



American Fireworks Standards Laboratory

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PRODUCT TESTING AND QUALITY IMPROVEMENT FUNDING AGREEMENT FOR THE FIREWORKS QUALITY IMPROVEMENT PROGRAM

THIS AGREEMENT is entered into by and between the American Fireworks Standards Laboratory (AFSL) and _____
_____ (Participating Shipper) to set forth the funding arrangements for the AFSL Fireworks Quality Improvement Program.

“Participating Shipper” shall include all of the Participating Shipper’s parent, subsidiary and related companies and other affiliates. Affiliates shall include all persons who control, are controlled by, or are under common control with the Participating Shipper or SGS officers or directors.

“Participating Importer” shall include all of the Participating Importer’s parent, subsidiary and related companies and other affiliates. Affiliates shall include all persons who control, are controlled by, or are under common control with the Participating Importer or SGS officers or directors.

WHEREAS, in a serious effort to reduce injuries by improving the quality and compliance with U.S. Federal regulations of Chinese fireworks, certain American importers (Participating Importers) and AFSL, through friendly discussions, have voluntarily entered into Participating Importer Agreement relating to fireworks produced in China and labeled for sale or ultimate shipment to the United States of America as Fireworks, UN0336, 1.4G (formerly DOT Class C Common Fireworks) and associated novelty items (Governed Fireworks);

WHEREAS, The Product Testing and Quality Improvement Funding Agreement for the Fireworks Quality Improvement Program (the “Agreement”) provides for various quality improvement efforts to be undertaken by AFSL for the benefit of American fireworks importers;

NOW THEREFORE, the parties agree as follows:

Term of Agreement - This Agreement becomes effective upon execution by the parties hereto and continues for so long as the Shipper acts as agent for one or more Participating Importers or until the AFSL terminates this Agreement.

Fireworks Testing – Fireworks designated by AFSL as Category I fireworks shall be independently tested in China under the AFSL Fireworks Quality Improvement Program, a copy of which is attached as **Appendix A** and incorporated herein by reference. **Appendix B** contains

a current list of Category I fireworks. This list is subject to change at AFSL's discretion. All other Governed Fireworks will be designated as Category II and will not be subject to AFSL's testing requirement in China.

Quality Improvement Funding - AFSL will incur certain costs in administering the quality improvement programs. To support the quality improvement programs, Participating Importers have authorized a Quality Testing Fee on all shipments of Governed Fireworks to the United States to be assessed on them by Participating Shipper. The amount of the Quality Testing Fee is established at US\$0.50 for Category I fireworks and US\$0.25 for Category II fireworks. These fees will be reviewed annually and may be adjusted based on the projected program requirements.

Shipper Duties - Participating Shipper agrees to invoice and collect the Quality Improvement Testing Fee for each carton of Governed Fireworks it ships to **the participating U.S. importer.** Participating Shipper shall require all shipments of Category I fireworks to be tested for compliance with AFSL's safety standards by the AFSL-authorized testing company. The testing company, after verification of the Participating Shipper's and the Participating importer's active status in AFSL's testing program, shall test such product in accordance with AFSL testing procedures and certify the results to the Participating Shipper, the Participating Importer and AFSL. Participating Shipper agrees to invoice and collect the Quality Test Fee for each carton of Governed Fireworks exported to the Participating Importer by Participating Shipper in the amount as set forth in this Agreement or as otherwise modified by AFSL. Participating Shipper shall, by the twentieth (20th) day of the month following receipt of the Quality Testing Fees or by the twentieth (20th) day of the month following receipt of payment for the shipment, whichever is sooner, pay the Quality Testing Fee amount, less the shipper's service fee of 10% of the collected amount, in U.S. dollars, to the escrow account administered by Tricor Secretaries Limited for the use by AFSL in administering the Fireworks Quality Improvement Program. The shipper's service fee is not deductible from payments made after the due date.

