

Docket No.:

STATE OF CONNECTICUT
Plaintiff

v.

SKECHERS USA, INC., d/b/a SKECHERS, a
Delaware corporation,
Defendant

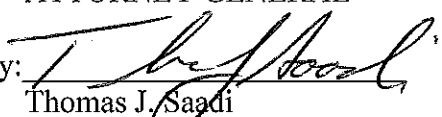
: SUPERIOR COURT
:
: JUDICIAL DISTRICT OF
: HARTFORD
:
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:
: MAY 15, 2012
:
:

MOTION FOR JUDGMENT IN
ACCORDANCE WITH STIPULATION

The Plaintiff, the State of Connecticut, respectfully moves the Court to enter a Judgment
in accordance with the Stipulation filed herewith.

PLAINTIFF
STATE OF CONNECTICUT

GEORGE C. JEPSEN
ATTORNEY GENERAL

By: 

Thomas J. Saadi
Assistant Attorney General
110 Sherman Street
Hartford, CT 06105
Tel: (860) 808-5400
Juris No. 418062

NO TESTIMONY REQUIRED
NO ORAL ARGUMENT REQUESTED

Docket No.:

STATE OF CONNECTICUT,
Plaintiff

v.

SKECHERS USA, INC., d/b/a SKECHERS,
a Delaware corporation,
Defendant

: SUPERIOR COURT
:
: JUDICIAL DISTRICT OF
: HARTFORD
:
:
:
: MAY 15, 2012
:
:

STIPULATION TO JUDGMENT

It is stipulated between, the State of Connecticut, and Skechers USA, Inc., that a Final Judgment on Stipulation may enter in the form herein set forth, attached hereto, and made part hereof, upon motion of any party, without notice, provided that this Stipulation has been executed by all parties listed below.

PLAINTIFF
STATE OF CONNECTICUT

GEORGE JEPSEN
ATTORNEY GENERAL

Date: May 15, 2012

By: Thomas J. Saadi
Thomas J. Saadi
Assistant Attorney General
110 Sherman Street
Hartford, CT 06105
Tel: (860) 808-5400
Juris No. 418062

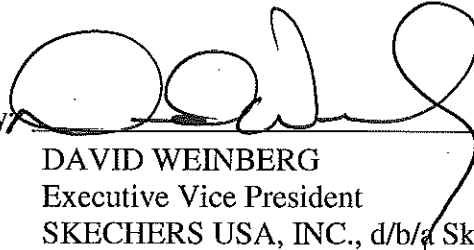
FOR DEFENDANT:

SKECHERS USA, INC., d/b/a Skechers:

Date: _____

5/4/12

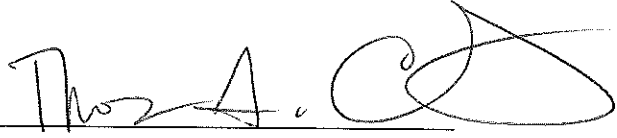
By _____

A handwritten signature in black ink, appearing to read 'David Weinberg', written over a horizontal line.

DAVID WEINBERG
Executive Vice President
SKECHERS USA, INC., d/b/a Skechers
228 Manhattan Beach Boulevard
Manhattan Beach, CA 90266

DEFENDANT'S COUNSEL OF RECORD:

Date: MAY 7, 2012

By: 

THOMAS G. CARRUTHERS

Connecticut Bar No. 123820

O'Melveny & Myers LLP

Times Square Tower

7 Times Square

New York, NY 10036

Phone: (212) 326-2000

Fax: (212) 326-2061

tcarruthers@omm.com

Docket No.:

STATE OF CONNECTICUT,
Plaintiff

v.

SKECHERS USA, INC., d/b/a SKECHERS,
a Delaware corporation,
Defendant

: SUPERIOR COURT
:
: JUDICIAL DISTRICT OF
: HARTFORD
:
:
:
: MAY 15, 2012
:
:

I. STIPULATED JUDGMENT AS TO THE DEFENDANT

1. The Plaintiff, the State of Connecticut, by and through its Attorney General, George Jepsen, ("Plaintiff") has filed a Complaint for a permanent injunction and other relief in this matter pursuant to § 42-110a *et seq.* of the Connecticut General Statutes alleging that Defendant, Skechers USA, Inc., ("Defendant") committed violations of the aforementioned Act. The Plaintiff, by its counsel, and Defendant, do consent to the entry of this Judgment and its provisions without trial or adjudication of any issue of fact or law, without admission of wrongdoing or liability of any kind and agree that nothing in this Judgment shall constitute an admission of Defendant's liability or be used as evidence of Defendant's liability. This Stipulated Judgment as to the Defendant (hereinafter also referred to as this "Judgment") is part of a larger forty-five member multistate action¹ and is being filed in concert with consent

¹ The multistate action consists of Attorneys General from the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon,

judgments in those jurisdictions as well as a stipulated judgment reached with the Federal Trade Commission.

