SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (hereinafter "Agreement") is entered into by and between the State of California Air Resources Board (hereinafter "ARB") with its principal office at 1001 "I" Street, Sacramento, California, 95814, and The Plastics Group, Inc. (hereinafter "The Plastics Group"), with its principal place of business at 7409 S. Quincy Street, Willowbrook, Illinois 60527-5590.

RECITALS

1. California Code of Regulations, title 13, section 2467.2(c) provides, "Except as provided in Section 2467.3, every portable fuel container, spout, or portable fuel container and spout produced on or after July 1, 2007 that is manufactured for sale, advertised for sale, sold, or offered for sale in California or that is introduced, delivered or imported into California for introduction into commerce and that is subject to any of the standards prescribed in this article and documents incorporated by reference therein, must be certified for use and sale by the manufacturer through the Air Resources Board and covered by an Executive Order issued pursuant to Section 2467.2(d)."

2. California Code of Regulations, title 13, section 2467(b) provides, "...no person shall sell, supply, offer for sale, advertise, or manufacture for sale in California a portable fuel container or spout or both portable fuel container and spout on or after July 1, 2007 unless said portable fuel container or spout or both portable fuel container and spout is covered by an Executive Order issued pursuant to this article."

3. California Code of Regulations, title 13, section 2467.2(d) provides, "The criteria for obtaining certification, including all test procedures for determining certification and compliance with the standards applicable to portable fuel containers, spouts, or portable fuel containers and spouts produced on or after July 1, 2007 that are manufactured for sale, advertised for sale, sold, or offered for sale in California, or that are introduced, delivered or imported into California for introduction into commerce and that are subject to any of the standards prescribed in this article and documents incorporated by reference therein are set forth in 'CP-501, Certification Procedure for Portable Fuel Containers and Spill-Proof Spouts,' adopted July 26, 2006, which is incorporated by reference herein."

4. CP-501, paragraph 2.3, subparagraph (b) provides, "Portable fuel containers produced on or after January 1, 2009 that are equipped with an intended spill-proof spout must emit no more than 0.3 grams per gallon per day as determined by Air Resources Board Test Procedure TP-502 Test Procedure for Determining Diurnal Emissions from Portable Fuel Containers July 26, 2006, which is

incorporated by reference herein." TP-502 specifies the calculation of the diurnal rate using the highest recorded daily weight loss observed during the three diurnal cycles.

5. California Code of Regulations, title 13, section 2467.9(a) provides, "If the Executive Officer finds any manufacturer, distributor, or retailer manufacturing for sale, advertising for sale, selling, or offering for sale in the State of California a portable fuel container or spout or both portable fuel container and spout that does not comply with the requirements set forth in this article, he or she may enjoin said manufacturer, distributor, or retailer from any further manufacture, advertisement, sales, offers for sale, or distribution of such noncompliant portable fuel containers or spouts or both portable fuel containers and spouts, in the State of California pursuant to Section 43017 of the Health and Safety Code. The Executive Officer may also assess penalties to the extent permissible under Part 5, Division 26 of the Health and Safety Code and/or revoke any Executive Order(s) issued for the noncompliant portable fuel container, spout or both portable fuel container and spout."

6. On or about November 20, 2009, The Plastics Group submitted an application for certification of its portable fuel containers and spouts, including model number W228, for a 2+ gallon fuel container with a model number T205 spout.

7. On or about February 23, 2010, ARB issued Executive Order G-10-010 to The Plastics Group, which provides, "Production systems shall be in all material respects the same as those for which certification is granted and shall meet all the certification requirements except for the optional consumer acceptance program." The Executive Order also provides, "IT IS FURTHER ORDERED that any alteration of the components or design of the PFCs certified hereby is prohibited and is inconsistent with this certification, unless said alteration has been approved by the Executive Officer or his designee." The Executive Order also provides, "IT IS FURTHER ORDERED that the Executive Officer may enjoin sales, assess penalties, revoke or modify this certification as provided in CCR section 2467.9, if the Executive Officer determines that the product available for sale in California does not meet the 'Certification and Compliance Test Procedures' as provided in CCR section 2467.9."

8. In January 2014, ARB obtained commercially available Briggs & Stratton model 228T, 2+ gallon Portable Fuel Containers and spouts manufactured by The Plastics Group.

9. ARB performed diurnal emission testing pursuant to the above test procedures on these Briggs & Stratton model 228T, 2+ gallon Portable Fuel Containers and concluded that at least 27,187 of The Plastics Group's PFCs with spouts had

maximum diurnal emission rates ranging from 0.6 to 2.1 grams per gallon per day, which exceeds the standard of 0.3 grams per gallon per day. The Plastics Group disputes this conclusion.

10. Between at least October 2012 and January 2013, ARB alleges that The Plastics Group sold, supplied, offered for sale, advertised, and/or manufactured for sale in California at least 27,187 Briggs & Stratton model 228T, 2+ gallon Portable Fuel Containers which, at the time of their sale, supply, offer for sale, advertisement, and/or manufacture, did not comply with the requirements for portable fuel containers and spouts specified in California Code of Regulations, title 13, section 2467.2 ("Subject Units").