If Participating Shipper received payment for the shipment but fails to collect the Quality Testing Fee(s), Participating Shipper shall be required to pay the Quality Testing Fee (s) to the escrow account within ten (10) days of receipt of payment for the shipment. Upon a showing to AFSL's General Counsel that Participating Shipper in good faith attempted to collect the Quality Testing Fee (s), AFSL will refund the amount of the Quality Testing Fee(s), with interest at the then prevailing prime rate plus 2%. AFSL will not consider a refund for a Quality Testing Fee if the Participating Importer, or any related company, had previously refused to pay Quality Testing Fees to Participating Shipper, or Participating Shipper knew, or had reason to know, that the Participating Importer or any related company had previously refused to pay Quality Testing Fees to any other agent.

Participating Shipper agrees to submit monthly reports of shipments of Governed Fireworks to the escrow agent by the twentieth (20th) day of each month in a form similar to that found in **Appendix B and C**. All reports to the escrow agent will be treated as confidential and will not be disclosed to others, including parties to this Agreement, with the exception of notification to AFSL General Counsel in cases of breaches of this Agreement by Shipper.

The escrow agent will compare Quality Testing Fee payments to the escrow account against reports submitted by the administrator of the AFSL testing program and U.S. Customs import figures to confirm compliance with this Agreement. In the event of a material discrepancy between the amount paid by Participating Shipper and the amount indicated that should have been paid, Participating Shipper, upon request, shall provide documentation to the escrow agent to demonstrate the correct amount of the Quality Testing Fee.

Participating Shipper agrees not to ship to any Participating Importer any Category I fireworks that have not been tested by the AFSL-authorized testing company unless the AFSL-authorized testing company confirms in writing that testing has been requested and cannot be provided in a timely manner.

AFSL's Duties - AFSL will provide Participating Shipper with a list of Participating Importers by the fifteenth (15th) day of each month, and such list shall be effective for the month following. AFSL agrees to authorize Participating Shipper to request independent testing of Category I fireworks if Participating Shipper satisfies all SGS obligations under this Agreement.

Termination - AFSL may terminate this Agreement at any time it determines that Participating Shipper has breached a provision of this Agreement. Such termination shall not waive any of AFSL's rights in equity or law for breach of this Agreement.

Arbitration - Any disputes that cannot be resolved through friendly discussion shall be resolved through arbitration. The escrow agent shall serve as arbitrator to resolve any disputes.

Revisions - This Agreement may be revised by the mutual written agreement of the parties and must be carried out with friendly discussions.

American Fireworks Standards Laboratory

(Shipper)

John D. Rogers

Date

(Authorized Signature)

Date

China Fireworks Quality Improvement Program

December 16, 2014

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FIREWORKS QUALITY IMPROVEMENT PROGRAM

I. INTRODUCTION

A. In recent years the quality of fireworks, most notably those manufactured in China, has not consistently met required industry quality criteria. Because of the nature of fireworks products, this failure has prompted action by both industry and government.

B. Government agencies including the Consumer Product Safety Commission (CPSC) and the Department of Transportation (DOT) in the United States and the China Commodity Inspection Bureau (CCIB) in China have regulations effecting both the quality and safety of fireworks. Each of these agencies is aware of the importance of maintaining quality in fireworks and, in addition to their regulatory activities, is encouraging the industry to develop long-term solutions to the quality and safety issues. More specifically, CPSC has urged importers to initiate testing programs to prevent non-complying consumer fireworks from entering the domestic marketplace. In addition, it is extremely beneficial for importers to systematically test merchandise prior to distribution.

C. Government and industry have concluded that the fireworks industry should produce and sell only "Quality Fireworks." Quality Fireworks are fireworks which function as designed and consistently comply with all relevant government regulations as well as additional industry safety requirements. Quality and safety are the acknowledged foundation for the future of the Chinese and American fireworks industries and are therefore the responsibility of all participants in the industry from the point of manufacture to the point of sale to the public.

D. Accordingly, the American Fireworks Standards Laboratory (AFSL), in cooperation with the American fireworks industry, has developed and will administer the Fireworks Quality Improvement Program (QIP) for the benefit of the fireworks industry.

