

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and H Mart, Inc., with its principal location at 300 Chubb Avenue, Lyndhurst, New Jersey 07071 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The Global Warming Solutions Act of 2006 mandates CARB to adopt regulations to reduce greenhouse gas emissions and to enforce those regulations. (Health & Saf. Code §§ 38560, 38562, and 38580). CARB is also mandated to reduce hydrofluorocarbon emissions by 40% below 2013 levels by 2030. (Health & Saf. Code § 39730.5.)
- (2) Regulations.
 - a. CARB adopted the regulation, *Management of High-Global Warming Potential Refrigerants for Stationary Sources* (RMP Regulation) to reduce hydrofluorocarbon emissions from stationary, non-residential refrigeration equipment and from the installation and servicing of stationary refrigeration and air-conditioning appliances using high global warming potential (high-GWP) refrigerants. (Cal. Code Regs., tit. 17, §§ 95380-95398.)
 - b. CARB adopted the regulation, *Prohibitions on Use of Certain Hydrofluorocarbons in Stationary Refrigeration, Stationary Air-conditioning, and Other End-Uses* (HFC Regulation) to reduce hydrofluorocarbon (HFC) emissions by adopting specific prohibitions for certain substances in refrigeration, air-conditioning, chillers, ice rinks, cold storage, aerosols-propellants, and foam end-uses to support California's greenhouse gas emission reduction goals. (Cal. Code Regs., tit. 17, §§ 95371-95379.)
- (3) Regulatory Provisions.
 - a. Any person who owns or operates a stationary refrigeration system; or installs, repairs, maintains, services, replaces, recycles, or disposes of stationary refrigeration or air-conditioning appliances; or distributes or reclaims refrigerants with high-GWP, must comply with the applicable requirements of the RMP Regulation. (Cal. Code Regs., tit. 17, § 95381.)
 - b. Any person who sells, leases, rents, installs, uses, or otherwise enters into commerce, in the State of California, any product, equipment, material, or substance in end-uses listed in Tables 1 through 4 (sections

95374 (a)-(d)) of the HFC Regulation, must comply with the applicable requirements of the HFC Regulation. (Cal. Code Regs., tit. 17 § 95372.)

- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to twelve thousand one hundred eighty dollars (\$12,180.00 USD) for strict liability violations, respectively, for each day in which the violation occurs. (Cal. Code Regs., tit. 17, § 95380 et seq.; Cal. Code Regs., tit. 17 § 95376; Health & Saf. Code §§ 38580, 42400 et seq., 42402 et seq., 42410, and 42411.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, H Mart, Inc. is an out-of-state stock corporation organized under the laws of Delaware and authorized by the California Secretary of State to conduct business in the State of California.
- (6) Allegations. CARB alleges that H Mart, Inc. violated the RMP Regulation by owning or operating a stationary refrigeration system after January 1, 2011, as defined by the RMP Regulation, and failing to pay the annual implementation fee (Cal. Code Regs., tit. 17, § 95384 (b)), failing to ensure that all detected refrigerant leaks are repaired within fourteen (14) days of its detection by a certified technician (Cal. Code Regs., tit. 17, § 95386(a)), failing to submit an annual report (Cal. Code Regs., tit. 17, § 95388), and failing to maintain requisite records for at least five years (Cal. Code Regs., tit. 17, §§ 95386(a) and 95389) resulting in an unspecified number of days of violations, as outlined in Notice of Violation HFC-2023-HMART-XX-003. (Cal. Code Regs., tit. 17, § 95380 et seq.) CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against H Mart, Inc. for each and every unit involved in the violations and each day. CARB alleges that H Mart, Inc. violated the HFC Regulation by entering into commerce, in the State of California, equipment, in end-uses listed in Table 1, section 95374(a) and Table 4, section 95374(d) of the HFC Regulation; and failing to submit the annual report on time (Cal. Code Regs., tit. 17, § 95375(d)(6)), resulting in an unspecified number of days of violations, as outlined in Notice of Violation HFC-2023-HMART-XX-003. (Cal. Code Regs., tit. 17, § 95371 et seq.)
- (7) Acknowledgment. H Mart, Inc. neither admits to nor denies the facts alleged in Paragraphs 1 through 6, and denies any liability resulting from said allegations.
- (8) Consideration. 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 violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, H Mart, Inc. has taken, or agrees to take, the

actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against H Mart, Inc. for the alleged violations referred to above in the Legal Background and Case Background, and H Mart, Inc.'s agreement to complete all terms and conditions set forth below, CARB and H Mart, Inc. agree as follows:

- (9) Settlement Amount. H Mart, Inc. shall pay a civil penalty of one million fourteen thousand one hundred twenty-five dollars (\$1,014,125.00 USD). H Mart, Inc. shall make all payments in accordance with the payment schedule in Paragraph 11 (Payment Plan and Schedule).
- (10) Notification Date. The Notification Date is the date upon which CARB notifies the company that the Settlement Agreement has been fully signed, or when it sends the fully executed Settlement Agreement to H Mart, Inc., in accordance with Paragraph 15 (Notices).
- (11) Payment Plan and Schedule. Pursuant to this Settlement Agreement, H Mart, Inc. shall make payments according to the following table:

Days After the Notification Date	In the Amount of and Payable To:
60 Days	\$507,062.50 California Air Resources Board
180 Days (6 Months)	\$507,062.50 California Air Resources Board

- (12) Civil Penalty Payment Method. H Mart, Inc. shall pay the civil penalty and mitigation by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. H Mart, Inc. is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty and mitigation amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to H Mart, Inc. in accordance with Paragraph 15 (Notices).

