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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF ALAMEDA

10 GABRIEL ESPINOSA,

11 Plaintiff,

12 vs.

13 L.C. INDUSTRIES, INC. t/a LCI
14 BRANDS and STEIN MART HOLDING
CORP. t/a STEIN MART,

15 Defendants.
16

Case No. RG16822618

[PROPOSED] CONSENT JUDGMENT

Judge: Delbert C. Gee

Dept.: 302

Hearing Date: January 10, 2017

Hearing Time: 2:30 PM

Reservation #: R-1801065

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1 **1. Introduction**

2 1.1 On March 24, 2016, Gabriel Espinosa (“Espinosa”) served L.C. Industries, Inc.
3 (“LCI”), Stein Mart Holding Corp. (“Stein Mart”) and various public enforcement agencies with a
4 document entitled “Notice of Violation of California Health & Safety Code § 25249.6, *et seq.*”
5 (the “Notice”). The Notice provided LCI, Stein Mart, and such others, including public enforcers,
6 with notice that alleged that LCI and Stein Mart were in violation of California Health & Safety
7 Code § 25249.6 (“Proposition 65”), for failing to warn consumers and customers that The
8 Original Neckrest, UPC No. 029275045202 (“Product” or “Products”) exposed users in
9 California to the chemical Di(2-ethylhexyl) phthalate (DEHP). No public enforcer has diligently
10 prosecuted the allegations set forth in the Notice.

11 1.2 On July 8, 2016, Espinosa filed a Complaint for Civil Penalties and Injunctive
12 Relief (“Complaint”) in Alameda County Superior Court, Case No. RG16822618, against LCI
13 and Stein Mart (collectively, “Defendants”) alleging violations of Proposition 65.

14 1.3 Defendants and Espinosa are collectively referred to herein as, the “Parties”.

15 1.3 LCI and Stein Mart are each a corporation that employs more than ten persons
16 under California Health and Safety Code §25249.6 and offered the Products for sale within the
17 State of California.

18 1.4 Espinosa’s Complaint alleges, among other things, that Defendants sold the
19 Products in California and/or to California citizens, that the Products contains DEHP, and that the
20 resulting exposure violated provisions of Proposition 65, by knowingly and intentionally
21 exposing persons to a chemical known to the State of California to cause both cancer and
22 reproductive toxicity without first providing a clear and reasonable warning to such individuals.

23 1.5 For purposes of this Consent Judgment only, the Parties stipulate that this Court
24 has jurisdiction over the allegations of violations contained in the Complaint and personal
25 jurisdiction over Defendants as to the acts alleged in the Complaint, that venue is proper in the
26 County of Alameda, and that this Court has jurisdiction to enter this Consent Judgment as a
27 resolution of the allegations contained in the Complaint.

28 1.6 The Parties enter into this Consent Judgment pursuant to a full settlement of

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

11 1.7 For purposes of this Consent Judgment, the term "Effective Date" shall mean the
12 date that the Consent Judgment is entered by the Court.

13 **2. Injunctive Relief**

14 2.1 Commencing ninety (90) days after the Effective Date, and continuing thereafter,
15 LCI shall only ship, sell, or offer for sale in California, Reformulated Product pursuant to Section
16 2.2 or Product that is labeled with a clear and reasonable warning pursuant to Section 2.3. LCI
17 and its downstream retailers shall have no obligation to label Products that entered the stream of
18 commerce prior to the Effective Date or within ninety (90) days after the Effective Date. For
19 purposes of this Settlement Agreement, a "Reformulated Product" is Product that is in compliance
20 with the standard set forth below in section 2.2.

21 2.2 "Reformulated Product" shall mean Product that contains less than or equal to
22 1,000 parts per million ("ppm") of DEHP when analyzed pursuant to CPSC-CH-C1001-09.3
23 Standard Operating Procedure for Determination of Phthalates method.

24 2.3 Commencing ninety (90) days after the Effective Date, LCI shall, for all Products
25 it sells or distributes and that is intended for sale in California and that is not a Reformulated
26 Product, provide clear and reasonable warnings as set forth in subsections 2.3(a) and (b) below.
27 The warning shall be prominently placed with such conspicuousness as compared with other
28 words, statements, designs, or devices as to render it likely to be read and understood by an

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

4 **(a) Retail Store Sales**

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

8 **[PROPOSITION 65] WARNING:**

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

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

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

18 **[PROPOSITION 65] WARNING:**

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

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

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

1 **[PROPOSITION 65] WARNING:**

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

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

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

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

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

25 **[PROPOSITION 65] WARNING:**

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

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

1 **3. Entry of Consent Judgment**

2 3.1 The Parties hereby request that the Court promptly enter this Consent Judgment.
3 Upon entry of this Consent Judgment, the Parties waive their respective rights to a hearing or trial
4 on the allegations of the Complaint and 60-Day Notice.

5 3.2 In the event that the Attorney General objects or otherwise comments on one or
6 more provisions of this Consent Judgment, the Parties agree to take reasonable steps to satisfy
7 such concerns or objections.