E. The Fireworks Quality Improvement Program acknowledges the responsibilities of each industry participant and provides a vehicle for them to perform their role in the overall industry quality improvement effort. The success of the QIP depends upon each participant fulfilling his responsibilities as described in the program and supporting SGS overall objectives.

F. Anyone in the consumer fireworks business may, and is encouraged to, participate in the Fireworks Quality Improvement Program. Interested parties elect to participate by signing a membership agreement which confirms that the party has read and understands the QIP and promises to comply with all things required of them by the program. A Fireworks Quality Improvement Program membership agreement is included as **EXHIBIT A** of this document. Additional participation forms may be obtained from the AFSL office.

G. Ultimately, the QIP will result in safer, higher quality products that will reduce the risk of injury associated with consumer fireworks. In addition, the program will substantially reduce the expense and business disruption associated with the manufacture, importation, and distribution of consumer fireworks that do not comply with U.S. laws.

II. PROGRAM OVERVIEW

A. The QIP addresses three critical areas: (1) it defines what constitutes "Quality Fireworks"; (2) it establishes a framework providing for the consistent production of Quality Fireworks; and (3) it incorporates a provision to assure that all imported consumer fireworks are tested, either in China or in the United States, prior to domestic distribution. The primary elements of the program are:

1. Written standards for each classification of fireworks that include all regulatory requirements of the U.S. Consumer Product Safety Commission and the U.S.

- Department of Transportation, and other requirements and limitations intended to improve the safety and quality of consumer fireworks;
- 2. Independent confirmation that new products have been tested and found to conform to the Standards through a New Product Evaluation Program;
- 3. Quality control and technical support for the manufacturing process;
- 4. Independent testing, in China, of fireworks determined by the AFSL, the American Pyrotechnics Association (APA), and CPSC, to be high priority fireworks (Category I); and importer in-house testing of all other consumer fireworks and associated novelty items (Category II);
- 5. Monitoring of the Program to assure SGS continuing effectiveness.

III. PROGRAM PARTICIPATION

A. A U.S. entity who is a member in good standing of AFSL and who is the importer of record as defined by U.S. Customs participates by executing an Importer Participation Agreement which confirms the Importer's agreement to:

- 1. Cause all imported Category I fireworks to be independently tested in China as provided for in this Program;
- 2. Promptly notify Shipper and AFSL of any Category I fireworks received which do not bear the AFSL certification mark and of any items which fail the importer's in-house testing program; and
- 3. Pay a Quality Test Fee of U.S. \$.25 per carton on all Category II fireworks imported and an additional Quality Test Fee of U.S. \$.25 per carton on all tested Category I fireworks imported.

***Note that effective August 1, 2014 all consumer fireworks are classified as Category I subject to the test fee of U.S. \$0.50 per case.**

- 4. Quality Test Fee of U.S. \$.30 per carton on all component fireworks imported.

B. A participating importer (Importer) who materially breaches the terms of this Program may be terminated from further participation and, in certain cases, may be subject to legal action for collection of any delinquent Quality Test Fees, including attorney's fees. AFSL will notify Importers 30 days prior to termination and allow Importer an opportunity to correct any reported deficiencies. AFSL may deem repeated violations, even if cured, as grounds for termination. A terminated Importer may reapply for participation 30 days after termination upon a showing that it has corrected any deficiencies that caused the termination.

C. A participating importer may voluntarily terminate this agreement with ninety days notice to AFSL. If a participating importer terminates the agreement with less than ninety days notice to AFSL, that program participant is liable to AFSL for the Quality Testing Fees it would have paid to AFSL during the ninety day notice period.

D. A foreign company who is shown as the "Shipper" on the ocean bill of lading containing consumer fireworks or associated novelty items destined for the United States participates by executing a Shippers Participation Agreement which confirms the Shipper's agreement to:

- 1. Arrange for all Category I fireworks exported to the United States to be independently tested as provided for in this Program when ordered by a participating U.S. importer (Importer);

2. Ship only independently tested and certified Category I consumer fireworks to a participating Importer in the United States;
3. Collect the appropriate Quality Test Fee from Importers and remit such fees to the AFSL.
4. Provide required accounting of shipments made to Importers and cooperate with AFSL's Escrow Agent in resolving discrepancies.