- (13) Acceleration. If any payment is more than thirty (30) calendar days late from the payment schedule deadline, the entire remaining balance is accelerated to become due and payable immediately without notice or demand.
- (14) Documents. H Mart, Inc. shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 15 (Notices).
- (15) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board
Enforcement Division / Settlement Agreements
Field Operations Branch
Short-Lived Climate Pollutant Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to H Mart, Inc.:

Woojin Choi, COO
H Mart, Inc.
300 Chubb Avenue
Lyndhurst, New Jersey 07071
wjchoi@hmart.com

With Copy to H Mart, Inc.'s Legal Representation:

Jennifer Hartman King, Esq.
Hartman King PC
2150 River Plaza Drive, Suite 320
Sacramento, California 95833
JHartmanKing@HartmanKingLaw.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (16) Repeat Violations. H Mart, Inc. agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (17) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the matters addressed herein and supersedes and replaces any and all prior negotiations and agreements of

any kind, whether written or oral, between the Parties concerning the matters addressed herein. This Settlement Agreement consists of 9 pages and 35 numbered paragraphs.

- (18) Binding Effect. This Settlement Agreement binds H Mart, Inc., and any principals, officers, receivers, trustees, successors and assignees, subsidiaries and parent corporations over which California courts have jurisdiction to enforce this Settlement Agreement and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (19) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (20) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (21) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (22) Choice of Law. This Settlement 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.
- (23) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.
- (24) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (25) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.

- (26) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
- (27) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (28) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (29) Release. In consideration of full payment of the civil penalty, and all other undertakings above, CARB hereby releases H Mart, Inc. and its principals, officers, receivers, trustees, successors and assignees, subsidiaries and parent corporations, and each of their respective principals, officers, receivers, trustees, successors, and assignees, from any claims CARB may have based on the circumstances described in all paragraphs contained in the Case Background (Paragraphs 5-8) above, the facts disclosed to CARB during the negotiations concerning the matters addressed in the Settlement Agreement, and all facts available to CARB through the annual reports submitted by H Mart, Inc. and/or its subsidiaries to CARB's R3 Database, which includes RMP and HFC data.
- (30) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (31) Per Unit Penalty. The per unit penalty in this case is a maximum of twelve thousand one hundred eighty dollars (\$12,180.00 USD) per day, including the Consumer Price Index, under Health and Safety Code sections 38580 and 42411 for violations of the RMP Regulation and HFC Regulation (Cal. Code Regs., tit. 17, § 95380 et seq.; Cal. Code Regs., tit. 17, § 95376). The total penalty of one million fourteen thousand one hundred twenty-five dollars (\$1,014,125.00 USD) consists of nine hundred eighty-seven thousand one hundred twenty-five dollars (\$987,125.00 USD) in RMP and HFC violations alleged by CARB over an unspecified number of days, and the amount of twenty-seven thousand dollars (\$27,000.00 USD) for 18 HFC violations alleged by CARB in South Coast's jurisdiction from 2021-2022, at the per unit penalty of \$1,500 each.

- (32) Emissions. The provisions cited in Paragraph 6 (Allegations) above do not prohibit emissions above a specified level. Without more information, it is not practicable to quantify the excess emissions.
- (33) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered whether the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.
- (34) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by H Mart, Inc. or confidential settlement communications.
- (35) Effect of Settlement/Reservation of Rights. The following shall apply:
- (a) This Settlement Agreement resolves all claims that CARB has brought, or could have brought, related to the facts and violations alleged in this Settlement Agreement and shall bar any further actions against H Mart, Inc., its principals, officers, receivers, trustees, successors, and assignees, and subsidiaries and parent corporations, and each of their respective principals, officers, receivers, trustees, successors, and assignees, related to the matters addressed herein.
 - (b) Subject to Paragraph 29 (Release) and Paragraph 35(a) (Effect of Settlement/Reservation of Rights), CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against H Mart, Inc. with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against H Mart, Inc. with respect to:

- (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by H Mart, Inc. to CARB or otherwise available to CARB through the annual reports submitted to the R3 Database by H Mart, Inc. and/or its subsidiaries.
 - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
 - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
 - (v) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, and subject to Paragraphs 29 (Release) and 35(a)-(b) (Effect of Settlement/Reservation of Rights), H Mart, Inc. shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of H Mart, Inc. or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against H Mart, Inc., except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. H Mart, Inc. is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; H Mart, Inc.'s compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that H Mart, Inc.'s compliance with any aspect of this Settlement

Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Steven S. Cliff, Ph.D.

Title: Executive Officer

Date: November 14, 2024

H Mart, Inc.

Signature: /S/

Name: Woojin Choi

Title: Chief Operating Officer

Date: October 21, 2024