleged that LCI and Stein Mart were in violation of California Health & Safety Code § 25249.6 ("Proposition 65"), for failing to warn consumers and customers that The Original Neckrest, UPC No. 029275045202 ("Product" or "Products") exposed users in California to the chemical Di(2-ethylhexyl) phthalate (DEHP). No public enforcer has diligently prosecuted the allegations set forth in the Notice.

- 1.2 On July 8, 2016, Espinosa filed a Complaint for Civil Penalties and Injunctive Relief ("Complaint") in Alameda County Superior Court, Case No. RG16822618, against LCI and Stein Mart (collectively, "Defendants") alleging violations of Proposition 65.
 - 1.3 Defendants and Espinosa are collectively referred to herein as, the "Parties".
- 1.3 LCI and Stein Mart are each a corporation that employs more than ten persons under California Health and Safety Code §25249.6 and offered the Products for sale within the State of California.
- 1.4 Espinosa's Complaint alleges, among other things, that Defendants sold the Products in California and/or to California citizens, that the Products contains DEHP, and that the resulting exposure violated provisions of Proposition 65, by knowingly and intentionally exposing persons to a chemical known to the State of California to cause both cancer and reproductive toxicity without first providing a clear and reasonable warning to such individuals.
- 1.5 For purposes of this Consent Judgment only, the Parties stipulate that this Court has jurisdiction over the allegations of violations contained in the Complaint and personal jurisdiction over Defendants as to the acts alleged in the Complaint, that venue is proper in the County of Alameda, and that this Court has jurisdiction to enter this Consent Judgment as a resolution of the allegations contained in the Complaint.
 - 1.6. The Parties enter into this Consent Judgment pursuant to a full settlement of

PROPOSED CONSENT JUDGEMENT

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disputed claims between the Parties as alleged in the Complaint for the purpose of avoiding prolonged litigation. By execution of this Consent Judgment, Defendants do not admit any violation of Proposition 65 and specifically deny that they have committed any such violation. Nothing in this Consent Judgment shall be construed as an admission by Defendants of any fact, issue of law or violation of law, nor shall compliance with the Consent Judgment constitute or be construed as an admission by Defendants of any fact, issue of law, or violation of law. Nothing in this Consent Judgment shall prejudice, waive, or impair any right, remedy or defense that Defendants may have in any other future legal proceeding. However, this paragraph shall not diminish or otherwise affect the obligations, responsibilities and duties of Defendants under this Consent Judgment.

1.7 For purposes of this Consent Judgment, the term "Effective Date" shall mean the date that the Consent Judgment is entered by the Court.

2. Injunctive Relief

- 2.1 Commencing ninety (90) days after the Effective Date, and continuing thereafter, LCI shall only ship, sell, or offer for sale in California, Reformulated Product pursuant to Section 2.2 or Product that is labeled with a clear and reasonable warning pursuant to Section 2.3. LCI and its downstream retailers shall have no obligation to label Products that entered the stream of commerce prior to the Effective Date or within ninety (90) days after the Effective Date. For purposes of this Settlement Agreement, a "Reformulated Product" is Product that is in compliance with the standard set forth below in section 2.2.
- 2.2 "Reformulated Product" shall mean Product that contains less than or equal to 1,000 parts per million ("ppm") of DEHP when analyzed pursuant to CPSC-CH-C1001-09.3 Standard Operating Procedure for Determination of Phthalates method.
- 2.3 Commencing ninety (90) days after the Effective Date, LCI shall, for all Products it sells or distributes and that is intended for sale in California and that is not a Reformulated Product, provide clear and reasonable warnings as set forth in subsections 2.3(a) and (b) below. The warning shall be prominently placed with such conspicuousness as compared with other words, statements, designs, or devices as to render it likely to be read and understood by an

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ordinary individual under customary conditions before purchase or use. Each warning shall be provided in a manner such that the consumer or user understands to which specific Product the warning applies, so as to minimize the risk of consumer confusion.

(a) **Retail Store Sales**

(i) Product Labeling. LCI shall affix a warning to the packaging, labeling or directly on each Product sold in retail outlets in California by LCI or any person selling the Product that states:

[PROPOSITION 65] WARNING:

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

The bracketed text may, but is not required to, be used.

(ii) Point of Sale Warnings. Alternatively to the Product Labeling set forth in Section 2.3(a)(i) above, LCI may provide warning signs in the form below to its customers in California with instructions to post the warning signs in close proximity to the point of display of the Product. Such instruction sent to LCI customers shall be sent by certified mail, return receipt requested.