II. JURISDICTION & VENUE

2. The Court has jurisdiction over the subject matter of this action and of the parties hereto, pursuant to § 42-110a *et seq.* of the Connecticut General Statutes. Jurisdiction is retained by this Court for the purpose of enabling the Attorney General or the Defendant to apply to this Court for such further orders and directions as may be necessary or appropriate for the construction and modification of the injunctive provisions herein, or execution of this Judgment, including punishment for any violation of this Judgment. Pursuant to § 42-110a *et seq.* of the Connecticut General Statutes, venue as to all matters between the parties relating hereto or arising out of this Judgment is solely in the State of Connecticut. The Defendant hereby accepts and expressly waives any defect in connection with the service of process of the Summons and Complaint in this matter.

III. TRADE AND COMMERCE

3. Skechers USA, Inc., at all times relevant hereto, engaged in trade and commerce affecting consumers, within the meaning of the Connecticut Unfair Trade Practices Act in the State of Connecticut.

IV. REPRESENTATIONS AND WARRANTIES

4. The Defendant warrants and represents that it is the proper party to this Judgment.

5. The Defendant represents and warrants that signatories to this Judgment have authority to act for and bind the Defendant.

Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, Virginia, Washington, West Virginia, and Wisconsin. The State of Hawaii is represented by the State of Hawaii Office of Consumer Protection and the State of Georgia is represented by the Georgia Governor's Office of Consumer Protection.

6. This Judgment is entered into by the Defendant as its own free and voluntary act and with full knowledge and understanding of the nature of the proceedings and the obligations and duties imposed upon it by this Judgment, and it consents to its entry without further notice, and avers that no offers, agreements or inducements of any nature whatsoever have been made to it by the Plaintiff or their attorneys or any State employee to procure this Judgment.

7. The Defendant has, by signature of counsel hereto, waived any right to add, alter, amend, appeal, petition for *certiorari*, or move to reargue or rehear or be heard in connection with any judicial proceeding concerning the entry of this Judgment and any and all challenges in law or equity to the entry of the Judgment by the courts. If the Court elects to hold any hearing on this Judgment, a representative of the Attorney General's office will briefly summarize the settlement for the Court. The Defendant agrees to support the Judgment and its terms at any such hearing for approval.

8. In the event the Court shall not approve this Judgment, this Judgment shall be of no force and effect against *either party*, the parties will revert to their respective positions immediately prior to reaching the settlement giving rise to this Judgment, and to the extent consistent with state law, no documents or communications related to the settlement shall have any effect or be admissible in evidence for any purpose in this litigation or in any other proceeding.

9. The Defendant acknowledges that it understands that the Plaintiff and this Court expressly rely upon all representations and warranties in this Judgment. The Defendant further acknowledges and understands that if the Defendant makes any false or deceptive representation or warranty, the Plaintiff has the right to move that the Defendant making such false or deceptive representation(s) or warranty(ies) be held in contempt and to seek sanctions and remedies under

any other law, regulation, or rule, together with any and all such other sanctions, remedies, or relief as may be available to the Plaintiff in law or equity, if the Plaintiff so elects.

V. DEFINITIONS

10. Unless otherwise specified, the following definitions shall be used in this Judgment:

- (A) **“Adequate and well-controlled human clinical study”** means a clinical study that is randomized, controlled (including, but not limited to, controlled for dietary intake if testing for weight loss or a reduction in body fat), blinded to the maximum extent practicable, uses an appropriate measurement tool or tools, and is conducted impartially by persons qualified by training and experience to conduct and measure compliance with such a study.
- (B) **“Consumer Law”** means The Connecticut Unfair Trade Practices Act and any of its amendments.
- (C) **“Covered Product”** means Skechers Toning Footwear, and any other Skechers footwear product that purports to improve or increase muscle tone, muscle strength, muscle activation, overall circulation, or aerobic conditioning, and/or that purports to result in increased calorie burn, weight loss, loss of body fat, or improvement or reduction in body composition.
- (D) **“Covered Conduct”** means the statements or representations made by Defendant, directly or through any third-party on behalf of Defendant, about the benefits, characteristics, or effects of Skechers Toning Footwear

that are expressly subject to the Permanent Injunction provisions contained in Paragraph 19(C)-(G) of this Judgment.

