

NO. 2015-33890

THE STATE OF TEXAS,

Plaintiff,

v.

KATZ BOUTIQUE 1, INC., ET AL.

Defendants.

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IN THE DISTRICT COURT

OF HARRIS COUNTY, TEXAS

157th JUDICIAL DISTRICT

AGREED FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff, the State of Texas, acting by and through Attorney General of Texas, Ken Paxton and the County Attorney of Harris County, Texas, Vince Ryan, (“Plaintiff”), and Defendants Katz Boutique 1, Inc.; Katz Boutique 2, Inc.; Katz Boutique 3, Inc.; Katz Boutique 4, Inc.; Katz Boutique 5, Inc.; Katz Boutique 6, Inc.; Katz Boutique 7, Inc.; Katz Boutique 8, Inc.; Katz Boutique 9, Inc.; Katz MGM Group, Inc. (F/K/A Katz MGM, Inc.); and Bao Quoc Nguyen (collectively “Defendants”) announce to the Court that all matters of fact and things in controversy between them have been fully and finally compromised and settled and present to the Court this Agreed Final Judgment and Permanent Injunction (“Agreed Judgment”), which the Defendants and State of Texas (collectively, the “Parties”) request be entered by the Court.

A. STIPULATIONS

1. **Stipulations.** By their duly authorized signatures, the Parties stipulate to the Court the following:

- a. The Parties are fully authorized to sign and enter into this Agreed Judgment.
- b. The Parties have read and understand the terms of this Agreed Judgment.
- c. The Parties have had an opportunity to confer with counsel, or if a Party is not represented by counsel, said Party had the opportunity to consult with counsel in the negotiation and

formation of this Agreed Judgment and affirmatively waived the right to counsel of the Party's own free will.

- d. The Parties agree to the terms of this Agreed Judgment.
- e. The Parties have waived all rights of appeal from this Agreed Judgment.
- f. The Parties actively participated in the negotiations leading up to this Agreed Judgment.
- g. The Parties are aware of the duties placed upon them by this Agreed Judgment and are desirous and capable of carrying out those duties in full.
- h. The Parties acknowledge receipt of copies of this Agreed Judgment and have full and actual notice of the terms of this Agreed Judgment.
- i. The Parties acknowledge that the issuance and service of a writ of injunction are waived.
- j. The Parties acknowledge that the terms of this Agreed Judgment are sufficiently detailed and specific to be enforceable by the Court in conformance with Texas Rule of Civil Procedure 683.
- k. The Parties acknowledge that this Agreed Judgment, in conjunction with the Settlement Agreement and Release ("Settlement Agreement"), which was filed with the Court prior to the filing of this Agreed Judgment, represents a compromise and settlement of all civil matters arising out of facts and causes of action alleged, or that could have been alleged, by the State of Texas in this cause.
- l. The Parties acknowledge the jurisdiction of the Court and request entry of this Agreed Judgment.
- m. The Parties acknowledge the State may take all action it reasonably believes necessary to determine Defendants' compliance with this Agreed Judgment.
- n. The Parties acknowledge that all monies owed under the Settlement Agreement have been paid to Plaintiff and have been received in their entirety by Plaintiff prior to the filing of

this Agreed Judgment.

2. **Definitions.** Hereinafter, the following definitions apply:
- a. **“Plaintiff”** or **“The State”** is the State of Texas, acting by and through Attorney General of Texas and the Harris County Attorney.
 - b. **“Defendants”** means Katz Boutique 1, Inc., Katz Boutique 2, Inc., Katz Boutique 3, Inc., Katz Boutique 4, Inc., Katz Boutique 5, Inc., Katz Boutique 6, Inc., Katz Boutique 7, Inc., Katz Boutique 8, Inc., Katz Boutique 9, Inc., Katz MGM Group, Inc. (F/K/A Katz MGM, Inc.), and Bao Quoc Nguyen.
 - c. **“Katz Companies”** means Defendants Katz Boutique 1, Inc., Katz Boutique 2, Inc., Katz Boutique 3, Inc., Katz Boutique 4, Inc., Katz Boutique 5, Inc., Katz Boutique 6, Inc., Katz Boutique 7, Inc., Katz Boutique 8, Inc., Katz Boutique 9, Inc., and Katz MGM, Inc.
 - d. **“Nguyen”** means Defendant Bao Quoc Nguyen, an individual who is president of the Katz Companies.
 - e. **“Parties”** means the Plaintiff and Defendants, and **“Party”** means Plaintiff or any one or more of the Defendants as applicable.
 - f. **“Controlled Substance”** means, as defined in Texas Health and Safety Code § 481.002(5), a substance, including a drug, an adulterant, and a dilutant, listed in Schedules I through V or Penalty Groups 1, 1-A, 2, 2A, 3, or 4, as defined in Chapter 481 of the Texas Health and Safety Code. The term includes the aggregate weight of any mixture, solution, or other substance containing a Controlled Substance. The term “Controlled Substance” also specifically includes any synthetic cannabinoid, as defined in § 481.1031 of the Texas Health and Safety Code.
 - g. **“Controlled Substance Analogue”** means, as defined in Texas Health and Safety Code § 481.002(6), (A) a substance with a chemical structure substantially similar to the

