

State of California - Department of Justice - Attorney General's Office - Proposition 65 Enforcement Reporting

Attention: Prop 65 Coordinator, 1515 Clay Street, Suite 2000, Oakland, CA 94612

FORM JUS 1501
(03-01)

PRIVATE ENFORCEMENT FILING - Health and Safety Code section 25249.7(e) and (f)

REPORT OF SETTLEMENT

Please print or type required information Original Filing Supplemental Filing Corrected Filing

PARTIES TO THE ACTION	PLAINTIFF(S)			
	DEFENDANT(S) INVOLVED IN SETTLEMENT			
CASE INFO	COURT DOCKET NUMBER		COURT NAME	
	SHORT CASE NAME			
REPORT INFO	INJUNCTIVE RELIEF			
	PAYMENT: CIVIL PENALTY		PAYMENT: ATTORNEYS FEES	PAYMENT: OTHER
	WILL SETTLEMENT BE SUBMITTED TO COURT? <input type="checkbox"/> Yes <input type="checkbox"/> No	IF YES, AFTER ENTRY OF JUDGMENT BY COURT, REPORT OF ENTRY OF JUDGMENT MUST BE SUBMITTED TO ATTORNEY GENERAL		DATE SETTLEMENT SIGNED / /
	COPY OF SETTLEMENT MUST BE ATTACHED			
FILER INFO	NAME OF CONTACT			
	ORGANIZATION			TELEPHONE NUMBER ()
	ADDRESS			FAX NUMBER ()
	CITY		STATE ZIP	E-MAIL ADDRESS

FILING INSTRUCTIONS: This form can be completed online and printed. If electronic filing is not available, mail the completed form with a copy of the settlement to the attention of the Prop 65 Coordinator at the address shown above. If you need additional space to complete this form please use an attachment.

SETTLEMENT AGREEMENT

BETWEEN

SHEFA LMV, INC.

AND

THE STOCKROOM, INC.

Shefa LMV, INC. (“Shefa”) and The Stockroom, Inc. (“Stockroom”), (Shefa and Stockroom collectively referred to as, the “Parties”) enter into this agreement (“Settlement Agreement”) for the purpose of avoiding prolonged and costly litigation to settle Shefa's allegations that Stockroom violated the California Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code §25249.6 4 *et seq.* (“Proposition 65”). The effective date of this Settlement Agreement shall be the date upon which it is fully executed by all Parties hereto (the “Effective Date”).

1.0 Introduction

1.1 Shefa is a California-based entity that seeks to promote awareness of exposures to toxic chemicals and improve human health by reducing or eliminating hazardous substances contained in consumer and industrial products.

1.2 Shefa alleges that Stockroom manufactures, imports, sells, or distributes for sale in the state of California adult novelty gag products that contain Di-[2-Ethylhexyl]Phthalate (“DEHP”) and adult novelty bondage tape products and electrode products that contain Diisononyl Phthalate (“DINP”) without first providing a clear and reasonable warning as required by Proposition 65.

1.3 DEHP is listed pursuant to Proposition 65 as a chemical known to cause cancer and birth defects or other reproductive harm.

1.4 DINP is listed pursuant to Proposition 65 as a chemical known to cause cancer.

1.5 The products covered by this Settlement Agreement are: (1) adult novelty bondage tape products and electrode products manufactured for, or distributed or sold by, Stockroom to others, including, but not limited to, Kinklab Bondage Tape, Black; UPC:844915090929, and Mystim Electrodes; Item #11168, that contain DINP; (2) adult novelty gag products manufactured for, or distributed or sold by, Stockroom to others, including, but not limited to Kinklab Jawbreaker Gag™; UPC: 844915091056, that contain DEHP; and, (3) any and all other products sold by Stockroom on or before the effective date hereof. (the “Covered Products”).

1.6 On January 1, 1988, the Governor of California added DEHP to the list of chemicals known to the State to cause cancer.

1.7 On October 24, 2003, the Governor of California added DEHP to the list of chemicals known to the State to cause reproductive toxicity.

