

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 CRC Industries, Inc. (CRC) with its principal place of business at 800 Enterprise Road, Suite 101, Horsham, Pennsylvania 19044.

RECITALS

1. The Consumer Product Regulation, title 17, California Code of Regulations, section 94507 et seq. (17 CCR section 94507 et seq.) applies to any person who sells, supplies, offers for sale, or manufactures consumer products for use in California.
2. 17 CCR section 94509(m) sets forth in Table 94509(m)(1) the product categories in which use of perchloroethylene is prohibited. Electrical Cleaner products are subject to the prohibition.
3. Failure to comply with the Consumer Products Regulation is a violation of state law resulting in penalties. Among other penalties, Health and Safety Code (H&SC) sections 42400-42403 authorize strict liability penalties up to \$10,000 for each day that the violation occurs.
4. CARB alleges that CRC sold, supplied, and offered for sale in California, CRC Lectra-Motive Electric Parts Cleaner that is subject to the perchloroethylene prohibition for the Electrical Cleaner product category specified in 17 CCR section 94509(m).
5. CARB alleges that CRC sold, supplied, and offered for sale in California, CRC Lectra-Clean Electric Parts Cleaner that is subject to the perchloroethylene prohibition for the Electrical Cleaner product category specified in 17 CCR section 94509(m).
6. CARB alleges that the products referenced in Recitals paragraph 4 and 5 contained concentrations of perchloroethylene in violation of the prohibition specified in 17 CCR section 94509(m) for the Electrical Cleaner product category, resulting in notice of violation CP14-08-01.
7. CARB alleges that if the allegations described in Recitals paragraphs 4-6 were proven, civil penalties could be imposed against CRC as provided in H&SC section 42402 et seq. for each and every unit involved in the violations.
8. CRC admits the allegations described in Recitals paragraphs 4-6, but denies any liability resulting from said allegations.

9. 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 Agreement, without the need for formal litigation. CRC has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. By entering into this Agreement, CRC does not admit to any liability arising from the alleged violations. CARB accepts this Agreement in termination and settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against CRC for the alleged violations referred to above in recitals (4) through (6), and CRC's payment of the penalties and funding of the Supplemental Environmental Project (SEP) set forth below, as well as the other terms and conditions set forth below, and in full and final settlement of this matter, CARB and CRC agree as follows:

10. CRC shall not manufacture, sell, supply, or offer for sale for use in California, any consumer products in violation of the Consumer Products Regulations set forth in 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.
11. CRC agrees not to manufacture, sell, supply, or offer for sale for use in California, CRC Lectra-Motive Electric Parts Cleaner, which meets the definition of an "Energized Electrical Cleaner" as defined in 17 CCR section 94508(a)(39), beginning on October 1, 2018. CRC Lectra-Motive Electric Parts Cleaner products manufactured and supplied prior to October 1, 2018, may be sold, or offered for sale for use in California if the container displays clearly a date of manufacture or a code indicating the date of manufacturer.
12. CRC will provide a report to CARB, beginning 90 days after the execution of this agreement, detailing the amount of all CRC Lectra-Clean products containing perchloroethylene that CRC manufactured, sold, supplied, or offered for sale, in each case for use in California, during that quarter. The report will include the names, stock keeping unit (SKUs), size, and recipient of each individual product, broken down by week. CRC will provide twelve reports, on a quarterly basis, for three years.
13. CRC has agreed to undertake a SEP as described in Attachment B – SUPPLEMENTAL ENVIRONMENTAL PROJECT AGREEMENT – Respiratory Education and Referral System SEP, (SEP Agreement), to offset a portion of the penalty, consistent with CARB's SEP Policy. Pursuant to this Agreement, CRC shall make payments according to the schedule below. ✓

14. CRC has agreed that by funding the Respiratory Education and Referral System SEP, they will not receive any direct or indirect financial benefit, and that whenever it publicizes a SEP or the results of the SEP, it will state in a prominent manner that the project is being undertaken as part of the settlement of a CARB enforcement action.
15. Upon agreeing to the terms set forth in the SEP Agreement, and funding the Respiratory Education and Referral System SEP, CRC is released of all liabilities as they relate to the Respiratory Education and Referral System SEP as reflected in this underlying Agreement.
16. In the event the SEP is not fully implemented in accordance with the terms of the SEP Agreement, CARB (as the third party beneficiary) shall be entitled to recover the full amount of the SEP from the SEP implementer, less any amount waived based on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, CRC assigns any and all rights against the SEP implementer to CARB.
17. Upon execution of this Agreement, CRC shall pay a civil penalty to CARB and fund the Respiratory Education and Referral System SEP in the total amount of six hundred twenty-five thousand dollars (\$625,000.00) as follows.