E. A Shipper who materially breaches the terms of this Program may be terminated from further participation and, in certain cases, may be subject to legal action for collection of any delinquent Quality Test Fees, including attorney's fees. AFSL will notify Shipper 30 days prior to termination and allow Shipper an opportunity to correct any reported deficiencies. AFSL may deem repeated violations, even if cured, as grounds for termination. A terminated Shipper may re-apply for participation 30 days after termination upon a showing that it has corrected any deficiencies that caused the termination.

IV. PROGRAM DESCRIPTION

A. Following is a detailed description of each of the elements of the Fireworks Quality Improvement Program.

B. AFSL Voluntary Standards for Fireworks - An important element of the QIP is the development and maintenance of voluntary Standards for each classification of fireworks which define design and performance characteristics of Quality Fireworks, including specifically all applicable CPSC and DOT requirements and additional limitations and requirements on fireworks design and performance determined by the industry to reduce the potential risk of serious injury to consumers.

C. Standards and revisions to Standards are written by the AFSL Standards Committee, the members of which are appointed by the AFSL Board of Directors. The Standards Committee is comprised of members representing various segments of the U.S. fireworks industry, including manufacturers, importers, distributors, and retailers, as well as federal and state regulatory authorities, state fire safety officials, the insurance industry, and consumers. The Standards Committee also is supported by two nonvoting technical consultants who provide guidance on issues relating to technical matters. The Executive Director of AFSL serves as the Chairman to the Standards Committee. All standards and revisions to standards developed by the Committee must be approved by the AFSL Board of Directors.

D. The Standards Committee has developed standards for fourteen categories of fireworks devices: (1) Fountains; (2) Hand-Held Sparkling Devices; (3) Party Poppers, Snappers, Booby Traps, Snakes, and Toy Smoke Devices; (4) Comets, Mines and Shells; (5) Reloadable Shells; (6) Roman Candles; (7) Rockets, Missiles, and Helicopters; (8) Ground Spinners and Chasers; (9) Wheels; (10) Specialty Items; (11) Combinations; (12) Firecrackers, (13) Girandolas, and (14) Crackling Strips. A copy of Standards is available free of charge to any participant in this Program from the AFSL office.

E. The Standards Committee continually reviews the standards and may revise a Standard at any time a revision is deemed necessary. The decision to revise a Standard may be based on injury or accident data, research from within or outside the industry, actions by federal agencies which cause the existing Standard to conflict with federal law, or evidence of improved production potential with no increase in risk of injury.

F. New Product Evaluation Service - Another service offered under the QIP is the Product Evaluation Service through which factories may submit new and existing fireworks items to determine whether the items comply with the applicable AFSL Standards and to obtain or confirm a valid EX Number. While AFSL strongly recommends that factories submit new or existing items that have not been approved previously to AFSL under the

Product Evaluation Service, there is no requirement that such items be approved by AFSL in order to be tested under the QIP.

G. Any factory producing consumer fireworks or associated novelty items may use the product evaluation service by submitting a completed product evaluation application and the required number of samples to Intertek who will perform the evaluation for AFSL. A sample application is attached at **EXHIBIT B**. Charges for this service are based on current quotes for such service by AFSL's testing laboratory, and are to be paid by the factory directly or indirectly through their trading company or shipper.

H. After testing is completed and the testing laboratory determines that the sample passes all applicable requirements, the testing laboratory will forward the application and test results to AFSL to obtain or confirm a valid EX Number. The Product Evaluation Service involves five steps:

1. The design and construction of prototypes by the factory in accordance with the applicable Standard;
2. The successful testing of the prototypes by the factory against the applicable AFSL "Quality Control/Design Summary Check List";
3. The submission of the proposed item to AFSL's testing laboratory for testing. For each item tested, testing laboratory will submit a product test report to AFSL for approval;
4. Reporting by AFSL of the results of the testing and the confirmation of a valid EX Number in a confidential report to the factory or the factory's designated agent, if appropriate; and
5. Inclusion of the evaluated item on the AFSL Product Evaluation List. Before including the item on the Product Evaluation List, AFSL will certify that the product evaluation report is valid by signing the report.