1.8 On December 20, 2013, the Governor of California added DINP to the list of chemicals known to the State to cause cancer.

1.9 This addition took place more than twelve (12) months before Shefa served its “60-Day Notice of Violation” which is further described below.

1.10 DEHP and DINP are referred to hereafter as the “Listed Chemicals.”

1.11 On or about November 14, 2016, Shefa alleges that it served Stockroom, as well as certain relevant public enforcement agencies with documents entitled "60-Day Notice Of Violation" (collectively the “Notice”) advising of its intent to sue for violation of Proposition 65 relative to Covered Products containing the Listed Chemicals.

1.12 The Notice alleged that Stockroom violated Proposition 65 by failing to warn

consumers in California that use of Covered Products exposes users to the Listed Chemicals.

1.13 To the best of the Parties' knowledge, no public enforcer has commenced and/or is diligently prosecuting the same allegations against Stockroom.

1.14 Stockroom denies all material, factual, and legal allegations in the Notice, and maintains that all of the products that it has manufactured, imported, stored, distributed, shipped, sold and/or offered for sale in California, including the Products, have been, and are, in compliance with all laws. Nothing in this Settlement Agreement shall be construed as an admission by Stockroom of any allegation, fact, finding, conclusion, issue of law, or violation of law, nor shall compliance with this Settlement Agreement constitute or be construed as an admission by Stockroom of any allegation, fact, finding, conclusion, issue of law, or violation of law, such being specifically denied by Stockroom. This Section shall not, however, diminish or otherwise affect Stockroom's obligations, responsibilities, and duties under this Settlement Agreement.

1.15 The Parties enter into this Settlement Agreement to settle disputed claims between the Parties as set forth below concerning the Parties' and the Covered Products' compliance with Proposition 65 (the "Dispute").

1.16 By execution of this Settlement Agreement, the Parties do not admit any facts or conclusions of law, including, but not limited to, any facts or conclusions of law regarding any violation of Proposition 65, or any other statutory, regulatory, common law, or equitable doctrine. Nothing in this Settlement Agreement shall be construed as an admission by any Party of any fact, conclusion of law, issue of law, or violation of law.

1.17 Nothing in this Settlement Agreement, nor compliance with its terms, shall constitute or be construed, considered, offered, or admitted as evidence of an admission or

evidence of fault, wrongdoing, or liability by Stockroom, its officers, directors, employees, or parents, subsidiaries or affiliated corporations, in any administrative or judicial proceeding or litigation in any court, agency, or forum.

1.18 Except for the allegations settled and compromised, nothing in this Settlement Agreement shall prejudice, waive, or impair any right, remedy, argument, or defense that Shefa or Stockroom may have against one another in any other pending legal proceeding as to allegations unrelated to the Dispute or claims released herein.

2.0 Release

2.1 This Settlement Agreement is a full, final, and binding resolution between Shefa, acting in its individual and/or representative capacity, on the one hand, and (a) Stockroom, and its owners, parents, subsidiaries, affiliates, sister and related companies, employees, shareholders, members, officers, directors, insurers, attorneys, predecessors, successors, and assigns, including but not limited to, Mystim GmbH, (collectively the “Releasees”), and (b) all entities to whom Releasees directly or indirectly provide, distribute, or sell the Covered Products only, including but not limited to distributors, wholesalers, customers, retailers, franchisees, cooperative members and licensees, including but not limited to Jack and Jill Adult Superstore and The Pleasure Chest Ltd., (“Downstream Releasees”), on the other hand, of any violation(s) or claimed violation(s) of Proposition 65 or any statutory or common law claim that has been, could have been or may in the future be asserted against the Releasees and/or Downstream Releasees regarding exposing persons to the Listed Chemicals and the failure to warn about exposure to the Listed Chemicals arising only in connection with the Covered Products manufactured, shipped, and/or otherwise distributed prior to the Effective Date, even if sold by Downstream Releasees after the Effective Date.

2.2 The Covered Products are limited to those sold by Stockroom and its direct and/or indirect distributors, sub-distributors and end-users.