chemical structure of a controlled substance in Schedule I or II or Penalty Group 1, 1-A, 2, or 2A, as defined in Chapter 481 of the Texas Health and Safety Code; or (B) a substance specifically designed to produce an effect substantially similar to, or greater than, the effect of a controlled substance in Schedule I or II or Penalty Group 1, 1-A, 2 or 2-A, as defined in Chapter 481 of the Texas Health and Safety Code.

- h. “**City of Houston Ordinance No. 2014-913**” means the City of Houston Ordinance No. 2014-913, a copy of which is attached and incorporated by reference.
- i. “**Ingestible Product**” means a product, other than tobacco, that is intended to be inhaled.

B. FINDINGS

1. **Findings.** The Court, upon having read the pleadings, the stipulations of the Parties, and after being fully advised in this matter, finds as follows:

- a. The Court finds that all Parties agree to the entry of this Agreed Judgment and have approved its entry by their duly authorized signatures below.
- b. The Court has jurisdiction over the Parties and subject matter of this suit and venue is proper.

2. Based on these findings, and having heard and considered the representations made by the Parties, the Court finds that there is good cause to issue a permanent injunction and grant all other relief as set forth in this Agreed Judgment.

C. PROHIBITED CONDUCT

3. **IT IS ORDERED** that, pursuant to § 17.47 of the Texas Deceptive Trade Practices–Consumer Protection Act and Chapter 125 of the Texas Civil Practice and Remedies Code, the Defendants and their officers, representatives, agents, servants, employees, successors and assigns, and any other person or entity in active concert or participation with them—whether acting directly

or through any corporation, company, partnership, trust, entity, subsidiary, division, or other device—who receive actual notice of this Agreed Judgment by personal service or otherwise—are hereby PERMANENTLY ENJOINED from engaging in the following conduct effective **immediately** after the Effective Date:

- a. Selling, offering for sale, distributing, offering to distribute, holding, storing, possessing, purchasing or offering to purchase any Controlled Substance or Controlled Substance Analogue or Ingestible Product containing a Controlled Substance or Controlled Substance Analogue;
- b. Selling, offering for sale, distributing, offering to distribute, holding, storing, possessing, purchasing or offering to purchase any products labeled as potpourri, incense, bath salts, or herbal cigarettes, that contain a Controlled Substance or a Controlled Substance Analogue;
- c. Selling, offering for sale, distributing, offering to distribute, holding, storing, possessing, purchasing or offering to purchase any products labeled as “lab certified” unless Defendants know with certainty that the product is certified by an actual, bona-fide laboratory, the operations and practices of which are certified by a generally-recognized third-party accreditation organization;
- d. Selling, offering for sale, distributing, offering to distribute, holding, storing, possessing, purchasing or offering to purchase any Ingestible Products that do not contain the name and location of the manufacturer or distributor on the package labeling, unless such information is otherwise on display on the same retail store premises; and
- e. Failing to comply with City of Houston Ordinance 2014-913.

D. DEFAULT

1. **Default.** Any Defendant will be in default of this Agreed Judgment if that Defendant is found by this Court to be in violation of Section C of this Agreed Judgment.

2. **Remedies.** In the case of default of this Agreed Judgment by any of the Defendants, Plaintiff's right to enforce this Agreed Judgment is in addition to, and not in lieu of, any other civil or criminal remedies as may be provided by law, including but not limited to civil or criminal contempt proceeding, or any other proceeding the State may initiate.