I. To date AFSL has tested approximately 1000 products under the Product Evaluation Service and regularly publishes a list of items that have received approval under the service as well as items that have failed to comply with the applicable AFSL Standards. Copies of the AFSL Product Evaluation List are available to any participant free of charge from the AFSL office.

J. A change in the applicable AFSL Standards or a material change in the product design or performance may result in a product losing SGS approved status until the factory submits a revised design to AFSL for re-testing. In addition, independent or Importer in-house testing results indicating that production lots of the product do not comply with Program requirements may result in a product losing SGS approved status.

K. Factory Quality Control and Technical Support - The QIP recognizes that the production of fireworks at acceptable quality levels requires adherence to proven practices and procedures addressing each area in which quality failures may occur. The following requirements address these areas as they relate to the manufacture of fireworks; therefore, this Program strongly recommends that a Factory:

1. Maintain current copies of all AFSL standards and be aware of all content thereof;
2. Design new products to meet the applicable requirements and submit prototypes of the product design, along with a completed product evaluation application and an application for an EX number, to AFSL for Product Evaluation testing;
3. Develop and implement an effective quality control program to assure consistent production to the design specifications;

4. Maintain an effective in-process testing program of raw materials, product components, and finished products and respond to any test failures with immediate corrective action;
5. Identify, isolate, and rework or destroy non-complying merchandise identified as a result of in-process testing;
6. Mark the factory identification number on each shipping carton; and
7. Develop and conduct a testing program wherein every production lot of a specific item is tested to determine if it complies with the applicable QIP requirements. Such testing should be conducted using a statistically valid random sampling plan. Any production lot that fails to meet minimum QIP requirements must be reworked, destroyed, or otherwise disposed of and must not be submitted for independent testing by AFSL or offered for ultimate sale to the United States market.

L. To assist the factories in accomplishing the requirements necessary to produce Quality Fireworks, AFSL provides technical support including:

1. Providing each factory with a copy of the AFSL Standards, all revisions to the Standards as they are published, and Safety Bulletins and Newsletters published by AFSL containing information about problems with specific products;
2. Regional training seminars to inform factories of any changes in U.S. regulations or AFSL Standards. Problems involving specific products that have come to AFSL's attention will be discussed with the specific factory involved. Seminars are scheduled on an as-needed basis;
3. VisSGS to factories, upon request, to provide training and technical support in manufacturing and quality control procedures for fireworks manufactured for distribution to the U.S.

M. Product Testing and Certification Service - A critical part of the Fireworks Quality Improvement Program is the ability to independently test and identify products that conform to the requirements of the Program. Identification is accomplished through the controlled use of the AFSL-registered service mark.

1. **The AFSL Service Mark**

a. AFSL has developed a service mark to identify fireworks that are independently tested and confirmed to conform under the testing program to AFSL Standards. The AFSL service mark is registered in the United States and in China and protected by the laws of each country. Products submitted to the AFSL for testing and which are found to conform to the requirements of this Program will have a label bearing the AFSL service mark applied to each shipping carton in the tested lot. The design of the label is modified each year to maintain the security of the label. Use of the AFSL service mark without express written consent of the AFSL is prohibited. A sample label bearing the service mark appears in **EXHIBIT C**.

b. The service mark label is an important part of the quality improvement program. It confirms that samples of the product have been independently tested and found to meet all applicable requirements of the QIP. It is also a means by which the effectiveness of this quality improvement program can be monitored by federal, state, local governmental agencies, or enforcing authorities.

2. Fireworks which have not been independently tested or which have been tested and failed may not be included in a shipping case bearing the AFSL mark. Anyone who knowingly misuses the

AFSL service mark is subject to termination from the program and to any other legal remedies available to AFSL, including attorney's fees.