2.3 Shefa, its past and current agents, representatives, attorneys, successors, and/or assignees, hereby waives and releases with respect to the Covered Products all rights to institute or participate in, directly or indirectly, any form of legal action, including, without limitation, all actions, and causes of action, in law or in equity, suits, liabilities, demands, obligations, damages, costs, fines, penalties, losses, or expenses (including, but not limited to, investigation fees, expert fees, and attorneys' fees) (collectively the "Claims"), against Releasees and/or Downstream Releasees that arise under Proposition 65 or any other statutory or common law claims that were or could have been asserted in respect of any Covered Products sold up to the Effective Date, including without limitation to the extent that such claims relate to Releasees' and/or Downstream Releasees' alleged exposure of persons to the Listed Chemicals contained in the Covered Products or any failure by Releasees and Downstream Releasees to warn about exposures to the Listed Chemicals contained in the Covered Products.

2.4 Shefa acknowledges that it is familiar with Section 1542 of Civil Code, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO 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 OR HER SETTLEMENT WITH THE DEBTOR.

Shefa, its past and current agents, representatives, attorneys, successors, and/or assignees,

in its individual and not representative capacity, expressly waives and relinquishes any and all rights and benefits which it may have under, or which may be conferred on it by the provisions of Civil Code § 1542 as well as under any other state or federal statute or common law principle of similar effect, to the fullest extent that it may lawfully waive such rights or benefits pertaining to the released matters.

3.0 Stockroom's Duties

3.1 Commencing on the Effective Date, Stockroom shall only knowingly sell or offer for sale in California Covered Products that are Compliant Products. For purposes of this Settlement Agreement, Compliant Products are defined as those Covered Products containing the Listed Chemicals in a concentration less than or equal to 1000 parts per million ("ppm") (0.1%) when analyzed pursuant to a scientifically reliable application of U.S. Environmental Protection Agency testing methodologies 3580A and 8270C or any other scientifically reliable methodology for determining the Listed Chemicals content in a substance of the form of the Covered Products herein ("Reformulation Standard"), or those Covered Products exhibiting a warning in compliance with Proposition 65 ("Compliant Warning").

3.2 Whenever a clear and reasonable warning is required under Section 3.1 for Covered Product offered for sale in the State of California, it shall state one of the warnings described in Section 3.3 in such a conspicuous and prominent manner as to be likely to be read and understood by the consumer prior to or at the time of the sale or purchase.

3.3 The Parties agree that any of the following warnings shall constitute a Compliant Warning for the Listed Chemicals in the Covered Products:

- (a) the text, "**WARNING: This product contains a chemical known to the State of California to cause cancer, birth defects or other reproductive harm**" as

provided by existing regulations; or

(b) the text, **“WARNING This product can expose you to chemicals, including DEHP [or DINP], which is known to the State of California to cause cancer and birth defects or other reproductive harm. For more information go to www.P65Warnings.ca.gov.”** accompanied by and placed to the right of a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline sized to be no smaller than the word, “WARNING” as provided by regulations adopted on or about August 30, 2016; or

(c) [for DINP] the text, **“WARNING Cancer - www.P65Warnings.ca.gov.”** accompanied by and placed to the right of a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline sized to be no smaller than the word, “WARNING” as provided by regulations adopted on or about August 30, 2016; or

(d) for [DEHP] the text, **“WARNING Cancer and Reproductive Harm - www.P65Warnings.ca.gov.”** accompanied by and placed to the right of a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline sized to be no smaller than the word, “WARNING” as provided by regulations adopted on or about August 30, 2016.

3.4 The Parties agree that the specifications for Compliant Warnings in this Settlement Agreement are consistent with Proposition 65 and its regulations as of the date of this Settlement Agreement, and regulations adopted on or about August 30, 2016 to become effective August 30, 2018.

3.5 If modifications or amendments to Proposition 65 or its regulations after the

Effective Date are inconsistent with, or provide warning specifications or options different from, the specifications in this Settlement Agreement, Stockroom may modify the content and delivery methods of its warnings to conform to the modified or amended provisions of Proposition 65 or its regulations.

