

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, Premier Brands of America, Inc. (“Premier Brands”), with its principal place of business at 31 South Street, Suite 2S, Mount Vernon, New York, and Western Family Foods, Inc. (“Western Family”).

R E C I T A L S

1. CARB alleges that between January 2008 and May 2010, Premier manufactured for sale in California 16,272 units of Western Family aerosol deodorant products subject to the high volatile organic compound (“HVOC”) limit for Antiperspirant and Deodorant, title 17, California Code of Regulations (“CCR”), section 94502(a).
2. CARB alleges that the Premier/Western’s product referenced in recital paragraph 1 contained concentrations of HVOCs exceed the 0 percent HVOC limit Antiperspirant and Deodorant specified in title 17, CCR, section 94502(a).
3. CARB alleges that if the allegations described in paragraphs 1 and 2 were proven, civil penalties could be imposed against Premier/Western as provided in Health and Safety Code sections 42402, et seq. for each and every unit involved in the violations.
4. Premier/Western admits the allegations described in paragraphs 1 and 2, but denies any liability resulting from said allegations.
5. 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

1. Premier shall not manufacture and Western Family shall not sell, supply or offer for sale for use in California any consumer products in violation of CARB consumer products regulations set forth in title 17, CCR, Section 94500, et seq. however, the terms and conditions set forth in this agreement will remain valid and enforceable notwithstanding any future violations that may occur.
2. Premier/Western, in settlement of the above-described violations of title 17, CCR, section 94502(a), agrees to pay a penalty to CARB in the amount of \$8,300.00 payable to the California Air Pollution Control Fund, concurrent with the execution of this Agreement.
3. This settlement shall apply to and be binding upon Premier/Western 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.
4. 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 bar to any civil action by CARB against Premier/Western, 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 civil action as provided in Health and Safety Code section 42400.7(a).

5. 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.
6. This Agreement constitutes the entire agreement and understanding between CARB and Premier/Western concerning the claims and settlement in this Agreement, and 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 Premier/Western concerning these claims.
7. 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.
8. Each of the undersigned represents and warrants that he or she has full power and authority to enter into this Agreement.
9. **SB 1402 Statement.** California Health and Safety Code ("HSC") section 39619.7 (Senate Bill 1402 – Dutton, Chapter 413, statutes of 2010) requires CARB to provide information on the basis for the penalties it seeks. This Settlement 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 Premier/Western sold, supplied, offered for sale, or manufactured for sale consumer products for commerce in California in violation of the Consumer Products

Regulations (Title 17 California Code of Regulations [“CCR”] section 94502, 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 in Part 4 of Division 26 of the Health and Safety Code. The penalty provisions of HSC section 42402, et seq. apply to requirements adopted pursuant to Part 4.

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 must be set at levels sufficient to discourage violations. CARB considered all relevant circumstances in determining penalties, including the eight factors specified in HSC section 42403.

Under HSC 42402, et seq., the penalties for strict liability violations of the Consumer Product Regulations are a maximum of \$1,000 per day of violation, with each day being a separate violation. In cases like this involving a concurrent unintentional first time violation of the Consumer Products Regulations where the violator cooperates with the investigation, CARB has sought and obtained penalties of approximately \$17,000 per ton in excess emissions of HVOOC attributable to the violation. This represents an average cost to retire a ton of volatile organic compound emission credits and reformulate a product to comply with the Consumer Products Regulations. In this case, the total penalty is \$8,300 and there were 0.51 tons of excess HVOOC attributable to the violation. This represents a penalty of approximately \$16,200 per ton in excess emissions with the inclusion of investigative costs.

The penalty in this case was reduced because Premier/Western reformulated the Western Family line of deodorant products, made diligent efforts to comply, and cooperated with the investigation. Penalties in future cases might be smaller or larger on a per ton 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 the 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 HVOCs in regulated products. In this case a quantification of the excess emissions attributable to the violations was practicable because Premier/Western provided the product formulation and sales data necessary to make this quantification available to the CARB. Based upon this information (which Premier/Western has designated as confidential), the violations were calculated to have caused the 0.51 tons of excess emissions of high volatile organic compounds to be emitted to the atmosphere in California.

10. Premier/Western acknowledges that CARB has complied with SB1402 in investigating and settling this case. Specifically, CARB has considered all relevant facts, including those listed at HSC section 42403, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty amount is being assessed and had considered and determined that while this penalty is not being assessed a provision of law that prohibits the emission of pollutants at a specified level, it is practicable for CARB to quantify the excess emissions from the alleged violations, it has done so and has included this information in this Settlement Agreement.
11. 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 listed above. The penalty was discounted in this matter based on the factors described above. Penalties in future cases might be smaller or larger on a per ton basis.

12. The final penalty in this case was based in part on confidential business information provided by Premier/Western that is not retained by CARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communication between CARB and Premier/Western 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 Premier/Western, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Premier/Western may have secured from its actions.

Dated: 12/13/12

CALIFORNIA AIR RESOURCES BOARD

By: 

James Ryden
Enforcement Division Chief

Dated: 12/15, 2012

**PREMIER BRANDS OF AMERICA, INC.
and WESTERN FAMILY FOODS, INC.**

By: 

Name: RALPH ROBINSON

Title: Counsel