- (E) **“Defendant”** means **Skechers USA, Inc.**, doing business as **Skechers**, and its successors and assigns.
- (F) **“Effective Date”** means the date on which a copy of this Judgment, duly executed by Skechers USA, Inc. and by the Plaintiff is approved by, and becomes a judgment of the Court.
- (G) **“Family Member”** or **“Familial Relationship”** means a spouse, mother, father, grandmother, grandfather, son, daughter, brother, sister, grandson, granddaughter, uncle, aunt, or a spouse’s mother, father, grandmother, grandfather, son (if different from above), daughter (if different from above), brother, sister, grandson (if different from above), granddaughter (if different from above), uncle (if different from above), and aunt (if different from above).
- (H) **“Including”** in this Judgment means including without limitation.
- (I) **“Multistate Executive Committee”** means the Attorney General Offices, and their representatives, from the States of Arizona, Illinois, Maryland, Ohio, South Carolina, Tennessee, Washington, and Wisconsin.
- (J) **“Multistate Working Group”** means the Attorney General Offices, and their representatives, from the States of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan,

Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, Virginia, Washington, West Virginia, and Wisconsin.²

(K) **“Skechers Toning Footwear”** means, collectively, Shape-ups, Resistance Runner, Shape-ups Toners, and Tone-ups.

VI. BACKGROUND

11. Connecticut is a member of the Multi-State Working Group which conducted an investigation regarding the Covered Conduct. The Parties have agreed to resolve the concerns related to the Covered Conduct under the State Consumer Protection Laws of the respective Multi-State Working Group member states by entering into Stipulated Judgments in each state.

12. This Stipulated Judgment reflects a negotiated agreement entered into by the Parties as their own free and voluntary act, and with full knowledge and understanding of the nature of the proceedings and the obligations and duties imposed by this Stipulated Judgment. Defendant is entering into this Stipulated Judgment solely for the purpose of settlement, and nothing contained herein may be taken as or construed to be an admission or concession of any violation of law or regulation, or of any other matter of fact or law, or of any liability or wrongdoing, all of which Defendant expressly denies. Defendant agrees to entry of this Judgment solely to avoid the time, further expense, inconvenience, and interference with its business operations associated with litigation. Through this Stipulated Judgment, Defendant does not admit any violation of law, and does not admit any wrongdoing that was or could have

² The State of Hawaii is represented by the State of Hawaii Office of Consumer Protection and the State of Georgia is represented by the Georgia Governor’s Office of Consumer Protection.

been alleged by any of the member states of the Multi-State Working Group before the date of entry of the Stipulated Judgments in their respective states. No part of this Stipulated Judgment, including its statements and commitments, shall constitute evidence of any liability, fault, or wrongdoing by Defendant. This Stipulated Judgment does not constitute an admission by Defendant that the Covered Conduct violated or could violate the State Consumer Protection Laws of Connecticut. It is the intent of the Parties that this Stipulated Judgment shall not be admissible or binding in any other matter, including, but not limited to, any investigation or litigation, other than in connection with the enforcement of this Stipulated Judgment. No part of this Stipulated Judgment shall create a private cause of action or convert any right to any third-party for violation of any federal or state statute or law, except that an Attorney General may file an action to enforce the terms of this Stipulated Judgment. Nothing contained herein prevents or prohibits the use of this Stipulated Judgment for purposes of enforcement by the Connecticut Attorney General.

13. This Stipulated Judgment does not create a waiver or limit Defendant's legal rights, remedies, or defenses in any other action by the Connecticut Attorney General, and does not waive or limit Defendant's right to defend itself from, or make arguments in, any other matter, claim, or suit, including, but not limited to, any investigation or litigation relating to the existence, subject matter, or terms of this Stipulated Judgment. Nothing in this Stipulated Judgment shall waive, release, or otherwise affect any claims, defenses, or other positions Defendant may assert in connection with any investigations, claims, or other matters the Attorneys General are not releasing hereunder. Notwithstanding the foregoing, the Connecticut Attorney General may file an action to enforce the terms of this Stipulated Judgment.

14. This Stipulated Judgment does not constitute an approval by the State of Connecticut of Defendant's business practices, and Defendant shall make no representation or claim to the contrary.

15. This Stipulated Judgment sets forth the entire agreement between the Parties hereto and supersedes all prior agreements or understandings, whether written or oral, between the Parties and/or their respective counsel, with respect to the Covered Conduct.

16. This Stipulated Judgment may be executed in counterparts, each of which shall be deemed to constitute an original counterpart hereof, and all of which shall together constitute one and the same Stipulated Judgment. One or more counterparts of this Stipulated Judgment may be delivered by facsimile or electronic transmission with the intent that it_s or they_s shall constitute an original counterpart hereof.