Payment Due Date:	In the Amount of and Payable to:
Upon Execution of Agreement	\$325,528 Air Pollution Control Fund
Upon Execution of Agreement	\$299,472 El Sol Neighborhood Educational Center

The signed settlement agreement and any future mailings or documents per the terms of this Settlement Agreement shall be mailed to:

Ms. Sherry Bercu
 Air Pollution Specialist
 California Air Resources Board
 Enforcement Division
 8340 Ferguson Avenue
 Sacramento, California 95828

For payments made to the Air Pollution Control Fund, please send the payment along with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

For payments made to the El Sol Neighborhood Educational Center, please send the payment along with the attached "Supplemental Environmental Project Payment Transmittal Form" (Attachment A - 2) to:

El Sol Neighborhood Educational Center
For: Respiratory Education and Referral System SEP
766 North Waterman Avenue
San Bernardino, California 92410

In addition, a copy of each payment check made to El Sol Neighborhood Educational Center shall be mailed to:

Ms. Sherry Bercu
Air Pollution Specialist
California Air Resources Board
Enforcement Division
8340 Ferguson Avenue
Sacramento, California 95828

18. Effect of Untimely Payment. If any payment is more than fifteen (15) days late, the entire remaining balance becomes immediately due and payable.
19. This Agreement shall apply to and be binding upon CRC 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.
20. The parties stipulate that this Agreement shall be the final resolution of all claims, disputes, and obligations relating to the above-described alleged violations in recital paragraphs 4 through 6, and shall have the same res judicata effect as a judgment in terms of acting as a bar to any action by CARB against CRC, its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and its affiliates and distributors. CARB releases CRC from any and all claims that CARB has based on the facts and allegations described in the Recitals above. 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).

21. 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.
22. This Agreement constitutes the entire agreement and understanding between CARB and CRC 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 CRC concerning these claims.
23. The Effective Date of this Agreement shall be the date upon which it is fully executed.
24. This Agreement is deemed to have been drafted equally by CARB and CRC; it will not be interpreted for or against either Party on the ground that said Party drafted it.
25. 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.
26. This Agreement shall further serve to toll any statute of limitation until all terms and conditions of this Agreement have been fulfilled.
27. 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).
28. **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 42402 et seq. because CRC sold, supplied, offered for sale, or manufactured for sale consumer products for commerce in California in violation of the Consumer Products Regulations (17 CCR section 94507 et seq.). The penalty provisions of H&SC section 42402 et seq. apply to violations of the Consumer Products Regulations because the regulations were adopted under authority of H&SC section 41712, which is in Part 4 of Division 26.

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

H&SC section 42402 et seq. provides strict liability penalties of up to \$10,000 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, CARB has obtained penalties based on the emissions of perchloroethylene. Administrative penalties are also obtained in some cases.

In this case, the total penalty is \$625,000 for emission violations. The per-unit penalty was based on 210.83 tons of perchloroethylene emissions. The penalty in this case was reduced because CRC made diligent efforts to comply, including removing non-compliant Lectra-Motive product from commerce in California and replacing it with a compliant one, and cooperated with the investigation. CRC has also agreed to provide CARB with reports detailing sales of all Lectra-Clean products containing perchloroethylene into California for three years.

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 cost 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 CRC 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 CRC 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 CRC, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that CRC may have secured from its actions.

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 prohibit perchloroethylene in regulated products. In this case a quantification of the excess emissions attributable to the violations was

practicable because CRC made the product formulation and sales data necessary to make this quantification available to CARB. Based upon this information (which CRC has designated as confidential), the violations were calculated to have 210.83 tons of excess perchloroethylene emissions emitted in California.

29. 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. The undersigned represent that they have full power and authority to enter into this Agreement.
30. Each of the undersigned represents and warrants that he or she has full power and authority to enter into this Agreement.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

By: 

Name: Richard W. Corey

Title: Executive Officer

Date: 7/16/2018

CRC Industries, Inc.

By: 

Name: WAYNE KING

Title: President CRC Americas

Date: June 20 2018