4.0 Payments

4.1 Payment from Stockroom. Stockroom shall make the Total Settlement Payment of \$13,000.00.

4.2 Allocation of Payments. The Total Settlement Payment shall be paid and allocated as follows:

4.2.1 Civil Penalty. Stockroom shall pay \$2,000.00 as a civil penalty pursuant to Health & Safety Code § 25249.7(b). The civil penalty shall be apportioned in accordance with Health & Safety Code § 25249.12 (25% to Shefa and 75% to the State of California's Office of Environmental Health Hazard Assessment ("OEHHA")). Accordingly, the OEHHA portion of the civil penalty payment in the amount of \$1,500.00 shall be made payable to OEHHA and associated with taxpayer identification number 68-0284486. This payment shall be delivered as follows:

For United States Postal Service Delivery:

Attn: Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
P.O. Box 4010, MS #19B
Sacramento, CA 95812-4010

For Non-United States Postal Service Delivery:

Attn: Mike Gyurics
Fiscal Operations Branch Chief
Office of Environmental Health Hazard Assessment
1001 I Street, MS #19B
Sacramento, CA 95814

The Shefa portion of the civil penalty payment in the amount of \$500.00 shall be made payable to Shefa LMV, Inc. and associated with taxpayer identification number 81-0907002. This payment shall be delivered to the Law Office of Daniel N. Greenbaum, 7120 Hayvenhurst Avenue, Suite 320, Van Nuys, CA 91406.

4.2.2 Attorneys' fees and Costs. A reimbursement of Shefa's attorney's fees and costs in the amount of \$11,000.00 payable to the "Law Office of Daniel N. Greenbaum," and associated with taxpayer identification number 46-4580172. This payment shall be delivered to the Law Office of Daniel N. Greenbaum, 7120 Hayvenhurst Ave, Suite 320, Van Nuys, CA 91406.

4.2.3 Tax Forms. Additionally, three separate 1099s shall be issued for the above payments: The first 1099 shall be issued to OEHHA, P.O. Box 4010, Sacramento, CA 95814 (EIN: 68-0284486) in the amount of \$1,500.00. The second 1099 shall be issued in the amount of \$500.00 to Shefa LMV, Inc (EIN: 81-0907002) and delivered to: Daniel N. Greenbaum, 7120 Hayvenhurst Avenue, Suite 320, Van Nuys, CA 91406. The third 1099 shall be issued in the amount of \$11,000.00 to the Law Office of Daniel N. Greenbaum (EIN: 46-4580172) and delivered to: Daniel N. Greenbaum, 7120 Hayvenhurst Avenue, Suite 320,

Van Nuys, CA 91406.

5.0 Authority to Enter Into Settlement Agreement

5.1 Shefa represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Shefa to this Settlement Agreement.

5.2 Stockroom represents that its signatory to this Settlement Agreement has full authority to enter into and legally bind Stockroom to this Settlement Agreement.

6.0 Report of the Settlement Agreement to the Office of the Attorney General Of California

6.1 Shefa shall report this Settlement Agreement to the Attorney General's Office within five (5) days of the Parties' execution of this Settlement Agreement.

7.0 Execution in Counterparts and Facsimile

7.1 This Settlement Agreement may be executed in counterparts, which taken together shall be deemed to constitute the same document.

7.2 A facsimile or portable document format (PDF) signature shall be as valid as the original.

8.0 Entire Agreement

8.1 This Settlement Agreement contains the sole and entire agreement and understanding of the Parties with respect to the entire subject matter hereof, and all related prior discussions, negotiations, commitments, and understandings.

8.2 No other agreements, oral or otherwise, exist to bind any of the Parties.

9.0 Modification of Settlement Agreement

9.1 Any modification to this Settlement Agreement shall be in writing and signed by

the Parties.

10.0 Application of Settlement Agreement

10.1 This Settlement Agreement shall apply to, be binding upon, and inure to the benefit of, Shefa and the Releasees and Downstream Releasees identified in Section 2 above.