17. This Stipulated Judgment relates solely to the Covered Conduct.

VII. APPLICATION OF JUDGMENT

18. Unless otherwise expressly stated, the Defendant agrees that the duties, responsibilities, burdens, and obligations it is undertaking pursuant to this Judgment shall apply to the Defendant, as defined above.

VIII. PERMANENT INJUNCTION

19. The Defendant, directly or through any corporation, partnership, subsidiary, division, trade name, or other device, and its officers, agents, servants, representatives, employees, and all persons or entities in active concert or participation with them who receive actual notice of this Judgment, by personal service or otherwise, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Covered Product in or affecting trade or commerce:

Compliance with State Consumer Laws

- (A) Shall be permanently restrained and enjoined from engaging, or assisting others in engaging, in any unfair or deceptive acts or practices in the conduct of trade or commerce or its business and shall fully abide by all provisions of the Consumer Law which prohibit any and all unfair and/or deceptive acts or practices.
- (B) Shall be permanently restrained and enjoined from making, or assisting others in making, any statement or representation that goods or services have uses or benefits that they do not have.

Prohibited Representations: Strengthening Claims

- (C) Shall be permanently restrained and enjoined from making, or assisting others in making, directly or by implication, including through the use of a product name, endorsement, depiction, or illustration, any representation that such Covered Product is effective in strengthening muscles unless the representation is non-misleading and non-deceptive, and, at the time of making such representation, the Defendant possesses and relies upon competent and reliable scientific evidence that substantiates that the representation is true. For purposes of this Paragraph 19(C), competent and reliable scientific evidence shall consist of at least one adequate and well-controlled human clinical study of the Covered Product that conforms to acceptable designs and protocols, is of at least six-weeks duration, and the result of which, when considered in light of the entire body of relevant and reliable scientific evidence, is sufficient to

substantiate that the representation is true.

Prohibited Representations: Weight Loss Claims

- (D) Shall be permanently restrained and enjoined from making, or assisting others in making, directly or by implication, including through the use of a product name, endorsement, depiction, or illustration, any representation that such Covered Product causes weight loss unless the representation is non-misleading, and non-deceptive, and, at the time of making such representation, Defendant possesses and relies upon competent and reliable scientific evidence that substantiates that the representation is true. For purposes of this Paragraph 19(D), competent and reliable scientific evidence shall consist of at least two adequate and well-controlled human clinical studies of the Covered Product, conducted by different researchers, independently of each other, that conform to acceptable designs and protocols and whose results, when considered in light of the entire body of relevant and reliable scientific evidence, are sufficient to substantiate that the representation is true.

Prohibited Representations: Other Health or Fitness-Related Claims

- (E) Shall be permanently restrained and enjoined from making, or assisting others in making, directly or by implication, including through the use of a product name, endorsement, depiction, or illustration, any representation, other than representations covered under Paragraph 19(C) and/or Paragraph 19(D) of this Judgment, about the health or fitness benefits of any Covered Product including, but not limited to, representations

regarding caloric expenditure, calorie burn, blood circulation, aerobic conditioning, muscle tone, and muscle activation, unless the representation is non-misleading and non-deceptive and, at the time of making such representation, the Defendant possesses and relies upon competent and reliable scientific evidence that is sufficient in quality and quantity based on standards generally accepted in the relevant scientific fields, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate that the representation is true. For purposes of this Paragraph 19(E), competent and reliable scientific evidence means tests, analyses, research, or studies that have been conducted and evaluated in an objective manner by qualified persons and are generally accepted in the profession to yield accurate and reliable results.

Prohibited Representations: Tests or Studies

- (F) Shall be permanently restrained and enjoined from misrepresenting, or assisting others in misrepresenting, in any manner, directly or by implication, including through the use of any product name, endorsement, depiction, or illustration, the existence, contents, validity, results, conclusions, or interpretations of any test, study, or research including, but not limited to, misrepresenting that wearing any Covered Product will result in a quantified percentage or an amount of muscle activation, toning, strengthening, calorie burn, caloric expenditure, or weight loss.