3. **Quality Improvement Program Conducted in China**

a. The Hong Kong exporter or the China trading company or factory who makes a shipment of consumer fireworks to a participating importer (the Shipper) will arrange with AFSL to have all the importer's Category I fireworks tested prior to shipment from China. The Shipper will report to AFSL's Escrow Agent all cartons shipped to a participating importer, whether tested or not, and collect and pay the appropriate fee to the Escrow Agent.

b. Consumer 1.4G fireworks product categories are listed in **EXHIBIT D** and are subject to revision from time to time as determined by AFSL in consultation with CPSC. It is the intention to expand the list of category I fireworks (found in bold) in the future to reduce the burden of testing on the U.S. importer. Category II fireworks products are found in italics in this appendix.

c. AFSL currently has engaged Intertek Testing Service (SGS), an independent and internationally recognized consumer product testing laboratory to provide QIP testing services in China. This service is designed to determine whether specific Lots of fireworks destined for the U.S. market comply with all QIP requirements. Note that on EX Numbers, SGS confirms the presence of an EX Number on each carton but it is the Shipper's responsibility to confirm that the number is correct.

4. SGS maintains a staff of professional technicians trained by AFSL to conduct the evaluation program under the direction of AFSL.
5. SGS maintains multiple test sites in China strategically located to accommodate peak shipment volumes and provide timely testing service. The current sites are listed in **EXHIBIT E**. Upon approval by AFSL, SGS also may test at other locations, time permitting, when requested to do so by the Shipper. In such instances, AFSL may establish a minimum number of cases to be tested per visit to maximize the use of resources.
6. A Shipper may request that a shipment be tested to confirm that it complies with Program requirements prior to shipment to the U.S., and that each carton in the shipment bears the AFSL mark. After the Shipper has identified the factory supplying the order, the Shipper notifies SGS the shipment is available to be tested at a specific site and time. The Shipper should provide as much notice as possible and, in any event, not less than 3 working days. Except in emergencies, notification to SGS should be by fax using the Testing Application form attached as **EXHIBIT F**.
7. When a shipment is not available for evaluation at the scheduled time and Shipper fails to so inform SGS within a time frame specified in AFSL operating procedures, the Shipper may be charged an "abortive inspection" fee at a rate specified in the AFSL operating guidelines.
8. Upon receiving the request for testing, SGS confirms that the Shipper is a Program participant and if so, performs the required tests. In order to expedite the testing process, the Shipper is expected to provide necessary personnel to assist SGS in obtaining the samples for testing from the Lot to be tested and applying the certification marks to individual shipping cartons of Lots passing the tests. Shipper personnel work under the direct supervision of SGS. Testing is conducted in accordance with procedures contained in the AFSL testing manual, a copy of which is available to program participants upon request. When the testing is completed, SGS prepares a test report recording the results and forwards it to the Shipper and to AFSL. A sample evaluation

report is attached as **EXHIBIT G**. SGS also prepares a monthly summary of tests performed and forwards it to AFSL and to AFSL's Escrow Agent, for accounting purposes.

a. Number of Lots To Be Evaluated

AFSL through SGS makes every effort to test each Lot of fireworks that a Shipper designates for testing, and is responsible for maintaining adequate testing personnel to assure that testing is performed in a timely manner. In the event that resource limitations do not permit the testing of all shipments that are the subject of a request, AFSL establishes priorities for testing based on the relative risk of injury associated with the product. Therefore, during certain peak shipping periods, certain categories of products that pose a relatively low risk of injury may not be certified under the program. In such cases, AFSL must notify the Shipper in writing that the Lot cannot be tested, and the Shipper must notify the Importer. The shipment must then be tested by the importer prior to domestic distribution in the United States.

b. Passing Lots

When a shipment tested by SGS passes all QIP requirements, SGS completes a test report for the Lot and, with the assistance of Shipper personnel, applies one label bearing the AFSL service mark to one of the side panels of each carton of fireworks in the lot tested. The Shipper is now authorized to ship the order to the U.S. customer.

