

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the California Air Resources Board (ARB), with its principal office at 1001 I Street, Sacramento, California, and Champion Chemical Champion (Champion), with its principal place of business at 8319 Greenleaf Avenue, Whittier, California.

RECITALS

1. ARB alleges that between January 2013 and June 2015, Champion sold, supplied, and offered for sale in California, "Sokoff Removes Baked-On Grease & Carbon", (Sokoff Removes), which was subject to the volatile organic compound (VOC) limit for the *Oven or Grill Cleaner* category in title 17, California Code of Regulations (CCR), section 94509(a).
2. ARB alleges that the Sokoff Removes referenced in recital paragraph 1 contained concentrations of VOCs exceeding the 4 percent VOC limit for the *Oven or Grill Cleaner* category specified in title 17, CCR, section 94509(a).
3. ARB alleges that the product Sokoff Removes contained methylene chloride, a prohibited ingredient/Toxic Air Contaminant (TAC), for the *Oven or Grill Cleaner* category in violation of title 17, CCR, section 94509(m)(1).
4. ARB alleges that the product Sokoff Removes did not clearly display the day, month, and year on which the product was manufactured, or a code indication such date, in violation of title 17, CCR, section 94512(b)(1).
5. ARB alleges that if the allegations described in recital paragraphs 1, 2, 3 and 4 were proven, civil penalties could be imposed against Champion as provided in Health and Safety Code (HSC) sections 42402 et seq. for each and every unit involved in the violations.
6. Champion admits the allegations described in recital paragraphs 1, 2, 3 and 4, but denies any liability resulting from said allegations.
7. Champion removed unsold product from shelves in California.
8. The parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

Therefore, the parties agree as follows:

TERMS AND CONDITIONS

9. Champion shall not sell, supply or offer for sale for use in California any consumer products in violation of ARB consumer products regulations set forth in title 17, CCR, section 94500 et seq., the terms and conditions set forth in this agreement will remain valid and enforceable notwithstanding any future violations that may occur.
10. Champion, in settlement of the above-described violations of title 17, CCR, section 94509(a) agrees to pay a penalty to ARB in the amount of \$33,000.00 payable to the California Air Pollution Control Fund, according to the following schedule: \$8,250.00 by September 1, 2016 with the execution of this agreement, and \$2,250.00 by the first of each of the following months for eleven months (October 2016 through August 2017). If any payment is more than 15 days late, the entire balance becomes due and payable.
11. This Agreement shall apply to and be binding upon Champion and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this settlement.
12. The parties stipulate that this Agreement shall be the final resolution of ARB 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 ARB against Champion, 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 HSC section 42400.7(a).
13. 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.
14. This Agreement constitutes the entire agreement and understanding between ARB and Champion concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between the ARB and Champion concerning these claims.
15. 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.
16. **1402 Statement.** HSC section 39619.7 (Senate Bill 1402 - Dutton, Chapter 413, statutes of 2010) requires ARB 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 HSC section 42402, et seq. because Champion sold, supplied, offered for sale, or manufactured for sale consumer products for commerce in California in violation of the Consumer Products Regulations (title 17, CCR, section 94507, et seq.). The penalty provisions of HSC section 42402, et seq. apply to violations of the Consumer Products Regulations because the regulations were adopted under authority of HSC section 41712 which is in Part 4 of Division 26 of the HSC.

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

HSC section 42402, et seq. provides strict liability penalties of \$1,000 per day for violations of the Consumer Product Regulations with each day being a separate violation. In cases like this, involving unintentional violations of the Consumer Products Regulations where the violator cooperates with the investigation, the ARB has obtained penalties based on the excess emissions of VOC and TACs. Investigative costs and an administrative penalty are also obtained in some cases.

In this case the total penalty is \$33,000.00, including an administrative penalty (date code), and there were 0.12 tons of excess VOC emissions and 1.48 excess TAC emissions attributable to the violation. The penalty in this case was reduced because this was a strict liability first time violation, Champion removed product from the marketplace, is reformulating the product, and made diligent efforts to comply and to cooperate with the investigation. Penalties in future cases might be higher or lower on a per ton or per day basis.

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 Consumer Product Regulations do not prohibit emissions above a specified level, but they do limit the concentration of VOCs in regulated products. In this case a quantification of the excess emissions attributable to the violations was practicable because Champion made the product formulation and sales data necessary to make this quantification available to the ARB. Based upon this information (which the Champion has designated

as confidential), the violations were calculated to have caused 0.12 tons of excess VOC, and 1.48 tons of excess TAC emissions to be emitted in California.


Final penalties were 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 costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a number of days resulting in quantifiable harm to the environment considered together with the complete circumstances of this case. Penalties in future cases might be smaller or larger on a per ton basis.

The final penalty in this case was based in part on confidential financial information or confidential business information provided by Champion that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and Champion that ARB does not retain in the ordinary course of business. The penalty also reflects ARB's assessment of the relative strength of its case against Champion, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Champion may have secured from its actions.


17. The undersigned represent that they have full power and authority to enter into this Agreement.

CALIFORNIA AIR RESOURCES BOARD

Dated: 10/3/2016

By: 
Ellen M. Peter
Chief Counsel

CHAMPION CHEMICAL COMPANY

Dated: August 30th, 2016 By: 
Andrew Ellis
President