8 **4. Matters Covered By This Consent Judgment**

9 4.1 **Espinosa’s Public Release of Proposition 65 Claims.** This Consent
10 Judgment is a final and binding resolution between Espinosa, acting on his own behalf, and on
11 behalf of the public and in the public interest, and Defendants, and shall have preclusive effect
12 such that no other person or entity, whether purporting to act in his, her, or its interests or the
13 public interest shall be permitted to pursue and/or take any action with respect to any violation of
14 Proposition 65 that was alleged in the Complaint, or that could have been brought pursuant to the
15 Notice against LCI or its downstream retailers of the Product including but not limited to Stein
16 Mart (“Proposition 65 Claims”). As to alleged exposures to DEHP in the Product, compliance
17 with the terms of this Consent Judgment by LCI is deemed sufficient to satisfy all obligations
18 concerning compliance by LCI and its downstream retailers, including but not limited to Stein
19 Mart with the requirements of Proposition 65 with respect to the Products.

20 4.2 **Plaintiff’s Release of Additional Claims.** As to Espinosa for and in his
21 individual capacity only, this Consent Judgment shall have preclusive effect such that he shall not
22 be permitted to pursue and/or take any action with respect to any other statutory or common law
23 claim, to the fullest extent that any such claim was or could have been asserted by him against
24 LCI or any and all downstream retailers of the Products, including but not limited to Stein Mart,
25 based on their exposure of Espinosa to DEHP in the Products, or their failure to provide a clear
26 and reasonable warning of exposure to Espinosa as well as any other claim based in whole or in
27 part on the facts alleged in the Complaint and the Notice, whether based on actions committed by
28 LCI or its downstream retailers of the Products, including but not limited to Stein Mart (“DEHP

1 Exposure Claims”).

2 4.3 **Waiver of Rights Under Section 1542 of the California Civil Code.** As to
3 Espinosa’s public release of Proposition 65 Claims set forth in Section 4.1 (“Public Release”) and
4 his individual release of DEHP Exposure Claims set forth in Section 4.2 (“Individual Release”),
5 Espinosa, acting on his own behalf and on behalf of the public with respect to the Public Release
6 and acting in his individual capacity with respect to the Individual Release, waives all rights to
7 institute any form of legal action, and releases all claims against LCI and its downstream retailers,
8 including but not limited to Stein Mart (including their parents, subsidiaries, affiliates, assigns,
9 and acquiring entities of any of them, who may use, maintain, distribute or sell the Products) for
10 the Proposition 65 Claims and the DEHP Exposure Claims (referred to collectively in this
11 Section as “Claims”). In furtherance of the foregoing, Espinosa, acting on his own behalf and on
12 behalf of the public with respect to the Public Release and acting in his individual capacity with
13 respect to the Individual Release, waives any and all rights and benefits which he now has, or in
14 the future may have, conferred upon him with respect to the Claims by virtue of the provisions of
15 § 1542 of the California Civil Code, which provides as follows:

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

21 4.4 **Defendants’ Release of Plaintiff Espinosa.** Defendants, each on behalf of itself,
22 their past and current agents, representatives, attorneys, successors and/or assignees, hereby
23 waives any and all claims against Espinosa, his attorneys, and other representatives for any and all
24 actions taken or statements made (or those that could have been taken or made) by Espinosa and
25 his attorneys and other representatives, whether in the course of investigating claims or otherwise
26 seeking enforcement of Proposition 65 against Defendants in this matter.

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1 **5. Enforcement of Judgment**

2 5.1 The terms of this Consent Judgment shall be enforced exclusively by the Parties
3 hereto. The Parties may, by noticed motion or order to show cause before the Superior Court of
4 Alameda County, giving the notice required by law, enforce the terms and conditions contained
5 herein. In any proceeding brought by either party to enforce this Consent Judgment, such party
6 may seek whatever fines, costs, penalties or remedies as may be provided by law for any violation
7 of Proposition 65 or this Consent Judgment.

8 **6. Modification of Judgment**

9 6.1 This Consent Judgment may be modified only by written agreement of the Parties
10 upon entry of a modified Consent Judgment by the Court thereon, or upon motion of any party as
11 provided by law and upon an entry of a modified Consent Judgment by the Court.

12 6.2 Should any court enter final judgment in a case brought by Espinosa or the People
13 involving the Products that sets forth standards defining when Proposition 65 warnings will or
14 will not be required (“Alternative Standards”), or if the California Attorney General’s office
15 otherwise provides written endorsement (i.e., a writing that is circulated by the Attorney General
16 that is not intended for the purpose of soliciting further input or comments) of Alternative
17 Standards applicable to products that are of the same general type and function as the Products
18 and constructed from the same materials, LCI shall be entitled to seek a modification of this
19 Consent Judgment on sixty (60) days’ notice to Espinosa so as to be able to utilize and rely on
20 such Alternative Standards in lieu of those set forth in Section 2 of this Consent Judgment.
21 Espinosa shall not unreasonably contest any proposed application to effectuate such a
22 modification provided that the Products for which such a modification is sought are of the same
23 general type and function as those to which the Alternative Standards apply.

