

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the California Air Resources Board (CARB), with its principal office at 1001 I Street, Sacramento, California, and America Top Essential Incorporated (Top Essential) with its principal place of business at 3427 Palo Vixca Drive, Rancho Palos Verdes, California.

RECITALS

1. Pursuant to its authority in Health and Safety Code (H&SC) section 39666, in 2008 CARB adopted the Airborne Toxic Control Measure to Reduce Formaldehyde Emissions from Composite Wood Products (ATCM) at title 17, California Code of Regulations (17 CCR), section 93120 et seq. This regulation requires that all manufacturers, distributors, importers, fabricators, and retailers of composite wood products and finished goods that contain composite wood products.
2. 17 CCR section 93120.2 (Emission Standards) sets a maximum formaldehyde emissions limit of 0.11 ppm for medium density fiberboard (MDF) sold, supplied, offered for sale, or manufactured for sale in California after January 1, 2011.
3. 17 CCR sections 93120.3 and 93120.5 through 93120.8 require reasonable prudent precautions to be taken to ensure composite wood products and composite wood products contained in finished goods comply with the Emission Standards specified in 17 CCR section 93120.2.
4. 17 CCR sections 93120.3 and 93120.5 through 93120.7 require that all manufacturers, distributors, importers, and fabricators of composite wood products and finished goods that contain composite wood products, must state on the bill of lading or invoice, that the composite wood products or composite wood products contained in finished goods comply with the applicable Phase 1 or Phase 2 Emission Standards specified in 17 CCR section 93120.2(a).
5. Failure to comply with the ATCM is a violation of state law subject to penalties up to \$10,000 for each day that the violation occurs, pursuant to H&SC section 39674.
6. CARB alleges that between March 28, 2016 and October 24, 2016, Top Essential engaged in two hundred and ten separate days in which it offered for sale Galaxy Westwood CH3 MDF laminate flooring, which is subject to the ATCM.
7. CARB alleges that the subject products referenced in Recital paragraph 6 contained concentrations of formaldehyde exceeding the 0.11 ppm limit for MDF in violation of 17 CCR section 93120.2.

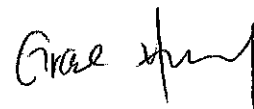
Grave *[Signature]* 1/6/19

8. CARB alleges Top Essential failed to take reasonable prudent precautions to ensure that the subject products referenced in Recital paragraph 6 complied with 17 CCR section 93120.2.
9. CARB alleges Top Essential is a distributor and an importer as defined in 17 CCR section 93120.1 and Top Essential failed to put a statement of compliance on their customer invoices or bill of lading which is required in 17 CCR sections 93120.5 and 93120.6.
10. CARB alleges that if the allegations described in Recitals paragraphs 6, through 9 were proven, civil penalties could be imposed against Top Essential as provided in H&SC section 39674 for each day in which each unit was offered for sale.
11. Top Essential admits the allegations described in Recitals paragraphs 6 through 9, but denies any liability resulting from said allegations.
12. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violation and voluntarily agree to resolve this matter by means of this Agreement, without the need for formal litigation. Top Essential has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. CARB accepts this Agreement in termination and settlement of this matter.

TERMS AND RELEASE

In consideration of CARB not filing a legal action against Top Essential for the violations referred to above, CARB and Top Essential agree as follows:

13. Top Essential shall not manufacture, distribute, import, fabricate or sell, or offer for sale for use in California, any composite wood products in violation of the ATCM set forth in 17 CCR section 93120, et seq.; the terms and conditions set forth in this Agreement will remain valid and enforceable notwithstanding any future violations that may occur.
14. Top Essential in settlement of the above-described violations of 17 CCR section 93120 et seq., agrees to pay a penalty to CARB in the amount of twenty-five thousand dollars (\$25,000) payable to the California Air Pollution Control Fund, concurrent with the execution of this Agreement. Payment and the signed Agreement shall be mailed to the address specified on the Payment Transmittal Form enclosed with this Agreement.
15. Effect of Untimely Payment. If the payment is more than 15 days late, the entire remaining balance becomes immediately due and payable.