Disclosure of Material Connections to Studies in Advertisements

- (G) Shall, whenever it refers to any study in advertisements, marketing

materials, or elsewhere to promote its Covered Products, clearly and conspicuously disclose in such advertisements, marketing materials, or elsewhere to promote its Covered Products any material connections between the study's authors or supervising researchers and the Defendant that consumers would find relevant in assessing the accuracy of a study such as any conflict of interest, including the fact that the author, supervising researcher, or a Family Member was compensated by or on behalf of the Defendant, or any Familial Relationship between a study's author or supervising researcher and a director, officer, or an employee (but only if the employee has primary responsibility with respect to the Covered Product) of the Defendant. For purposes of this Paragraph 19(G), "clearly and conspicuously," when referring to a statement or disclosure, shall mean that such statement or disclosure is disclosed in such size, color, contrast, location, duration, and audibility that it is readily noticeable, readable, and understandable. A statement may not contradict or be inconsistent with any other information with which it is presented. If a statement modifies, explains, or clarifies other information with which it is presented, it must be presented in proximity to the information it modifies, in a manner readily noticeable, readable, and understandable, and it must not be obscured in any manner. Audio disclosure shall be delivered in a volume and cadence sufficient for a consumer to hear and comprehend it. Visual disclosure shall be of a size and shade and appear on the screen for a duration sufficient for a consumer to read and

comprehend it. In a print advertisement or promotional material, including, but without limitation, point of sale display or brochure materials directed to consumers, the disclosures shall be in a type size and location sufficiently noticeable for a consumer to read and comprehend it, in a print that contrasts with the background against which it appears.

20. Unless otherwise expressly stated, the preceding injunctive provisions (19(A)-(G)) shall take effect on the Effective Date. No cost bond shall be required for the injunction.

IX. CONSUMER PAYMENTS

21. Consumer payments shall be made and distributed pursuant to the Federal Trade Commission's *Stipulated Final Judgment and Order for Permanent Injunction and Other Equitable Relief*, which sets forth Forty Million Dollars (\$40,000,000) in the aggregate for available funds for this purpose less administrative expenses associated with the claims procedure. Defendant shall include a requirement in the Class Action Settlement Agreement for the Class Action Settlement Administrator to provide to Plaintiff, within thirty (30) days of delivery of consumer payments pursuant to the consumer payments program by the Class Action Settlement Administrator, an electronically searchable alphabetical list of consumers who reside in this state who have made claims out of the proposed consumer payments fund, the consumer's contact information, and the amount paid to those consumers.

X. COMPLIANCE REPORTING

22. For a period of three (3) years from the date of entry of this Judgment, the Defendant shall notify the Plaintiff of any changes in the corporate structure of the Defendant or any business entity that the Defendant directly or indirectly controls, or has an ownership interest in, that may affect compliance obligations arising under this Judgment, including but not limited

to: incorporation or other organization; a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Judgment; or a change in the business name or address, at least thirty (30) days prior to such change, *provided that*, with respect to any such change in the business entity about which the Defendant learns less than thirty (30) days prior to the date such action is to take place, the Defendant shall notify the Plaintiff as soon as is practicable after obtaining such knowledge.

23. One hundred eighty (180) days after the date of entry of this Judgment, the Defendant shall provide a written report to the Plaintiff, which is true and accurate and sworn to under penalty of perjury, setting forth in detail the manner and form in which it has complied and is complying with this Judgment. This report shall include, but not be limited to: (1) a copy of each acknowledgment of receipt of this Judgment, obtained pursuant to the Section titled "Distribution of Judgment"; and (2) any other changes required to be reported under Paragraph 22.

24. The Defendant shall notify the Plaintiff of the filing of a bankruptcy petition by Defendant within fifteen (15) days of filing.

25. For the purposes of this Judgment, the Defendant shall, unless otherwise directed by the Plaintiff's authorized representatives, send by overnight courier all reports and notifications required by this Judgment to the Plaintiff, to the following address:

Phillip Rosario
Assistant Attorney General
Consumer Protection Division
Office of the Attorney General
110 Sherman Street
Hartford, CT 06105

or as subsequently directed by the Plaintiff. ***Provided that***, in lieu of overnight courier, the Defendant may send such reports or notifications by first-class mail, but only if the Defendant contemporaneously sends an electronic version of such report or notification to the Plaintiff at:

Phillip.Rosario@ct.gov

or as subsequently directed by the Plaintiff.

26. For purposes of the compliance reporting and monitoring required by this Judgment, the Plaintiff is authorized to communicate directly with the Defendant unless or until the Defendant directs the Plaintiff to communicate with it through its outside legal counsel and identifies the name and contact information for said counsel. All communications to the Defendant related to this Judgment should go to the General Counsel of Skechers at the Defendant's corporate headquarters, with a copy to Daniel Petrocelli, O'Melveny & Myers LLP, 1999 Avenue of the Stars, 7th Floor, Los Angeles, CA 90067.

