1	Gregory M. Sheffer, State Bar No. 173124					
2	Clifford A. Chanler, State Bar No. 135534 SHEFFER & CHANLER LLP					
3	4400 Keller Avenue, Suite 200 Oakland, CA 94605-4229					
4	Tel: (510) 577-0747 Fax: (510) 577-0787					
5	Attorneys for Plaintiff					
6	MICHAEL DIPIRRO					
7	D 1 F. C Chata Ban No. 122550					
8	David E. Cranston, State Bar No. 122558 Jennifer T. Taggart, State Bar No. 180015		•			
9	GREENBERG GLUSKER FIELDS CLAMAN MACHTINGER & KINSELLA LLP					
10	1900 Avenue of the Stars, Suite 2100 Los Angeles, CA 90067-4590					
11	Tel: (310) 553-3610 Fax: (310) 553-0687					
12	Attorneys for Defendant					
13	KOLE IMPORTS					
14	CUDEDIOD COURT OF TH	E CT A	TE OE CAI IEODNIA			
15	SUPERIOR COURT OF THE STATE OF CALIFORNIA					
16	IN AND FOR THE COUNTY OF ALAMEDA, HAYWARD BRANCH					
17	UNLIMITED CIVIL JURISDICTION					
18	MICHAEL DIPIRRO,	)	Case No. 02-039376			
19	Plaintiff,	)	CONSENT JUDGMENT			
20	v.	) )	•			
21		)				
22	KOLE IMPORTS; and DOES 1 through 1000,	)				
23	Defendants.	_) )				
24						
25						
26						
27						
28	~					

This Consent Judgment ("Agreement" or "Consent Judgment") is entered into by and between Michael DiPirro ("DIPIRRO"), and Kole Imports ("KOLE IMPORTS"), a California Corporation, as of December 23, 2002 (the "Effective Date"). The parties agree to the following terms and conditions:

### WHEREAS:

- A. Michael DiPirro is an individual residing in San Francisco, California, who 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;
- B. DIPIRRO alleges that KOLE IMPORTS is a company that manufactures and sells adhesives and contact cements that contain toluene, a substance known to the State of California to cause birth defects (or other reproductive harm);
- C. A list of such KOLE IMPORTS products that contain toluene (the "Listed Chemical"), and which are covered by this Agreement, is provided in Exhibit A (all such KOLE IMPORTS products to be collectively referred to hereinafter as the "Products");
- D. On September 21, 2001, Michael DiPirro first served KOLE IMPORTS and other public enforcement agencies with documents entitled "60-Day Notice of Violation" that provided KOLE IMPORTS, and such public enforcers, with notice that KOLE IMPORTS was allegedly in violation of Health & Safety Code §25249.6 for failing to warn purchasers that certain products sold in California expose users to the Listed Chemical; and
- E. On January 30, 2002, Michael DiPirro filed a complaint entitled Michael

  DiPirro v. KOLE IMPORTS, et al. in the Alameda County Superior Court, naming KOLE

  IMPORTS as a defendant and alleging violations of Business & Professions Code §17200

  and Health & Safety Code §25249 on behalf of individuals in California who allegedly have

been exposed to one or more chemicals, listed pursuant to Proposition 65, contained in certain products that KOLE IMPORTS sells.

F. Nothing in this Agreement shall be construed as an admission by KOLE IMPORTS of any fact, finding, issue of law or violation of law, nor shall compliance with this Agreement constitute or be construed as an admission by KOLE IMPORTS of any fact, finding, conclusion, issue of law or violation of law. However, this paragraph shall not diminish or otherwise affect the obligations, responsibilities, and duties of KOLE IMPORTS under this Agreement.

NOW THEREFORE, MICHAEL DIPIRRO AND KOLE IMPORTS AGREE AS FOLLOWS:

1.0 Product Warnings. Beginning immediately after the Effective Date of this Agreement, for all Products ordered, purchased or otherwise procured by KOLE IMPORTS after the Effective Date, KOLE IMPORTS shall revise the Product packaging to ensure that all of the Products, bear the following warning (hereafter "Warning Statement"):

"WARNING: This product contains a chemical known to the State of California to cause birth defects (or other reproductive harm)."