c. Failing Lots

When a lot evaluated by SGS fails to comply with one or more Program requirements, SGS provides a copy of the test report to the Shipper and to AFSL. The test report describes each failing result obtained during the test. SGS also applies a consistent, discreet mark on each shipping carton of the failed lot to indicate that the lot has been tested and found not to conform to Program requirements. Upon receiving notice of a failing lot, the Shipper may not ship the goods in the failed lot to the United States without first reconditioning the goods and having them re-tested by SGS.

d. Factory Assistance

Upon receiving notice that a lot has failed independent testing, AFSL makes every effort to contact the factory and assist it in correcting the identified problem. Such efforts may be in the form of technical advice and guidance provided in writing to the individual factory, manufacturing and quality control assistance provided during on-site visSGS to the factory, or AFSL-sponsored training seminars. Where known, AFSL will also inform the factory's trading company and request the trading company to more carefully inspect future shipments of the item.

9. Quality Improvement Program Conducted in the United States

a. All fireworks not included in Category I will be tested by the Importer using the APA testing program as described in the current edition of the American Pyrotechnics Association's Fireworks Testing Manual. Copies of the manual are available to APA members free of charge and to non-APA members a fee established by APA. Participating importers, upon request, will be trained in testing procedures and in proper maintenance of test records by AFSL or APA. AFSL will supply computer software or copies of appropriate documents to each participant for their use in maintaining test records and generating reports to AFSL. Copies of the test reports will be forwarded to AFSL on a monthly basis.

b. The number of samples to be tested is 15 which should be selected at random from different cases. Generally 30 pieces are required to conduct the tests. If one of the fifteen items

fail a test, the test should be repeated. Upon re-testing, if all items pass, the item may be distributed and the factory notified of the failure.

c. If two or more items fail a given test, the items is deemed to have failed and appropriate action required. Determination of the appropriate action is made by the importer based on the nature of the failure and may include reconditioning, destruction, return export to the manufacturer, or, in the case of failures of a minor nature, the item may be distributed with the written consent of CPSC. In cases where the failure could constitute a substantial product hazard as defined by CPSC, the importer must notify CPSC as provided in CPSC regulations. Notification to CPSC is not required if the failure could not create a substantial product hazard and the importer reconditions the product prior to distribution.

d. If a failed item is to be exported back to the manufacturer, CPSC must be notified and the CPSC export procedure followed.

e. Failed items that are reconditioned may be distributed provided that they are re-tested without failure. In such cases, notification to CPSC is not required.

f. Failed items that are to be destroyed should be destroyed under controlled conditions and documented by videotape or witnessed by a local fire official.

g. All instances of failure must be reported by the Importer to the Shipper with instructions for the Shipper in turn to notify the trading company and the factory.

h. An importer may confirm on each carton that the contents have been successfully tested under this program but such confirmation mark may not include "AFSL" or be similar in appearance to the AFSL mark.

10. **Domestic Monitoring of the AFSL Mark**

a. Because the integrity of the AFSL mark is critical to the ability of U.S. importers and government officials to rely on AFSL to certify only high quality fireworks, AFSL monitors fireworks in the U.S. marketplace to determine whether the merchandise legitimately bears the AFSL mark and in fact complies with QIP requirements. Such monitoring is conducted by AFSL with the voluntary cooperation of U.S. importers participating in the QIP.

b. When AFSL tests a product under SGS monitoring program, a copy of the test results is given to the importer. AFSL notifies the U.S. importer and the Factory of all test results indicating a failure to conform to the QIP requirements. AFSL encourages the importer and the Factory to take steps to correct the nonconforming product.

c. Any goods found bearing the AFSL mark that have not been subjected to independent testing under this Program are identified to the U.S. importer and AFSL initiates an investigation to determine the cause of the discrepancy.

V. **Quality Test Fees to Support the Fireworks Quality Improvement Program**

A. The costs incurred by AFSL in administering the QIP are provided through a Quality Test Fee established by the Board of Directors and for each carton of consumer fireworks and related novelty items shipped to the United States and an additional Quality Test Fee in the amount established by the Board of Directors for each tested carton of Category I consumer fireworks. This fee is paid by the Importer to the Importer's Shipper who, in turn, pays the fee, less the Shipper's 10% administrative fee to the AFSL through SGS agent in Hong Kong.