XI. RECORDKEEPING

27. For a period of five (5) years from the date of entry of this Judgment, the Defendant is hereby restrained and enjoined from failing to create and retain the following records:

- (A) Accounting records that reflect the cost of the Covered Product, revenues generated for the Covered Product, and, to the extent such records are created and maintained in the ordinary course of business, the disbursement of such revenues;
- (B) Personnel records accurately reflecting: the name, address, and telephone number of each person employed in any capacity by such business, including as an independent contractor; that person's job title or position; the date upon which the person commenced work; and the date and reason

for the person's termination, if applicable; provided however, that with respect to those persons covered by Paragraph 27(B) whose employment has terminated, personnel records need only be retained for three (3) years from the date of termination;

- (C) Records accurately reflecting: the name, address, and telephone number of each domestic distributor, domestic reseller or domestic retailer of the Covered Product; the dollar amounts paid; and the identification and quantity of items purchased;
- (D) Customer files containing the names, addresses, telephone numbers, dollar amounts paid, quantity of Covered Product purchased, and description of items or services purchased, to the extent such information is obtained in the ordinary course of business;
- (E) Complaints and refund requests relating to any Covered Product (whether received directly or indirectly, such as through a third-party) and any responses to those complaints or requests;
- (F) Copies of all advertisements, promotional materials, sales scripts, training materials, web sites, or other marketing materials utilized in the advertising, marketing, promotion, offering for sale, sale, or distribution of any Covered Product. For purposes of this provision, keeping one representative copy of all non-identical materials referenced in this provision is sufficient for compliance;
- (G) All materials that were relied upon in making any representations contained in the materials identified in (F) above, including all documents

evidencing or referring to the accuracy of any claim therein or to the benefits, performance, or efficacy of any Covered Product, including, but not limited to, all tests, reports, studies, demonstrations, or other evidence that confirms, contradicts, qualifies, or calls into question the accuracy of any claim regarding the benefits, performance, or efficacy of any products covered by this Judgment, including complaints and other communications with consumers or with governmental or consumer protection agencies;

- (H) Records accurately reflecting the name, address, and telephone number of each laboratory engaged in the testing or the development or creation of any testing obtained for the purpose of advertising, marketing, promoting, offering for sale, selling, or distributing any Covered Product; and
- (I) All records and documents necessary to demonstrate full compliance with each provision of this Judgment, including, but not limited to, copies of acknowledgments of receipt of this Judgment required by the Sections titled "Distribution of Judgment" and "Acknowledgment of Receipt of Judgment" and all reports submitted to the Plaintiff pursuant to the Section titled "Compliance Reporting."

XII. DISTRIBUTION OF JUDGMENT

28. For a period of three (3) years from the date of entry of this Judgment, the Defendant shall deliver copies of this Judgment as directed below:

- (A) To each of its principals, officers, and directors having decision-making authority with respect to the subject matter of the Judgment;

- (B) To all of its employees, agents, and representatives having primary responsibilities with respect to the subject matter of the Judgment, including, but not limited to any individual and/or entity employed by the Defendant in conducting any tests, analyses, research, or studies to support any fitness benefit claims associated with Skechers Toning Footwear; and
- (C) For current personnel of the Defendant, delivery shall be within seven (7) days of entry of this Judgment. For new personnel of the Defendant, delivery shall occur prior to their assuming their responsibilities. For any business entity resulting from any change in structure set forth in Paragraph 22 titled "Compliance Reporting," delivery shall be at least fourteen (14) days prior to the change in structure.

29. The Defendant shall secure a signed and dated statement acknowledging receipt of the Judgment, within thirty (30) days of delivery, from all persons receiving a copy of the Judgment pursuant to this Section.

XIII. NOTIFICATION OF JUDGMENT

30. The Defendant shall send no later than fifteen (15) days after entry of this Judgment, by first-class mail, postage paid and return receipt requested, or by courier service such as Federal Express with signature proof of delivery, an exact copy of the notice attached hereto as Attachment A, showing the date of mailing, to each domestic distributor, domestic reseller, and domestic retailer who purchased or otherwise received any Covered Product directly from the Defendant and who continues to market, sell, or offer for sale any Covered Product. The notice required by this Paragraph 30 shall not include any other document or enclosures and

may be sent to the principal place of business of each such domestic distributor, domestic reseller or domestic retailer.

XIV. ACKNOWLEDGMENT OF RECEIPT OF JUDGMENT

31. The Defendant shall, within seven (7) business days of receipt of this Judgment after entry by the Court, submit to the Plaintiff a truthful sworn statement acknowledging receipt of this Judgment.

XV. PAYMENT TO THE STATES

32. No later than thirty (30) days after the Effective Date of this Judgment, the Defendant shall pay a total amount of Five Million Dollars (\$5,000,000) to be divided and paid by the Defendant directly to each Signatory Attorney General of the Multistate Working Group in an amount to be designated by, and in the sole discretion of, the Multistate Executive Committee. Said payment shall be used by the Plaintiff as and for attorneys' fees and other costs of investigation and litigation, or be placed in, or applied to, the consumer protection enforcement fund, including future consumer protection enforcement, consumer education, litigation, or local consumer aid fund or revolving fund, used to defray the costs of the inquiry leading hereto, or for other uses permitted by State law, at the sole discretion of the State. No portion of any payment under the Judgment shall be deemed a payment of any fine, penalty, or punitive assessment.