In no event shall KOLE IMPORTS offer any of the Products for sale in California after the Effective Date unless they are reformulated to eliminate the presence of toluene in the Products or bear the Warning Statement listed above; provided, however, that if any Product contains Proposition 65 listed chemicals in addition to toluene, which are known to the state of California to cause cancer, then the Warning Statement shall read as follows:

"WARNING: This product contains chemicals known to the State of California to cause cancer and birth defects or other reproductive harm."

The warnings stated above must be placed on the actual product. The Product packaging, in which the Products are intended to be purchased by the consumer, shall

contain the following warning direction:

# "WARNING: This product contains TOLUENE, please see warning on product container"

on either (1) the front of the packaging as it is expected to be displayed to the consumer or (2) inside the blister pack for the container such that it is facing the consumer as the product is expected to be displayed to the consumer for purchase. For purposes of this Consent Judgment, a warning sticker placed on product packaging that is not available to the consumer before purchase, or on product packaging that does not accompany the Products when purchased, is not reasonably calculated to transmit the requisite warning and, thus, may not be used to comply with this paragraph.

Notwithstanding any other provision of this Agreement, no warning for exposure to toluene shall or need be provided by KOLE IMPORTS pursuant to this Agreement for any Product containing two percent (2%) toluene or less by weight.

## 1.1 Interim Health Hazard Warnings

In an attempt to ensure that all Products already in the stream of commerce contain reproductive toxicity warnings at the point of sale, KOLE IMPORTS, at its discretion, may send a letter within 30 days of the Effective Date, via certified mail, with a copy to counsel for DIPIRRO, to each of KOLE IMPORTS' customers, including KOLE IMPORTS owned or operated retail outlets (hereafter collectively referred to as "Customers") that received or purchased Products from KOLE IMPORTS without any Warning Statement within two years of the Effective Date, that explains such Customer's duty to provide toxic warnings for the Products and either: (a) includes a sufficient number of warning stickers (with Warning Statement from Section 1.0) and requires that they be placed either on any and all Products themselves or the front of the Product packaging (as it is intended to be displayed to the consumer) for all Products still in the Customer's possession; or (b) requires each such Customer to return any and all of such Product remaining in the Customer's

possession, or otherwise in KOLE IMPORTS inventories, to KOLE IMPORTS for destruction (or to confirm to KOLE IMPORTS, in writing, that such Customer does not have any inventory of Product remaining). However, KOLE IMPORTS need not comply with the terms of this section with respect to any Customer that received only Products with a Warning Statement consistent with Section 1.0 above or with a warning statement on the Product itself that states "WARNING: This product contains a chemical known to the State of California to cause cancer and reproductive harm."

## 1.2 Substitute Product Offer

Notwithstanding KOLE IMPORTS' obligations pursuant to Section 1.1, and in an effort to ensure that KOLE IMPORTS' Customers, and the ultimate potential consumers of Product, are offered a toluene-free alternative contact adhesive product, KOLE IMPORTS may, in its own discretion, covenant and agree, effective January 31, 2003, and for a period of at least two years therefrom, to offer for sale, to each of its Customers, a toluene-free contact adhesive product (less than or equal to two percent (2%) toluene by weight) that is designated or accepted as being suitable for the same or substantially similar applications as the Products.

# 1.3 Warning Obligation For Similar Toluene-Containing Contact Adhesives

As part of its commitment to promote the public health, KOLE IMPORTS agrees that, after January 31, 2003, and for a period of at least two years therefrom, it shall not offer for sale, to any of its Customers located in California, or who KOLE believes distribute products into California, any similar contact adhesive products that contain greater than two percent (2%) toluene by weight unless they are labeled with a Warning Statement in accordance with Section 1.0.