In addition, upon a determination by the Court that a default as specified in paragraph D.1. of this Agreed Judgment has occurred, Defendants consent to and stipulate that such a determination shall have the full effect of a judgment in favor of Plaintiff under Texas Civil Practice and Remedies Code § 125.002(e) and the date of such a determination shall serve as the date of a judgment under same, and, accordingly, the Court shall order the retail store location(s), facility(ies), or business location(s) where the violation(s) occurred be closed for a period of one year after the date of such determination, pursuant to Texas Civil Practice and Remedies Code § 125.002(e), and the Court may order any other relief available under Chapter 125 of the Texas Civil Practice and Remedies Code, § 17.47 of the Texas Business and Commerce Code, or other applicable Texas law.

3. **Notice.** If the State believes that one or more of Defendants is in default of this Agreed Judgment as specified in paragraph D.1., the State shall provide all individuals or entities alleged to be in default, as well as counsel of record for said individuals or entities, written notice of the circumstances of which the State believes constitutes a default. The Defendants will have fifteen (15) calendar days to provide the State with written documentation that no such default occurred or to cure such default. After 15 calendar days, the State in its sole discretion may elect to proceed with enforcement of this Agreed Judgment or any other remedy legally available.

4. **Copy to Employees.** Defendants shall provide a copy of this Agreed Judgment to all current and future employees and independent contractors who work at or for the benefit of any retail stores owned by or operated by the Katz Companies.

5. **Determination.** If Plaintiff files a contempt proceeding or initiates any other legal proceeding, and the findings of fact resulting from any such proceeding reflect that the Court has determined that a Defendant has violated one or more terms of this Agreed Judgment, such determination shall constitute a finding that said Defendant is in default of this Agreed Judgment. This does not waive Defendant's rights of appeal from any contempt proceeding.

E. GENERAL PROVISIONS

1. **Enforcement.** The State may institute an action or proceeding to enforce the terms and provisions of this Agreed Judgment. For the purpose of enabling any party to this Agreed Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Agreed Judgment, for modification of the injunctive provisions hereof, for the enforcement and compliance herewith, and for the pursuit of the appropriate remedies for violations hereof, this Court retains jurisdiction for a period of ten (10) years with respect to the Katz Companies and a period of four (4) years with respect to Nguyen.

2. **Duty to Obey the Law Does Not Expire.** Regardless of any future expiration of this Court's jurisdiction to enforce injunctive provisions in this Agreed Judgment, Defendants stipulate that and this Court orders that no provisions in this Agreed Judgment shall alter Defendants' ongoing duty to comply with all Federal, State, local, and municipal laws and ordinances.

3. **Preservation of Future Enforcement Action.** Nothing herein precludes the State from enforcing the provisions of this Agreed Judgment or taking legal action in response to any acts or

events occurring after the Effective Date of this Agreed Judgment.

4. **Compliance with and Application of State Law.** Nothing in this Agreed Judgment shall be construed to limit the authority of the State to protect the interests of the State or the people of the State. Accordingly, nothing herein relieves Defendants of their continuing duty to comply with applicable laws of the State or constitutes authorization by the State for Defendants to engage in acts and practices prohibited by such laws. This Agreed Judgment shall be governed by the laws of the State of Texas.

5. **Third Parties.** This Agreed Judgment is not intended to grant or limit any legal rights or remedies of any nature of any third party. This Agreed Judgment may not be relied upon by third parties to assert or defend any rights or remedies they might have or pursue.

6. **Non-Admission.** This Agreed Judgment shall not be construed as, or deemed to be evidence of, an admission or concession on the part of Defendants of any liability or wrongdoing.

7. **Past and Future Practices.** Nothing herein constitutes approval or acquiescence by the State of Defendants' past practices, current efforts to reform their practices, or any future practices which Defendants may adopt or consider adopting. The State's decision to settle this matter or to otherwise unilaterally limit current or future enforcement action does not constitute approval or imply authorization for any past, present, or future business practice.

8. **Modification.** This Agreed Judgment may be modified only by written agreement signed by authorized representatives of the Attorney General's Office and the Harris County Attorney's Office or by signed order of the Court.