33. The funds the state of Connecticut will receive shall be deposited into the State's Department of Consumer Protection "Consumer Protection Fund."

XVI. GENERAL PROVISIONS

34. The acceptance of this Judgment by the Plaintiff shall not be deemed approval by the Plaintiff of any of the Defendant's advertising or business practices. Neither the Defendant nor its officers, agents, servants, employees, successors, assigns, attorneys or other persons

and/or entities acting in concert or participation with the Defendant shall state or imply, or cause to be stated or implied, that the State of Connecticut or any governmental unit of the State has approved, sanctioned, or authorized any practice, act, advertisement, or conduct of the Defendant. Further, neither the Defendant nor its officers, agents, servants, employees, successors, assigns, attorneys, or other persons and/or entities acting in concert or participation with the Defendant shall use this Stipulated Judgment or the name of the State of Connecticut, any governmental unit of the State or any employee or representative of the State in connection with any selling, advertising, or promotion of products or services.

35. This Judgment may only be enforced by the Plaintiff, the Defendant, and this Court.

36. The titles and headers to each section of this Judgment are for convenience purposes only and are not intended by the Parties to lend meaning to the actual provisions of the Judgment.

37. Nothing in this Judgment shall limit the Plaintiff's right to obtain information, documents, or testimony from the Defendant pursuant to any state or federal law, regulation, or rule.

38. Nothing in this Judgment shall be construed to limit the authority of the Attorney General to protect the interests of the State or consumers. This Judgment shall not bar the Plaintiff, or any other governmental entity from enforcing laws, regulations, or rules against the Defendant.

39. No waiver, modification, or amendment of the terms of this Judgment shall be valid or binding unless made in writing, agreed to by both Parties, and approved by this Court and then only to the extent specifically set forth in such written waiver, modification, or

amendment.

40. Any failure by any Party to this Judgment to insist upon the strict performance by any other Party of any of the provisions of this Judgment shall not be deemed a waiver of any of the provisions of this Judgment, and such Party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Judgment. For the Plaintiff, this shall be without prejudice in the future to the imposition of any applicable penalties, including but not limited to contempt, civil penalties as set forth in § 42-110a *et seq.* of the Connecticut General Statutes and/or the payment of attorneys' fees to the Plaintiff, and any other remedies under applicable state law.

41. If any clause, provision or section of this Judgment shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Judgment and this Judgment shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.

42. Time shall be of the essence with respect to each provision of this Judgment that requires action to be taken by the Defendant within a stated time period or upon a specified date.

43. Nothing in this Judgment shall be construed to waive any claims of Sovereign Immunity the Plaintiff may have.

44. Aside from the consumer payments provision which refers to the Federal Trade Commission's Stipulated Judgment amount for consumer payments, this Judgment sets forth the entire agreement between the Parties, and there are no representations, agreements, arrangements, or understanding, oral or written, between the Parties relating to the subject matter of this Judgment which are not fully expressed hereto or attached hereto.

45. The Defendant shall not participate, directly or indirectly, in any activity or form a separate entity or corporation for the purpose of engaging in acts or practices in whole or in part in the State which are prohibited in this Judgment or for any other purpose which would otherwise circumvent any part of this Judgment or the spirit or purposes of this Judgment.

46. If the Defendant has provided the Plaintiff with certain documents, advertisements, and contracts, the Defendant acknowledges and agrees that providing these documents to the Plaintiff in no way constitutes the Plaintiff's pre-approval, review for compliance with state or federal law, or with this Judgment, or a release of any issues relating to such documents.

47. The Defendant further agrees to execute and deliver all authorizations, documents, and instruments which are necessary to carry out the terms and conditions of this Judgment.

48. This document may be executed in any number of counterparts and by different signatories on separate counterparts, each of which shall constitute an original counterpart hereof and all of which together shall constitute one and the same document. One or more counterparts of this Judgment may be delivered by facsimile or electronic transmission with the intent that it or they shall constitute an original counterpart thereof.

49. The terms of this Judgment shall be governed by the laws of the State of Connecticut.

XVII. MONITORING FOR COMPLIANCE

50. Upon request, the Defendant shall provide books, records, or documents to the Plaintiff, and shall informally, or formally under oath, provide testimony or other information to the Plaintiff relating to compliance with this Judgment. The Defendant shall make any requested information available within fourteen (14) days of the request, at the Office of the applicable

State Attorney General or at such other location within the State as is mutually agreed in writing by the Defendant and the applicable Attorney General. This shall in no way limit the Plaintiff's right to obtain documents, records, testimony, or other information pursuant to any law, regulation, or rule.