## 1.4 Product Sale Cessation

In addition to all other conditions and covenants in this Agreement, KOLE

IMPORTS, at its own discretion, may covenant and agree to, effective on or before July 31, 2003, and for a period of at least three years therefrom, completely cease the sale and/or distribution of Product to any State of the United States.

## 2. Payment Pursuant To Health & Safety Code §25249.7(b).

Pursuant to Health & Safety Code §25249.7(b), KOLE IMPORTS shall pay a civil penalty of \$7,500, to be made in three payments: (1) \$3,000 within five days of the Effective Date; (2) \$2,500 on January 31, 2003; and (3) \$2,000 on July 1, 2003.

DIPIRRO agrees to waive the second payment, and KOLE IMPORTS shall not be required to make the second payment, if defendant certifies, by written declaration of an officer or director, no later than January 24, 2003, that it covenants and agrees to offer a toluene-free product and to provide Warning Statements for similar toluene-containing adhesive products on the terms and the conditions set forth in Sections 1.2 and 1.3.

DIPIRRO agrees to waive the third payment, and KOLE IMPORTS shall not be required to make the third payment, if defendant certifies, by written declaration of an officer or director, no later than July 25, 2003, that it covenants and agrees to cease the sale and/or distribution of the Product in accordance with the terms and conditions set forth in Section 1.4.

Any penalty payment is to be made payable to "Sheffer & Chanler LLP In Trust For Michael DiPirro". If the Consent Judgment is not approved by the Court, DiPirro will return any penalty funds received, with interest thereon at the rate of 1.75% per annum, simple interest, within ten (10) calendar days of effective written notice of the Court's decision. All penalty monies shall be apportioned by DiPirro in accordance with Health & Safety Code §25192, with 75% of these funds remitted to the State of California's Department of Toxic Substances Control.

#### \_ \_

## 3.0 Reimbursement Of Fees And Costs.

The parties acknowledge that DIPIRRO and his counsel offered to resolve this dispute without reaching terms on the amount of fees and costs to be reimbursed to them, thereby leaving this fee issue to be resolved after the material terms of the Agreement had been settled. KOLE IMPORTS then expressed a desire to resolve the fee and cost issue shortly after the other settlement terms had been finalized. The parties then attempted to (and did) reach an accord on the compensation due to DIPIRRO and his counsel under the private attorney general doctrine codified at C.C.P. §1021.5 for all work performed through the Effective Date of the Agreement.

Under the private attorney general doctrine codified at C.C.P. §1021.5, KOLE IMPORTS shall reimburse DIPIRRO and his counsel for his fees and costs, incurred as a result of investigating, bringing this matter to KOLE IMPORTS' attention, litigating and negotiating a settlement in the public interest. KOLE IMPORTS shall pay DIPIRRO and his counsel \$13,000 except as provided for in paragraph 3.1 to 3.6 below, for all attorneys' fees, expert and investigation fees, and litigation costs, within five days of the Effective Date. Payment should be made payable to "Sheffer & Chanler LLP". If the Consent Judgment is not approved by the Court, DIPIRRO and Sheffer & Chanler LLP will return all funds, with interest thereon at the rate of 1.75% per annum, simple interest, within ten (10) calendar days of effective written notice of the Court's decision.

# 3.1 Additional Fees and Costs in Seeking Judicial Approval.

The parties acknowledge that, pursuant to recent interpretations of Health & Safety Code §25249.7, a noticed motion is required to obtain judicial approval of this Agreement. Accordingly, the parties agree to file a *Joint Motion to Approve the Agreement* within a reasonable period of time after execution of this Agreement. Best efforts shall mean that KOLE IMPORTS shall return an initial draft of the Motion To Approve within ten (10) days

of receiving a motion template from plaintiff. Best efforts shall also mean that KOLE IMPORTS agree to return any modifications or comments on subsequent drafts received from plaintiff within five (5) calendar days of their receipt.