[PROPOSITION 65] WARNING: This product contains a chemical known to the State of California to cause cancer, birth defects or other reproductive harm.

The bracketed text may, but is not required to, be used.

(b) Mail Order Catalog Warning. In the event that LCI directly sells Product via mail order catalog directly to consumers located in California after the Effective Date that is not a Reformulated Product, LCI shall provide a warning for such Product sold via mail order catalog to such California residents. A warning that is given in a mail order catalog shall be in the same type size or larger than the Product description text within the catalog. The following warning shall be provided on the same page and in the same location as the display and/or description of the Product:

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[PROPOSITION 65] WARNING:

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

The bracketed text may, but is not required to, be used. Where it is impracticable to provide the warning on the same page and in the same location as the display and/or description of the Product, LCI may utilize a designated symbol to cross reference the applicable warning and shall define the term "designated symbol" with the following language on the inside of the front cover of the catalog or on the same page as any order form for the Product:

[PROPOSITION 65] WARNING: Certain products identified with this symbol V and offered for sale in this catalog contain a chemical known to the State of California to cause cancer, birth defects or other reproductive harm.

The bracketed text may, but is not required to, be used. The designated symbol must appear on the same page and in close proximity to the display and/or description of the Product. On each page where the designated symbol appears, LCI must provide a header or footer directing the consumer to the warning language and definition of the designated symbol.

(c) Internet Sales Warning. In the, event that LCI sells Product via the internet directly to consumers located in California after the Effective Date that is not a Reformulated Product, LCI shall provide a warning for such Product sold via the internet to such California residents. A warning that is given on the internet shall be in the same type size or larger than the Product description text and shall be given in conjunction with the direct sale of the Product. The warning shall appear either: (a) on the same web page on which the Product is displayed; (b) on the same web page as the order form for the Product; (c) on the same page as the price for the Product; or (d) on one or more web pages displayed to a purchaser during the checkout process. The following warning shall be provided:

[PROPOSITION 65] WARNING:

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

The bracketed text may, but is not required to, be used.

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3. Entry of Consent Judgment

- 3.1 The Parties hereby request that the Court promptly enter this Consent Judgment.

 Upon entry of this Consent Judgment, the Parties waive their respective rights to a hearing or trial on the allegations of the Complaint and 60-Day Notice.
- 3.2 In the event that the Attorney General objects or otherwise comments on one or more provisions of this Consent Judgment, the Parties agree to take reasonable steps to satisfy such concerns or objections.

4. Matters Covered By This Consent Judgment

- Judgment is a final and binding resolution between Espinosa, acting on his own behalf, and on behalf of the public and in the public interest, and Defendants, and shall have preclusive effect such that no other person or entity, whether purporting to act in his, her, or its interests or the public interest shall be permitted to pursue and/or take any action with respect to any violation of Proposition 65 that was alleged in the Complaint, or that could have been brought pursuant to the Notice against LCI or its downstream retailers of the Product including but not limited to Stein Mart ("Proposition 65 Claims"). As to alleged exposures to DEHP in the Product, compliance with the terms of this Consent Judgment by LCI is deemed sufficient to satisfy all obligations concerning compliance by LCI and its downstream retailers, including but not limited to Stein Mart with the requirements of Proposition 65 with respect to the Products.
- 4.2 Plaintiff's Release of Additional Claims. As to Espinosa for and in his individual capacity only, this Consent Judgment shall have preclusive effect such that he shall not be permitted to pursue and/or take any action with respect to any other statutory or common law claim, to the fullest extent that any such claim was or could have been asserted by him against LCI or any and all downstream retailers of the Products, including but not limited to Stein Mart, based on their exposure of Espinosa to DEHP in the Products, or their failure to provide a clear and reasonable warning of exposure to Espinosa as well as any other claim based in whole or in part on the facts alleged in the Complaint and the Notice, whether based on actions committed by LCI or its downstream retailers of the Products, including but not limited to Stein Mart ("DEHP

Exposure Claims").