11.0 Enforcement of Settlement Agreement

11.1 Any party may file suit before the Superior Court of the County of Los Angeles, consistent with the terms and conditions set forth in paragraphs 11.2 and 11.3 of this Settlement Agreement, to enforce the terms and conditions contained in this Settlement Agreement.

11.2 No action to enforce this Settlement Agreement may be commenced or maintained, and no notice of violation related to the Covered Products may be served or filed against Stockroom by Shefa, unless the party seeking enforcement or alleging violation notifies the other party of the specific acts alleged to breach this Settlement Agreement at least 90 days before serving or filing any action or Notice of Violation and the entity receiving the notice fails to comply with the requirements set forth in Section 11.3 below. Any notice to Stockroom must contain (a) the name of the product, (b) specific dates when the product was sold after the Effective Date in California without reformulation, (c) the store or other place at which the product was available for sale to consumers, and (d) evidence that the Reformulation Standard was exceeded or warning not provided, and (e) any other evidence or other support for the allegations in the notice.

11.3 Within 30 days of receiving the notice described in Section 11.2, Stockroom shall either (1) send the store or other place at which the product was available for sale to the public a letter directing that the offending product be immediately removed from inventory and returned to Stockroom, or (2) refute the information provided under Section 11.2. Should

the parties be unable to resolve the dispute, any party may seek relief under Section 11.1.

12.0 Notification Requirements

12.1 Any notice required or permitted hereunder shall be effective only if given in writing and delivered in person, certified or registered mail return receipt requested, or traceable overnight delivery service, to the following designees:

For Shefa:

Daniel N. Greenbaum, Esq.
Law Office of Daniel N. Greenbaum
7120 Hayvenhurst Avenue, Suite 320
Van Nuys, CA 91406

For The Stockroom, Inc.

Allan B. Gelbard, Esq.
15760 Ventura Blvd. - Suite 801
Encino, CA 91436

Any party may change its designee(s) for purposes of notification by providing written notice of such change pursuant to this section.

13.0 SEVERABILITY

13.1 If subsequent to the execution of this Settlement Agreement, any of the provisions of this Settlement Agreement are held by a court to be unenforceable, the validity of the enforceable provisions remaining shall not be adversely affected.

14.0 GOVERNING LAW

14.1 The Terms of this Settlement Agreement shall be governed by the laws of the State of California and apply within the State of California.

14.2 In the event that Proposition 65 is repealed, preempted or otherwise rendered inapplicable by reason of law generally, or as to the Covered Products, then Stockroom shall have no further obligations pursuant to this Settlement Agreement with respect to, and to the

extent that, any Covered Products that are so affected.

14.3 This Settlement Agreement shall apply to and be binding upon Shefa, Stockroom, Stockroom's Downstream Releasees, Distributors, Sub-Distributors and end users; and their respective, divisions, subdivisions, and subsidiaries, successors and assigns.

14.4 The Parties, including their counsel, have participated in the preparation of this Settlement Agreement and this Settlement Agreement is the result of the joint efforts of the Parties.

14.5 This Settlement Agreement was subject to revision and modification by the Parties and has been accepted and approved as to its final form by all Parties and their counsel.

14.6 Each Party to this Settlement Agreement agrees that any statute or rule of construction providing that ambiguities are to be resolved against the drafting Party should not be employed in the interpretation of this Settlement Agreement and, in this regard, the Parties hereby waive California Civil Code § 1654.

15.0 AUTHORIZATION

15.1 Each signatory to this Settlement Agreement certifies that he or she is fully authorized by the Party he or she represents to stipulate to this Settlement Agreement and to enter into and execute the Settlement Agreement on behalf of the Party represented and legally bind that Party.

15.2 The undersigned have read, understand and agree to all of the terms and conditions of this Settlement Agreement.

15.3 Except as explicitly provided herein, each Party is to bear its own fees and costs.

AGREED TO:


Dated: May 2, 2018

SHEFA LMV, INC.

By:  _____

Dated: ~~April~~ — , 2018
05/02/18

THE STOCKROOM, INC.

By:  _____