Pursuant to C.C.P. §1021.5, KOLE IMPORTS agree to reimburse DIPIRRO and his counsel for their reasonable fees and costs incurred in seeking judicial approval of this Agreement, to the extent described in paragraphs 3.2 through 3.6.

- 3.2 If no opposition to the Motion to Approve (nor objection to the terms of the agreement) is filed or otherwise transmitted by any third party, and KOLE IMPORTS takes the majority of the burden for preparing and filing the Motion to Approve this Agreement, KOLE IMPORTS agrees to reimburse DIPIRRO under Section 3.1, for additional actual reasonable fees and costs in an amount not to exceed \$2,000.00.
- 3.3 In the event that any third party, including any public enforcer, objects or otherwise comments to one or more provisions of this Agreement, KOLE IMPORTS agrees to use their best efforts to support each of the terms of the Agreement, to meet and respond to any such objection or opposition and to take all reasonable steps to ensure judicial approval of this Agreement.
- 3.4 In the event that such an objection or opposition is transmitted or filed by any third party, KOLE IMPORTS agrees to reimburse DIPIRRO under Section 3.1, in addition to any reasonable fees and costs due under Section 3.2, for his additional actual reasonable attorneys' fees and costs incurred in securing approval of this Consent Judgment in an amount not to exceed \$ 1,200.00.
- 3.5 In the event that defending this Agreement from such objection or opposition from any third party requires a declaration from an expert, then KOLE IMPORTS agrees to reimburse DIPIRRO, in addition to any attorney's fees and costs under section 3.2 or 3.4, for such expert's reasonable fees and costs in an amount not to exceed

3.6 KOLE IMPORTS' payment of DIPIRRO's legal fees and costs pursuant to sections 3.1-3.5 shall be due within ten (10) calendar days after receipt of a billing statement from DIPIRRO ("Additional Fee Claim"), unless KOLE IMPORTS objects as set forth herein. Payment of the Additional Fee Claim shall be made payable to the "Sheffer & Chanler LLP." KOLE IMPORTS has the right to object to DIPIRRO's reimbursement request and may submit the resolution of this issue to the American Arbitration Association (AAA) in Northern California to determine the reasonableness of the additional fees and costs sought. Any arbitration claim on this issue of reimbursement for the Additional Fee Claim must be filed with AAA and served on DIPIRRO within ten (10) calendar days following DIPIRRO's service of the Additional Fee Claim on KOLE IMPORTS. If an arbitration notice is not filed with AAA in a timely manner, KOLE IMPORTS' right to arbitrate this matter is waived. DIPIRRO may then file a motion, pursuant to C.C.P. §1021.5, with the Court for recovery of his (and his attorneys') fees and costs incurred as set forth in this paragraph.

### 4. Michael DiPirro's Release Of KOLE IMPORTS.

DIPIRRO, by this Agreement, on behalf of himself, his agents, representatives, attorneys, successors and assigns and in the interest and on behalf of the general public, waives all rights to institute or participate in, directly or indirectly, any form of legal action, and releases all claims, liabilities, obligations, losses, costs, expenses, fines and damages, against KOLE IMPORTS, and each of its directors, officers, employees, successors, affiliates(as that term is defined by the U.S. Securities Exchange Act), subsidiaries, and assigns, and any entity or person within the chain of distribution, including, without limitation, wholesalers, distributors, and retailers distributing or selling any Products, whether under Proposition 65 or the Business & Profession Code §17200 et seq., based on

KOLE IMPORTS' alleged failure to warn about exposure to the Listed Chemicals contained in any of the Products sold or otherwise distributed by KOLE IMPORTS. The parties further agree and acknowledge, that this Consent Judgment is a full, final, and binding resolution of any violation of Proposition 65, Business & Professions Code §17200 et seq. that have been or could have been asserted in the Complaint against KOLE IMPORTS for its alleged failure to provide clear and reasonable warnings of exposure to the Listed Chemicals to consumers from the use of the Products, or any other claim based on the facts or conduct alleged in the Complaint whether based on actions committed by KOLE IMPORTS, or by any other entity or person within the chain of distribution of the Products to or from KOLE IMPORTS, including, but not limited to, wholesale or retail distributors or sellers or any other person in the course of doing business.