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1 7. Settlement Payment

2 7.1 In settlement of all the claims referred to in this Consent Judgment, and without
3 any admission of liability therefore, LCI shall make the following monetary payments:

4 7.1.1 **Initial Civil Penalty.** Within seven (7) business days of the Effective Date,
5 LCI shall pay a total of \$3,000.00 in civil penalties in accordance with this Section. The Initial
6 Civil Penalty payment will be allocated in accordance with California Health & Safety Code §§
7 25249.12(c)(1) and (d), with 75% of the funds remitted to the California Office of Environmental
8 Health Hazard Assessment ("OEHHA") and the remaining 25% of the civil penalty remitted to
9 Espinosa. Within seven (7) business days of the Effective Date, LCI shall issue two separate
10 checks for the civil penalty payment to (a) "OEHHA" in the amount of \$2,250.00; and (b)
11 "Brodsky & Smith, LLC in Trust for Espinosa" in the amount of \$750.00. Payment owed to
12 Espinosa pursuant to this Section shall be delivered to the following payment address:

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

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

18 For United States Postal Service Delivery:

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

22 For Non-United States Postal Service Delivery:

23 Mike Gyurics
24 Fiscal Operations Branch Chief
25 Office of Environmental Health Hazard Assessment
26 1001 I Street
27 Sacramento, CA 95814

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

28 7.1.2 **Final Civil Penalty.** Sixty (60) days after the Effective Date, LCI shall

1 For Espinosa:

2 Evan J. Smith
3 BRODSKY & SMITH, LLC
4 9595 Wilshire Blvd., Suite 900
5 Beverly Hills, CA 90212
6 T: 877.354.2590

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

9 **9. Authority to Stipulate**

10 9.1 Each signatory to this Consent Judgment certifies that he or she is fully authorized
11 by the party he or she represents to enter into this Consent Judgment and to execute it on behalf of
12 the party represented and legally to bind that party.

13 **10. Counterparts**

14 10.1 This Stipulation may be signed in counterparts and shall be binding upon the
15 Parties hereto as if all said Parties executed the original hereof.

16 **11. Retention of Jurisdiction**

17 11.1 This Court shall retain jurisdiction of this matter to implement the Consent
18 Judgment.

19 **12. Service on the Attorney General**

20 12.1 Espinosa shall serve a copy of this Consent Judgment, signed by both Parties, on
21 the California Attorney General on behalf of the Parties so that the Attorney general may review
22 this Consent Judgment prior to its submittal to the Court for Approval. No sooner than forty-five
23 (45) days after the Attorney General has received the aforementioned copy of this Consent
24 Judgment, and in the absence of any written objection by the Attorney General to the terms of this
25 Consent Judgment, the Parties may then submit it to the Court for Approval.

26 **13. Entire Agreement**

27 13.1 This Consent Judgment contains the sole and entire agreement and understanding
28 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

1 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.

3 **14. Governing Law and Construction**

4 14.1 The validity, construction and performance of this Consent Judgment shall be
5 governed by the laws of the State of California, without reference to any conflicts of law
6 provisions of California law.

7 **15. Court Approval**

8 15.1 If this Consent Judgment is not approved by the Court, it shall be of no force or
9 effect, and cannot be used in any proceeding for any purpose.

10 **IT IS SO STIPULATED:**

12 Dated: _____ Dated: _____

14 By: _____ By: _____
15 Gabriel Espinosa L.C. Industries, Inc.

16 Dated: 10/11/16

18 By: 
19 Stein Mart Holding Corp.

20 **IT IS SO ORDERED, ADJUDGED AND DECREED:**

22 Dated: _____
23 Judge of Superior Court

1 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.

3 **14. Governing Law and Construction**

4 14.1 The validity, construction and performance of this Consent Judgment shall be
5 governed by the laws of the State of California, without reference to any conflicts of law
6 provisions of California law.

7 **15. Court Approval**

8 15.1 If this Consent Judgment is not approved by the Court, it shall be of no force or
9 effect, and cannot be used in any proceeding for any purpose.

10 **IT IS SO STIPULATED:**

11
12 Dated: _____

Dated: Oct 17, 2016

13
14 By: _____
15 Gabriel Espinosa

By: 
16 L.C. Industries, Inc.

17 Dated: _____

18 By: _____
19 Stein Mart Holding Corp.

20 **IT IS SO ORDERED, ADJUDGED AND DECREED:**

21
22 Dated: _____

23 Judge of Superior Court

1 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.

3 **14. Governing Law and Construction**

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5 governed by the laws of the State of California, without reference to any conflicts of law
6 provisions of California law.


7 **15. Court Approval**

8 15.1 If this Consent Judgment is not approved by the Court, it shall be of no force or
9 effect, and cannot be used in any proceeding for any purpose.

10 **IT IS SO STIPULATED:**

11
12 Dated: 11/17/16

Dated: _____

13
14 By:  _____
15 Gabriel Espinosa

By: _____
L.C. Industries, Inc.

Dated: _____

By: _____
Stein Mart Holding Corp.

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20 **IT IS SO ORDERED, ADJUDGED AND DECREED:**

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22 Dated: _____

Judge of Superior Court

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