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Espinosa's public release of Proposition 65 Claims set forth in Section 4.1 ("Public Release") and his individual release of DEHP Exposure Claims set forth in Section 4.2 ("Individual Release"), Espinosa, acting on his own behalf and on behalf of the public with respect to the Public Release and acting in his individual capacity with respect to the Individual Release, waives all rights to institute any form of legal action, and releases all claims against LCI and its downstream retailers, including but not limited to Stein Mart (including their parents, subsidiaries, affiliates, assigns, and acquiring entities of any of them, who may use, maintain, distribute or sell the Products) for the Proposition 65 Claims and the DEHP Exposure Claims (referred to collectively in this Section as "Claims"). In furtherance of the foregoing, Espinosa, acting on his own behalf and on behalf of the public with respect to the Public Release and acting in his individual capacity with respect to the Individual Release, waives any and all rights and benefits which he now has, or in the future may have, conferred upon him with respect to the Claims by virtue of the provisions of § 1542 of the California Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

4.4 Defendants' Release of Plaintiff Espinosa: Defendants, each on behalf of itself, their past and current agents, representatives, attorneys, successors and/or assignees, hereby waives any and all claims against Espinosa; his attorneys, and other representatives for any and all actions taken or statements made (or those that could have been taken or made) by Espinosa and his attorneys and other representatives, whether in the course of investigating claims or otherwise seeking enforcement of Proposition 65 against Defendants in this matter.

5. Enforcement of Judgment

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5.1 The terms of this Consent Judgment shall be enforced exclusively by the Parties hereto. The Parties may, by noticed motion or order to show cause before the Superior Court of Alameda County, giving the notice required by law, enforce the terms and conditions contained herein. In any proceeding brought by either party to enforce this Consent Judgment, such party may seek whatever fines, costs, penalties or remedies as may be provided by law for any violation of Proposition 65 or this Consent Judgment.

Modification of Judgment 6.

- 6.1 This Consent Judgment may be modified only by written agreement of the Parties upon entry of a modified Consent Judgment by the Court thereon, or upon motion of any party as provided by law and upon an entry of a modified Consent Judgment by the Court.
- 6.2 Should any court enter final judgment in a case brought by Espinosa or the People involving the Products that sets forth standards defining when Proposition 65 warnings will or will not be required ("Alternative Standards"), or if the California Attorney General's office otherwise provides written endorsement (i.e., a writing that is circulated by the Attorney General that is not intended for the purpose of soliciting further input or comments) of Alternative Standards applicable to products that are of the same general type and function as the Products and constructed from the same materials, LCI shall be entitled to seek a modification of this Consent Judgment on sixty (60) days' notice to Espinosa so as to be able to utilize and rely on such Alternative Standards in lieu of those set forth in Section 2 of this Consent Judgment. Espinosa shall not unreasonably contest any proposed application to effectuate such a modification provided that the Products for which such a modification is sought are of the same general type and function as those to which the Alternative Standards apply.

7. Settlement Payment

7.1 In settlement of all the claims referred to in this Consent Judgment, and without any admission of liability therefore, LCI shall make the following monetary payments:

7.1.1 Initial Civil Penalty. Within seven (7) business days of the Effective Date, LCI shall pay a total of \$3,000.00 in civil penalties in accordance with this Section. The Initial Civil Penalty payment will be allocated in accordance with California Health & Safety Code §§ 25249.12(c)(1) and (d), with 75% of the funds remitted to the California Office of Environmental Health Hazard Assessment ("OEHHA") and the remaining 25% of the civil penalty remitted to Espinosa. Within seven (7) business days of the Effective Date, LCI shall issue two separate checks for the civil penalty payment to (a) "OEHHA" in the amount of \$2,250.00; and (b) "Brodsky & Smith, LLC in Trust for Espinosa" in the amount of \$750.00. Payment owed to Espinosa pursuant to this Section shall be delivered to the following payment address:

Evan J. Smith, Esquire Brodsky & Smith, LLC. Two Bala Plaza, Suite 510 Bala Cynwyd, PA 19004

Payment owed to OEHHA (EIN: 68-0284486) pursuant to this Section shall be delivered directly to OEHHA (Memo Line "Prop 65 Penalties") at one of the following address(es):

For United States Postal Service Delivery:

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

For Non-United States Postal Service Delivery:

Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street
Sacramento, CA 95814

A copy of the check payable to OEHHA shall be mailed to Brodsky & Smith, LLC at the address set forth above as proof of payment to OEHHA.

7.1.2 Final Civil Penalty. Sixty (60) days after the Effective Date, LCI shall

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make a final civil penalty payment of \$3,000.00 on the same terms as set forth in Section 7.1.1 pertaining to the Initial Civil Penalty. Pursuant to Title 11 California Code of Regulations, Section 3203(c), Espinosa agrees that the Final Civil Penalty payment shall be waived in its entirety if, on or before the Final Civil Penalty payment is due, an officer of LCI provides Espinosa with a signed declaration certifying that all Products it ships for sale or distributes for sale in California as of the date of its certification are Reformulated Products or are marked with the warnings required by this Consent Decree (hereinafter "Labeled Product") and that LCI will continue to offer only Reformulated Products or Labeled Products in California in the future. The option to provide a declaration certifying its complete early reformulation or labeling of the Products in lieu of making the Final Civil Penalty payment otherwise required by this Section is a material term, and time is of the essence.

