

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, MVP Group International, Inc. (MVP) with its principal place of business at 1031 Le Grand Boulevard, Charleston, South Carolina and Wal-Mart Stores, Inc. (Walmart) with its principal place of business at 508 SW 8th Street, Bentonville, Arkansas.

RECITALS

1. ARB alleges that Walmart contracted with MVP to manufacture and supply Mainstays Odor Neutralizing Room Spray and Holiday Time Room Spray as private labels for Walmart.
2. ARB alleges that MVP manufactured and supplied Mainstays Odor Neutralizing Room Spray products in at least 30 fragrances, which were subject to the volatile organic compound (VOC) limit for "Air Freshener: Double Phase Aerosol" category in Title 17, California Code of Regulations (CCR), section 94509(a).
3. ARB alleges that Walmart sold and offered for sale Mainstays Odor Neutralizing Room Spray products in California between August 2011 and July 2013.
4. ARB alleges that **Mainstays Odor Neutralizing Room Spray** product contained concentrations of VOCs exceeding the 25 percent VOC limit for air freshener products specified in Title 17, CCR, section 94509(a).
5. ARB alleges that MVP manufactured and supplied **Holiday Time Room Spray** products in six fragrances, which were subject to the VOC limit for "Air Freshener: Double Phase Aerosol" category in Title 17, CCR, section 94509(a).
6. ARB alleges that Walmart sold and offered for sale Holiday Time Room Spray products in California in 2012.
7. ARB alleges that **Holiday Time Room Spray** product contained concentrations of VOCs exceeding the 25 percent VOC limit for air freshener products specified in Title 17, CCR, section 94509(a).
8. ARB alleges that all the air freshener products manufactured by MVP, referenced in recital paragraphs 2 and 5, did not display the dates of manufactures as specified in Title 17, CCR, section 94512(b).
9. Walmart represents that at all times relevant to this Agreement, MVP was contractually obligated to manufacture and supply Walmart with products that

were in compliance with all applicable standards, including ARB's VOC limits for air fresheners.

10. Walmart represents that it requires its suppliers to only provide VOC-compliant product formulations for products sold, supplied, or offered for sale in California, and to notify Walmart if an item should not be sold or shipped for sale in California so that Walmart can execute its compliance procedures.
11. ARB alleges that if the allegations described in recital paragraphs 1 through 8 were proven, civil penalties could be imposed against Walmart and MVP as provided in Health and Safety Code section 42402(a) for the alleged non-compliant units.
12. MVP admits the allegations described in recital paragraphs 2, 4, 5, 7, and 8, but deny any liabilities resulting from said allegations.
13. Walmart admits the allegations described in recital paragraphs 1, 3, and 6, and denies any liabilities resulting from said allegations.
14. 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. MVP shall not supply or manufacture for sale in California, and Walmart shall not sell or offer for sale in California, any consumer products in violation of ARB 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. In settlement of the above-described alleged violations of Title 17, CCR, section 94509(a), MVP agrees to pay a penalty to ARB in the sum of two hundred forty thousand dollars (\$240,000.00). This amount shall be paid in three parts. Two separate payments of sixty thousand dollars (\$60,000.00) shall be due and payable upon execution of the agreement. The first payment of \$60,000 shall be to the School Bus and Diesel Emission Reduction Supplemental Environmental Project (SEP). Payment shall be made by cashier's check concurrent with the execution of this Agreement to "**San Joaquin Valley Air Pollution Control District**", and "For School Bus and Diesel Emission Reduction SEP" shall be annotated in the Note or Memo line of the check. The second \$60,000 payment shall be made to "**Air Pollution Control Fund**". The third payment totaling one hundred twenty thousand dollars (\$120,000.00) shall be paid within 6 months of the execution of this Agreement to "**Air Pollution Control Fund**".

3. All Checks shall be mailed to the address shown on the Settlement Agreement Payment Transmittal Form.
4. This settlement shall apply to and be binding upon MVP, Walmart, and their respective 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.
5. The parties stipulate that this Agreement shall be the final resolution of ARB claims regarding the above-described alleged 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 or any successor agency against MVP, Walmart, and their 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 Health and Safety Code section 42400.7(a).
6. 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.
7. This Agreement constitutes the entire agreement and understanding between ARB, MVP, and Walmart 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, MVP, and Walmart concerning these claims.
8. 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.
9. Each of the undersigned represents and warrants that he or she has full power and authority to enter into this Agreement.
10. **SB 1402 Statement.** California Health and Safety Code (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 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(a) because MVP manufactured or supplied consumer products to Walmart for sale in California, and Walmart sold or offered for sale consumer products in California alleged to be in violation of the Consumer Products Regulations (Title

17 California Code of Regulations (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 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. ARB considered all relevant circumstances in determining penalties, including the eight factors specified in HSC section 42403.

Under HSC section 42402(a) the penalty for strict liability violations of the Consumer Product Regulations are a maximum of \$1,000 per day violation, with each day being a separate violation. In cases like this involving a repeat violation of the Consumer Products Regulations, ARB has either sought and obtained penalties of approximately 3 times the rate for first time violations (3 times \$20,000 per ton) or \$1,000 for each day that the products attributable to the violation were sold or offered for sale. In addition, ARB has sought and obtained further penalties for product dating procedural violations and for investigative costs. For this case the total penalty is \$240,000 and ARB alleges there were 4 tons of excess VOC's attributable to the alleged violation. This represents a penalty of \$60,000 per ton of excess emissions. The penalty in this case was reduced by eliminating procedural violation penalties and ARB's investigative costs because MVP has not had previous violations and both Walmart and MVP cooperated with the investigation.

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 specific level, but they do limit the concentration of VOCs in regulated products. In this case a quantification of the excess emissions attributable to the alleged violations was practicable because MVP made the product formulation, and MVP and Walmart made the sales data, necessary to make this quantification available to ARB. Based upon this information (which has been designated as confidential), the alleged violations were calculated to have caused 4 tons of alleged excess emissions of volatile organic compounds to be emitted to the atmosphere in California.

10. MVP and Walmart acknowledge that ARB has complied with SB1402 in investigating and settling this case. Specifically, ARB 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 has considered and determined that while this penalty is not being assessed in accordance with any provision of law that prohibits the emission of pollutants at a specified level, it is practicable for ARB to quantify the alleged excess emissions from the alleged violations, has done so and has included this information in this Settlement Agreement.

15. 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 alleged violations. The penalty reflects alleged violations extending over a number of days resulting in alleged 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. Penalties in future cases might be smaller or larger on a per ton basis.
16. The final penalty in this case was based in part on confidential business information provided by MVP and Walmart 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 MVP that ARB does not retain in the ordinary course of business either. The penalty also, reflects ARB's assessment of the relative strength of its case against MVP and Walmart, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that MVP may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

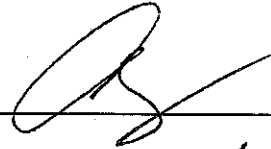
Dated: 11/2/2015

By: 

Richard W. Corey
Executive Officer

MVP GROUP INTERNATIONAL, INC.

Dated: _____

By:  _____

Name: John Wooddy

Title: EVP + General Counsel

WALMART STORES, INC.

Dated: _____

By: _____

Name: _____

Title: _____

MVP GROUP INTERNATIONAL, INC.

Dated: _____

By: _____

Name: _____

Title: _____

WAL-MART STORES, INC.

Dated: 10/27/15

By: DARIA BECKOM

Name: DARIA BECKOM

Title: Vice President, DMM