16. This Agreement shall apply to and be binding upon Top Essential and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this settlement.
17. The parties stipulate that this Agreement shall be the final resolution of CARB claims regarding the above-described violations and shall have the same res judicata effect as a judgment in terms of acting as a bar to any civil action by CARB against Top Essential, its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations. This Agreement shall be deemed the recovery of civil penalties for purposes of precluding subsequent criminal action as provided in H&SC section 42400.7(a).
18. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules.
19. This Agreement constitutes the entire agreement and understanding between CARB and Top Essential concerning the claims and settlement in this Agreement. This Agreement fully supersedes and replaces any and all prior negotiations and agreements of any kind or nature, whether written or oral, between CARB and Top Essential concerning these claims.
20. The effective date of this Agreement shall be the date upon which this Agreement is fully executed.
21. This Agreement is deemed to have been drafted equally by CARB and Top Essential; it will not be interpreted for or against either Party on the ground that said Party drafted it.
22. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.
23. Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be illegal, invalid, or unenforceable in any jurisdiction, the remainder of this Agreement remains in full force and effect.
24. This Agreement shall further serve to toll any statute of limitation until all terms and conditions of this Agreement have been fulfilled.
25. It is further agreed that the stipulated penalties described in this Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7).

Grave

26. **Penalty Determination**

H&SC section 39619.7 requires CARB to provide information on the basis for the penalties it seeks. This Agreement includes this information, which is also summarized here.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

The penalty provision being applied in this case is H&SC section 39674 and it is appropriate because Top Essential imported, distributed, and/or offered for sale composite wood products for commerce in California and did not use reasonable prudent precautions to ensure that the subject products complied with the ATCM, in violation of the ATCM adopted in 17 CCR section 93120 et seq.

The manner in which the penalty amount was determined, including aggravating and mitigating factors and per unit or per vehicle basis for the penalty.

Penalties resulting from violations of the ATCM are based on H&SC section 39674.

CARB determined the settlement amount in consideration of all relevant circumstances, including the eight factors specified in the H&SC section 42403. In this case the total penalty was \$25,000 for emission and administrative violations. The per unit penalty in this case was based on 210 days of violation. The penalty in this case reflects a reduction because Top Essential was able to demonstrate financial hardship. Penalties in future cases might be higher or lower on a daily basis based on relevant circumstances.

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The ATCM prohibits formaldehyde emissions above a specified concentration limit in regulated products. CARB alleges in Recital 7 that certain products sold by Top Essential contained concentrations of formaldehyde exceeding the 0.11 ppm limit for MDF in 17 CCR section 93120.2. In this case, a quantification of the excess emissions attributable to the violations was not practicable because the information necessary to do so, such as emissions rates and time of use, is not available.

27. Top Essential acknowledges that CARB has complied with H&SC section 39619.7 in prosecuting or settling this case. Specifically, CARB has considered all relevant facts, including those listed at H&SC section 42403 and 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being

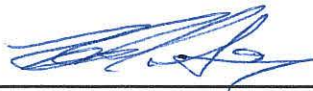
Grace King 1/6/19.

assessed and has considered and determined that this penalty is being assessed under a provision of law that does not prohibit the emission of pollutants at a specified level.

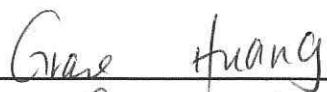
- 28. The final penalty in this case was determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar negotiated cases, and the potential cost and risk associated with litigating these particular violations. The penalty reflects violations extending over a number of days resulting in harm to the environment considered together with the complete circumstances of this case.
- 29. The final penalty in this case was based in part on confidential financial information or confidential business information provided by Top Essential that is not retained by CARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between CARB and Top Essential that CARB does not retain in the ordinary course of business. The penalty also reflects CARB's assessment of the relative strength of its case against Top Essential, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Top Essential may have secured from its actions.
- 30. Now therefore, in consideration of the payments from Top Essential to the Air Pollution Control Fund, CARB hereby releases Top Essential and their principals, officers, agents, predecessors and successors from claims for violations of the ATCM set forth in 17 CCR section 93120, et seq., alleged in paragraphs 6 through 9 of the Recitals.
- 31. The undersigned represent that they have full power and authority to enter into this Agreement.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

By: 
Name: Dr. Todd P. Sax
Title: Chief, Enforcement Division
Date: 11/30/19

America Top Essential Incorporated

By: 
Name: Grace Huang
Title: manager
Date: 4/6/19