7.1.3 Attorney Fees and Costs. In addition to the payment above, LCI shall pay \$27,000.00 to Brodsky & Smith, LLC ("Brodsky & Smith") as complete reimbursement for Espinosa's attorneys' fees and costs, including any investigation and laboratory costs or expert fees, incurred in the course of bringing the Complaint and in enforcing Proposition 65, including without limitation, preparation of the 60-Day Notice letter and discussions with the office of the Attorney General. Payment shall be made within seven (7) business days of the Effective Date and sent to the address for Brodsky & Smith set forth in Section 7.1.1, above.

8. Notices

Any and all notices between the Parties provided for or permitted under this Agreement, or by law, shall be in writing and personally delivered or sent by: (i) first-class (registered or certified mail) return receipt requested; or (ii) overnight or two-day courier on any party by the other party to the following addresses:

For Defendants:

Kerry E. Shea, Esq. Davis Wright Tremaine LLP 505 Montgomery Street, Suite 800 San Francisco, CA 94111

For Espinosa:

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Evan J. Smith
BRODSKY & SMITH, LLC
9595 Wilshire Blvd., Suite 900
Beverly Hills, CA 90212

T: 877.354.2590

Any party, from time to time, may specify in writing to the other party a change of address to which all notices and other communications shall be sent.

9. Authority to Stipulate

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

10. Counterparts

10.1 This Stipulation may be signed in counterparts and shall be binding upon the Parties hereto as if all said Parties executed the original hereof.

11. Retention of Jurisdiction

11.1 This Court shall retain jurisdiction of this matter to implement the Consent Judgment.

12. Service on the Attorney General

12.1 Espinosa shall serve a copy of this Consent Judgment, signed by both Parties, on the California Attorney General on behalf of the Parties so that the Attorney general may review this Consent Judgment prior to its submittal to the Court for Approval. No sooner than forty-five (45) days after the Attorney General has received the aforementioned copy of this Consent Judgment, and in the absence of any written objection by the Attorney General to the terms of this Consent Judgment, the Parties may then submit it to the Court for Approval.

13. Entire Agreement

13.1 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 discussions, negotiations, commitment and understandings related thereto. 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. 3 14. Coverning Law and Construction The validity, construction and performance of this Consent Judgment shall be governed by the laws of the State of California, without reference to any conflicts of law 5 provisions of California law. 15. Court Approval 15.1 If this Consent Judgment is not approved by the Court, it shall be of no force or effect, and cannot be used in any proceeding for any purpose. 9 10 IT IS SO STIPULATED: 11 12 Dated: 13 Gabriel Espinosa 15 16 17 18 19 20 IT IS SO ORDERED, ADJUDGED AND DECREED: 21 1/11/2017 22 Judge of Superior Court 23 24 25 26 27 28

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. Governing Law and Construction The validity, construction and performance of this Consent Judgment shall be 14.1 governed by the laws of the State of California, without reference to any conflicts of law provisions of California law. 15. Court Approval If this Consent Judgment is not approved by the Court, it shall be of no force or 15.1 effect; and cannot be used in any proceeding for any purpose. 1.0 IT IS SO STIPULATED: 11 Dated: 13 14 Gabriel Espinosa 16 :17 18 Stein Mart Holding Corp. 19 20 IT IS SO ORDERED, ADJUDGED AND DECREED: 21 22. Dated: Judge of Superior Court 23 24 25 26 27

hereto. No other agreements not specifically referred to herein, oral or otherwise, shall be deemed 2 to exist or to bind any of the Parties. Governing Law and Construction 3. The validity, construction and performance of this Consent Judgment shall be governed by the laws of the State of California, without reference to any conflicts of law 5 6 provisions of California law. 7 15. Court Approval 15.1 If this Consent Judgment is not approved by the Court, it shall be of no force or 8 effect, and cannot be used in any proceeding for any purpose. 9 IT IS SO STIPULATED: 10 11 12 Dated: .1,3 14 By: L.C. Industries, Inc. 15 16 17 18 Stein Mart Holding Corp. 19 20. IT IS SO ORDERED, ADJUDGED AND DECREED: 21 22 Dated: Judge of Superior Court 23 Michael M. Markman 24 25 26 27 28