

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 Nails Incorporated (Nails Inc.) with its principal place of business at 19-23 Grosvenor Hill, London, United Kingdom hereinafter referred to individually as a Party, or collectively as the Parties.

RECITALS

1. The Consumer Products Regulations, title 17, California Code of Regulations (17 CCR) section 94500 et seq. applies to any person who sells, supplies, offers for sale, or manufactures consumer products for use in California.
2. The Table of Standards in 17 CCR section 94509(a) sets forth the percentage by weight of allowed volatile organic compounds (VOC) for the Nail Polish Remover category manufactured after December 31, 2007. Nail Polish Remover must meet the 1 percent by weight standard for VOC.
3. A manufacturer of a consumer product subject to 17 CCR section 94509 is required to display on each consumer product container or package, the day, month, and year on which the product was manufactured or a code indicating such date as set forth in 17 CCR section 94512(b) .
4. Failure to comply with the Consumer Products Regulations 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.
5. CARB alleges that Nails Inc. manufactured, sold, supplied, or offered for sale in California, Nails Inc. Express Nail Polish Remover that is subject to a VOC limit for the Nail Polish Remover category specified in 17 CCR section 94509(a). (
6. CARB alleges that the Nails Inc. Express Nail Polish Remover product referenced in Recitals paragraph 5 contained concentrations of VOCs exceeding the 1 percent by weight VOC limit for the Nail Polish Remover category specified in 17 CCR section 94509(a).
7. CARB alleges that the Nails Inc. Express Nail Polish Remover product referenced in Recitals paragraph 5 did not display on each consumer product container or package, the day, month, and year on which the product was manufacture as specified in 17 CCR section 94512(b).

8. CARB alleges that if the allegations described in Recitals paragraphs 5, 6, and 7 were proven, civil penalties could be imposed against Nails Inc. as provided in H&SC section 42402 et seq. for each and every unit involved in the violations.
9. Nails Inc. admits the allegations described in Recitals paragraphs 5, 6, and 7, but denies any liability resulting from said allegations.
10. 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 violation and voluntarily agree to resolve this matter by means of this Agreement, without the need for formal litigation. Nails Inc. has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. CARB accepts this Agreement in termination and settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against Nails Inc. for the violations referred to above, CARB and Nails Inc. agree as follows:

11. Nails Inc. shall not manufacture, sell, supply, or offer for sale in California, any consumer products in violation of the California 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.
12. Nails Inc., in settlement of the above-described violations of 17 CCR section 94507 et seq., agrees to pay a penalty to CARB in the amount of \$3800 payable to the California Air Pollution Control Fund, concurrent with the execution of this Agreement. Payment and the signed Agreement shall be mailed to the address specified on the Payment Transmittal Form enclosed with this Agreement.
13. This Agreement shall apply to and be binding upon Nails Inc. 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.
14. 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 a bar to any civil action by CARB against Nails Inc., 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 H&SC section 42400.7(a).

15. 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.
16. This Agreement constitutes the entire agreement and understanding between CARB and Nails Inc. 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 Nails Inc. concerning these claims.
17. The Effective Date of this Agreement shall be the date upon which it is fully executed.
18. This Agreement is deemed to have been drafted equally by CARB and Nails Inc.; it will not be interpreted for or against either Party on the grounds that said Party drafted it.
19. 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.
20. This Agreement shall further serve to toll any statute of limitation until all terms and conditions of this Agreement have been fulfilled.
21. 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).
22. **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 Nails Inc. 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 there are low VOC emissions and the violator cooperates with the investigation, CARB has obtained penalties based on at least three days of violations (the day the product was purchased by CARB, the day it was supplied to the retailer, and the day it was manufactured for sale). Administrative penalties are also obtained in some cases.

In this case, the total penalty is \$3800 for administrative and emission violations. The per-unit penalty was based on three days of excess VOC emissions and three days of an administrative violation. The penalty in this case was reduced because this was a strict liability first-time violation and Nails Inc. made diligent efforts to comply and to cooperate with the investigation. To come into compliance, Nails, Inc. has stop selling the product into California by blocking sales on their website as well as informing customers not to resell this product 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 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 Nails Inc. 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 Nails, Inc. 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 Nails. Inc., the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Nails, Inc. 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 limit the concentration of VOCs in regulated products. In this case, a quantification of the excess emissions attributable to the violations was practicable because Nails, Inc. made the product formulation and sales data necessary to make this quantification available to CARB. Based upon this information (which Nails, Inc. has designated as confidential), the violations were calculated to have 0.01 tons of excess VOC emissions emitted in California.

23. 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.
24. The Parties shall exchange signed copies of this Agreement. Facsimile, portable document format or photocopied signatures shall be considered as valid signatures as of the date hereof, although the original signature pages shall be provided for CARB records, and shall thereafter be appended to this Agreement.
25. The undersigned represent that they have full power and authority to enter into this Agreement.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

By: _____ /S/
Name: Todd P. Sax, D. ENV

Title: Chief Enforcement Division

Date: 2/25/2020

Nails, Incorporated

By: _____ /S/
Name: A. Panteli

Title: CFO

Date: 4 December 2019