9. **Notice.** All notices required by this Agreed Judgment shall be sent by certified or registered mail, return receipt requested, postage prepaid, fax, or by hand delivery to:

If to the STATE:

DANIEL T. ZWART
Assistant Attorney General
Consumer Protection Division

Houston Regional Office
808 Travis, Suite 1520
Houston, Texas 77002
Telephone (713) 223-5886
Facsimile (713) 223-5821

ROSEMARIE DONNELLY
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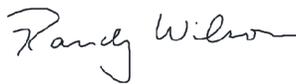
If to DEFENDANTS:

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Boutique 6, Inc., Katz Boutique 7, Inc., Katz
Boutique 8, Inc., Katz Boutique 9, Inc., and Katz
MGM, Inc.**

10. **Effective Date.** The effective date of this Agreed Judgment is the date signed by the Court.
11. **Finality.** After signing by the Court, this Agreed Judgment constitutes a final judgment and is not appealable. All relief not expressly granted herein is denied.

SIGNED this _____ day of _____, 2016.

Signed: 
8/31/2016

JUDGE PRESIDING

APPROVED AS TO FORM AND SUBSTANCE AND ENTRY REQUESTED:



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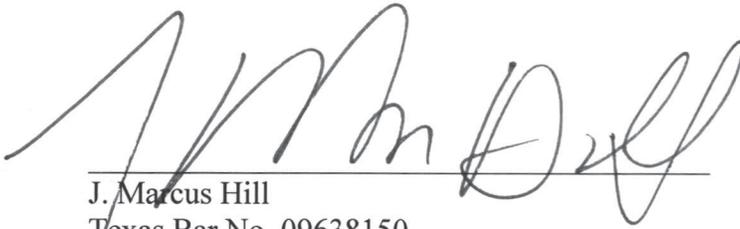
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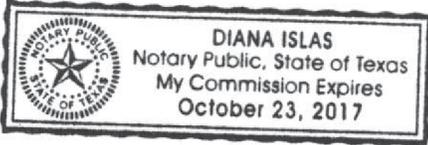


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Bao Quoc Nguyen
Bao Quoc Nguyen, Individually

SUBSCRIBED AND SWORN TO BEFORE ME on this 19th day of August, 2016,
to certify which witness my hand and official seal.



[Signature]

NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

My Commission Expires: 10/23/17

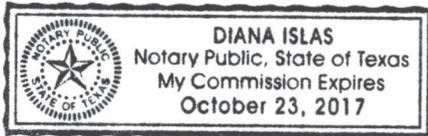
Bao Quoc Nguyen

KATZ BOUTIQUE 1, INC.; KATZ BOUTIQUE 2, INC.; KATZ BOUTIQUE 3, INC.;
KATZ BOUTIQUE 4, INC.; KATZ BOUTIQUE 5, INC., KATZ BOUTIQUE 6, INC.;
KATZ BOUTIQUE 7, INC.; KATZ BOUTIQUE 8, INC.; KATZ BOUTIQUE 9, INC.

By: Bao Quoc Nguyen (print name)

Title: President

SUBSCRIBED AND SWORN TO BEFORE ME on this 19th day of August, 2016,
to certify which witness my hand and official seal.



D. Islas

NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

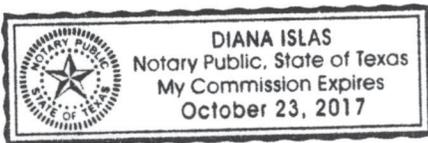
My Commission Expires: 10/23/17

Bao Quoc Nguyen
KATZ MGM GROUP, INC.

By: Bao Quoc Nguyen (print name)

Title: President

SUBSCRIBED AND SWORN TO BEFORE ME on this 19th day of August, 2016,
to certify which witness my hand and official seal.



D. Islas
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

My Commission Expires: 10/23/17



I, Chris Daniel, District Clerk of Harris County, Texas certify that this is a true and correct copy of the original record filed and or recorded in my office, electronically or hard copy, as it appears on this date. Witness my official hand and seal of office this September 7, 2016

Certified Document Number: 71795455 Total Pages: 14

Chris Daniel, DISTRICT CLERK
HARRIS COUNTY, TEXAS

In accordance with Texas Government Code 406.013 electronically transmitted authenticated documents are valid. If there is a question regarding the validity of this document and or seal please e-mail support@hcdistrictclerk.com