In addition, DIPIRRO, on behalf of himself, his attorneys, and his agents, waives all rights to institute any form of legal action against KOLE IMPORTS and its attorneys or representatives, for all actions or statements made by KOLE IMPORTS or its attorneys or representatives, in the course of responding to alleged violations of Proposition 65 or Business & Profession Code §17200 by KOLE IMPORTS. Provided, however, that DIPIRRO shall remain free to institute any form of legal action to enforce the provisions of this Consent Judgment.

#### 5. KOLE IMPORTS' Release Of DIPIRRO.

KOLE IMPORTS, by this Agreement, waive all rights to institute any form of legal action against Michael DiPirro or his attorneys or representatives, for all actions or statements made by Michael DiPirro, and his attorneys or representatives, in the course of seeking enforcement of Proposition 65 or Business & Profession Code §17200 against KOLE IMPORTS.

10

11

12

13 14

15 16

17

18

19 20

21

22

23 24

25

26 27

28

#### 6. Court Approval.

If, for any reason, the resulting Motion to Approve this Consent Judgment is denied by the Court, this Agreement shall be deemed null and void, except that, under this Agreement, and within ten (10) days of such Court Order, plaintiff, at his choice, may dismiss KOLE IMPORTS, with prejudice and with each party bearing its own costs, and DIPIRRO's obligations to return all payments made by KOLE IMPORTS hereunder

#### **KOLE IMPORTS Sales Data.** 7.

KOLE IMPORTS understand that the sales data provided to counsel for DIPIRRO by KOLE IMPORTS was a material factor upon which DIPIRRO has relied to determine the amount of payments made pursuant to Health & Safety Code §25249.7(b) in this Agreement. To the best of KOLE IMPORTS' knowledge, the sales data provided is true and accurate. In the event that DIPIRRO discovers facts that demonstrate to a reasonable degree of certainty that the sales data is materially inaccurate, the parties shall meet in a good faith attempt to resolve the matter within ten (10) days of KOLE IMPORTS' receipt of notice from DIPIRRO of his intent to challenge the accuracy of the sales data. If this good faith attempt fails to resolve DIPIRRO's concerns, DIPIRRO shall have the right to reinstitute an enforcement action against KOLE IMPORTS, for those additional Products only, based upon any existing 60-Day Notices of violation served on KOLE IMPORTS. In such case, all applicable statutes of limitation shall be deemed tolled for the period between the date DIPIRRO filed the instant action and the date DIPIRRO notifies KOLE IMPORTS that he is re-instituting the action for the additional Products. Provided, however, that KOLE IMPORTS shall have no additional liability, and DIPIRRO waives any claims that might otherwise be asserted, from the Effective Date until the date that DIPIRRO provides notice under this Paragraph 7, so long as KOLE IMPORTS has complied with the requirements of Section 1.0 for all of the Products, including those numbers of Products