11. The Plastics Group admits the facts in recital paragraphs 1-10, but denies any liability arising therefrom.

12 ARB alleges that The Plastic Group's actions, as alleged in recital paragraphs 1-10, would, if proven, be unlawful and in violation of the Portable Fuel Containers and Spouts requirements of California Code of Regulations, title 13, section 2467 et seq.

13. ARB alleges that if the facts described in recital paragraphs 1-10 hereinabove were proven, civil penalties could be imposed against The Plastics Group pursuant to Health and Safety Code section 43016 for each and every portable fuel container involved in said violations.

14. The Plastics Group has one prior violation of the Portable Fuel Containers and Spouts requirements of California Code of Regulations, title 13, section 2467 et seq.

15. The Plastics Group promptly and fully cooperated with ARB throughout its investigation.

16. This Agreement is a settlement of disputed claims. The Plastics Group has decided to enter into this Agreement for various reasons, including, without limitation, in order to expeditiously resolve this dispute. By entering into this Agreement, The Plastics Group does not admit to any liability arising from the alleged violations. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

TERMS AND RELEASE

In consideration of ARB not filing a legal action against the Plastics Group for the violations alleged in recital paragraphs 1-10 above, as well as the other terms set out below, ARB and The Plastics Group agree as follows:

1. As a condition of this Agreement, The Plastics Group shall pay the total sum of one hundred and forty-one thousand, three hundred and seventy-two dollars and forty cents ($141,372.40), subject to the following terms: one hundred and six thousand, twenty nine dollars and thirty cents ($106,029.30) shall be paid as a penalty by certified check payable to the **California Air Pollution Control Fund** within five days of notice to The Plastics Group that this Agreement has been executed by ARB. In addition, thirty five thousand, three hundred and forty-three dollars and ten cents ($35,343.10) shall concurrently be paid by The Plastics Group by certified check payable to the Supplemental Environmental Project (SEP) titled **"Foundation for California Community Colleges Small Engine Maintenance and Repair Courses."** "Small Engine SEP Fund" shall be annotated in the note or Memo line of the check.

   Please submit the payment along with the attached "Settlement Agreement Payment Transmission Form" (Attachment A) to:

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

2. Now, therefore, in consideration of the payment pursuant to terms and release paragraph 1, above, ARB releases The Plastics Group and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, distributors, dealers and customers from any and all claims that ARB may have based on the facts and allegations described in the recital paragraphs above.

3. This Agreement shall apply to and be binding upon The Plastics Group and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

4. 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.

5. This Agreement constitutes the entire agreement and understanding between ARB and The Plastics Group 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 ARB and The Plastics Group concerning these claims.

6. 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 hereto.

7. **Advice of Counsel.** Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

8. **Severability.** Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect to the extent necessary to fulfill the Agreement's purpose and the intent of the parties.

9. This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

10. **Waiver.** The failure of any Party to enforce any provision of this 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 Agreement. The rights and remedies granted all parties herein are cumulative and the election of one right or remedy by a Party shall not constituted a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

11. The Parties agree that this Agreement may be executed by facsimile and in counterparts by the Parties and their representatives, and the counterparts shall collectively constitute a single, original document, notwithstanding the fact that the signatures may not appear on the same page.

12. **SB1402 Statement.** Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) requires ARB to provide information on the basis for the penalties it seeks. This information, which is provided throughout this settlement agreement, is summarized here.

The manner in which the penalty amount was determined, including a per

unit or per vehicle penalty:

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43024. The per-unit penalty in this case is a maximum of $500 per unit per strict liability violation. The penalty obtained in this case is approximately $5.20 per unit for 27,187 units. The penalty was reduced because The Plastics Group was fully cooperative with the investigation, including conducting its own investigation to discover the cause of the alleged noncompliance, and correcting a manufacturing defect.

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

The penalty provision being applied in this case is Health and Safety Code section 43016, because The Plastics Group is alleged to have manufactured and introduced portable fuel containers or spouts, or both portable fuel containers and spouts into commerce in California after July 1, 2007, in violation of California Code of Regulations, title 13, section 2467 et seq.

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 provisions cited above do prohibit emissions above a specified level. It is not practicable to quantify these emissions, because the information necessary to do so, such as emission rates and time of use, is not available. However, since ARB concluded that the Subject Units did not meet the requirements, emissions attributable to them are alleged to be illegal. In the interest of settlement and because of the time and expense involved, the parties elected not to do such testing.

13. The Plastics Group acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed in Health and Safety Code section 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed, and has considered and determined that this penalty is being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

14. 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 cases, and the potential costs and risk associated with litigating these particular violations. The penalty was reduced in this matter based of the factors listed above. Penalties in future cases might be smaller or larger on a per unit basis.

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

16. The undersigned represent that they are authorized to enter this Agreement.

CALIFORNIA AIR RESOURCES BOARD

Dated: 5/3/2016

By: _____
Richard W. Corey
Executive Officer

THE PLASTICS GROUP, INC.

Dated: 4/1/16

By: _____

Name: BRIAN C. ROTH

Title: CEO