XVIII. COMPLIANCE WITH ALL LAWS

51. Nothing in this Judgment shall be construed as relieving the Defendant of the obligation to comply with all state and federal laws, regulations, or rules, nor shall any of the provisions of this Judgment be deemed to be permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

XIX. RELEASE

52. Nothing in this Judgment shall impair or limit the private right of action that any consumer, person, or entity may have against the Defendant.

53. By execution of this Judgment and following a full and complete payment to the States as required under Paragraph 32, as well as a full and complete payment to the Federal Trade Commission for consumer payments as required under Paragraph 21, the Attorney General of the State of Connecticut releases and forever discharges the Defendant, as defined above, from the following: all civil claims, causes of action, damages, consumer payments, fines, costs, and penalties that the Connecticut Attorney General could have asserted against the Defendant, as defined above, under the § 42-110a *et seq.* of the Connecticut General Statutes resulting from the Covered Conduct up to and including the Effective Date that is the subject of this Judgment.

54. Notwithstanding any term of this Judgment, any and all of the following forms of liability are specifically reserved and excluded from the Release in Paragraph 53 as to any entity or person, including the Defendant:

- (A) Any criminal liability that any person or entity, including the Defendant, has or may have to the State of Connecticut.
- (B) Any civil or administrative liability that any person or entity, including the Defendant, has or may have to the State of Connecticut under any statute, regulation, or rule not expressly covered by the Release in Paragraph 53 above, including, but not limited to, any and all of the following claims:
 - (i) State or federal antitrust violations;
 - (ii) State or federal securities violations; or
 - (iii) State or federal tax claims.

XX. COURT COSTS

55. All court costs associated with this action and any other incidental costs or expenses incurred in this action thereby shall be borne by the Defendant. No costs shall be taxed to the State. Further, no discretionary costs shall be taxed to the State.

XXI. PENALTY FOR FAILURE TO COMPLY

56. The State may assert any claim that the Defendant has violated this Judgment in a separate civil action to enforce this Judgment, or to seek any other relief afforded by law. This Court retains jurisdiction of this Judgment and the Parties hereto for the purpose of enforcing and modifying this Judgment and for the purpose of granting such additional relief as may be necessary and appropriate.

57. This Judgment is expressly contingent on court approval of the FTC's *Stipulated Final Judgment and Order for Permanent Injunction and Other Equitable Relief* and complete payment of \$40,000,000 under the FTC's *Stipulated Final Judgment and Order for Permanent Injunction and Other Equitable Relief*. If the FTC's *Stipulated Final Judgment and Order for*

Permanent Injunction and Other Equitable Relief is not approved, this Judgment shall be without force of effect on either Party hereto.

IT IS SO ORDERED, ADJUDGED, AND DECREED.

Dated this _____ day of _____, 2012.

Judge

ATTACHMENT A

[On Skechers USA, Inc., Letterhead]

[Insert date]

[Addressee]

Dear Skechers USA, Inc., Retail Business Partner:

In response to a lawsuit by the Federal Trade Commission (FTC) and separate lawsuits brought by a group of state attorneys general, Skechers has agreed to stop making certain claims for the following footwear products: Shape-ups, the Resistance Runner, Toners, and Tone-ups.

Although we dispute the charges, to settle the FTC's and the states' cases against us, Skechers has agreed to stop using advertising or promotional materials claiming that any of our footwear products can:

- Improve or increase muscle tone and muscle strength;
- Improve or increase overall circulation or aerobic conditioning;
- Result in increased weight loss or loss of body fat; and/or
- Result in improvement or reduction in body composition.

In addition to the above, Skechers has agreed to stop using advertising or promotional materials claiming that the Resistance Runner improves or increases muscle activation.

Please take these three steps immediately:

- (1) If you have materials on display (POS, posters, etc.) that include any of these claims, please remove them.
- (2) Where these claims appear on boxes, please cover them with stickers that Skechers will provide.
- (3) If inserts in boxes or footwear hangtags include any of these claims, please remove them.

We are actively pursuing additional studies in the marketplace. We look forward to sharing these details with you as they become available.

You can find out more about the settlement at www.ftc.gov. Please call [Insert name and telephone numbers of the responsible Skechers USA, Inc., Attorney or Officer.] if you have any questions.

Skechers thanks you for your business and greatly appreciates your cooperation in this matter.

Sincerely,

Skechers USA, Inc.