1	additionally discovered.			
2	8. Severability.			
3	In the event that any of the provisions of this Agreement are held by a court to be			
4	unenforceable, the validity of the enforceable provisions shall not be adversely affected.			
5	9. Attorney's Fees.			
6	In the event that a dispute arises with respect to any provision(s) of this Agreement			
7	(including, but not limited to, disputes arising from payments to be made under this			
8 9	Agreement), reasonable attorneys' fees incurred from the resolution of such dispute shall			
10	be available to the prevailing party. This provision, however, shall not apply to the			
11	procedure set forth in section 3, which is to be governed by the principles of CCP § 1021.5.			
12	10. Governing Law.			
13	The terms of this Agreement shall be governed by the laws of the State of			
14	California.			
15	11. Notices.			
16	All correspondence to Michael DiPirro shall be mailed to:			
17	Gregory M. Sheffer, Esq.			
18	Sheffer & Chanler LLP 4400 Keller Ave., Suite 200			
19	Oakland, CA 94605-4229 Tel: (510) 577-0747			
20				
21	All correspondence to KOLE IMPORTS shall be mailed to:			
22	Jennifer T. Taggart, Esq. GREENBERG GLUSKER FIELDS CLAMAN			
23	MACHTINGER & KINSELLA LLP  1900 Avenue of the Stars, Suite 2100			
24	Los Angeles, CA 90067-4590 Tel: (310) 553-3610			
25 26	12. Compliance With Reporting Requirements (Health & Safety Code			
27	§25249.7(f)).			
28	The parties acknowledge that the reporting provisions of Health & Safety Code §			

Dec-ZD-ZDDZ UZ:37pm From-GREENBERG GLUSKER

310-553-3550

T-225 P. 014/016 F-214

1 25249.7(f) apply to this Consern Judgment. Counsel for DIPIRRO shall comply with that 2 section by submitting the required reporting form to, and serving a copy of this Consent 3 Judgment on, the California Attorney General's Office when noticing the Motion to 4 Approve hearing. KOLE IMPORIS agrees to use its best efforts, comporting with 5 reasonable interpretation of existing law, to defend the Consent Judgment from any 6 collateral attack by any third party. 7 13. Counterparts and Facsimile. 8 This Agreement may be executed in comperparts and facsimile, each of which shall 9 be deemed an original and all of which, when taken together, shall constitute one and the 10 same document 11 12 14. Anthonization 13 The undersigned are authorized to execute this Agreement on behalf of their 14 respective parties and have read, understood and agree to all of the terms and conditions 15 of this Agreement 'n, 16 AGREED TO: 12/31/02 AGREED TO: 17 DATE: 18 19 Michael DiPirro KOLE IMPORTS 20 PLAINTIFF DEFENDANT 21 APPROVED AS TO FORME 22 APPROVED AS TO FORM: 23 24 25 Gregory M Sheffer Jennifer T. Taggart Attorneys for Plaintiff 26 GREENBERG GLUSKER FIELDS CLAMAN MICHAEL DIPIRRO MACHTINGER & KINSELLA LLP ₹7 Attorneys for Defendant 28 CONSENT JUDGMENT 1318/00B1318961

25249.7(f) apply to this Consent Judgment. Counsel for DIPIRRO shall comply with that section by submitting the required reporting form to, and serving a copy of this Consent Judgment on, the California Attorney General's Office when noticing the Motion to Approve hearing. KOLE IMPORTS agrees to use its best efforts, comporting with reasonable interpretation of existing law, to defend the Consent Judgment from any collateral attack by any third party.

#### Counterparts and Facsimile. 13.

This Agreement may be executed in counterparts and facsimile, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same document.

#### Authorization. 14.

The undersigned are authorized to execute this Agreement on behalf of their respective parties and have read, understood and agree to all of the terms and conditions of this Agreement.

16   17	AGREED TO: DATE:	AGREED TO: DATE: 12-20-02
18		(I)
19	Michael DiPirro PLAINTIFF	KOLE IMPORTS DEFENDANT
21	APPROVED AS TO FORM:	APPROVED AS TO FORM:
22	DATE:	DATE: 17/23/02
24 25		Janotos QA
26	Gregory M. Sheffer Attorneys for Plaintiff MICHAEL DIPIRRO	Jennifer T. Taggart GREENBERG GLUSKER FIELDS CLAMAN MACHTINGER & KINSELLA LLP
27		Attorneys for Defendant

1		EXHIBIT A
2		
3	_	
4	1. 2.	M070, sold as Sterling's Super Contact Cement and/or Contact Adhesive M065, sold as Rubber Cement
5		
6		
7		
8		•
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		-

50148-00003-1318366.1