B. To assure accurate accounting and equitable application of the Quality Test Fees, the independent accounting firm of TRICOR SECRETARIES LTD. with offices in Hong Kong has been retained as the AFSL Escrow Agent to: (1) receive, safeguard, and disburse the Quality Test Fees; and (2) assure timely receipt of reports from Shippers, confirm the accuracy thereof, and to report discrepancies to the AFSL Executive Director.

C. Shippers report their shipments of consumer fireworks and related novelty items made in the prior month to TRICOR SECRETARIES LTD. by the 20th of each month. The reports include the name of the Shipper, Importer, and the number of cartons. TRICOR SECRETARIES LTD. then confirms the accuracy of each report by comparing SGS content to United States Customs entries as reported in the Piers Report. Discrepancies between a Shipper's report and the Piers Report are resolved by TRICOR SECRETARIES LTD. with the Shipper. Unresolved discrepancies and incidents of failure to submit required reports are referred to the AFSL Executive Director for resolution.

D. The Shipper will, by the twentieth (20th) day of the month following receipt of the Quality Testing Fees or by the twentieth (20th) day of the month following receipt of payment for the shipment, whichever is sooner, pay the Quality Testing Fee amount, less the shipper's service fee of 10% of the collected amount, in U. S. dollars, to the escrow account administered by TRICOR SECRETARIES LTD. for the use by AFSL in administering the QIP. The Shipper's service fee is not deductible from payments made after the due date.

E. This method provides acceptable accountability of shipments of consumer fireworks, assures that the Quality Test Fee is collected on all cartons of consumer fireworks and avoids possible duplicate charges. To facilitate collection of Quality Test Fees and reduce the accounting burden, AFSL and all participants will encourage nonparticipating Shippers to join the QIP as Shippers.

F. Situations in which Shippers are unable to collect the Quality Test Fee and consequently do not pay the fee to TRICOR SECRETARIES LTD. are referred by TRICOR SECRETARIES LTD. to the Executive Director of AFSL who then requests voluntary payment from the U.S. importer involved. Such voluntary payments are made payable to TRICOR SECRETARIES LTD. and forwarded to the AFSL Executive Director for transfer to TRICOR SECRETARIES LTD.. Situations in which payment cannot be achieved through these means are referred to legal counsel for appropriate action, including but not limited to termination of the offender's rights under this program.

G. Shippers who collect the Quality Test Fee but who fail to remit a timely payment to TRICOR SECRETARIES LTD. are referred by TRICOR SECRETARIES LTD. to AFSL legal counsel for appropriate action, including but not limited to termination of the offender's rights under this program.

H. The amount of the Quality Test Fee is subject to adjustment each August 1, by the AFSL Board of Directors. Any adjustment will be made following evaluation of current quality program needs and will result in the minimum amount required to effectively support the QIP. It is anticipated that the cost of administering the quality program will decrease in future years.

I. Revenues generated from the Quality Test Fee will be used only for fireworks quality improvement and for no other purpose.

* * *

**CHINA FIREWORKS
QUALITY
IMPROVEMENT PROGRAM**

MEMBERSHIP AGREEMENT

We are a _____ (insert type of participant: Shipper or U.S. importer) of consumer fireworks. I have read and understand the program and promise to faithfully and consistently strive to fulfill my obligations and responsibilities as described in the program.

Company Name: _____

Address: _____

Telephone: _____

Facsimile: _____

Email: _____

Signature: _____ Date: _____

Typed Name: _____ Title: _____

Please return to:

**American Fireworks Standards Laboratory
7316 Wisconsin Avenue, Suite 214
Bethesda, MD U.S.A. 20814
Telephone: 301-907-9115
Facsimile: 301-907-9117
Email: afslhq@afsl.org**

**AMERICAN FIREWORKS STANDARDS LABORATORY
APPLICATION FOR NEW PRODUCT CERTIFICATION TESTING**

Factory: _____ Factory ID Number: _____
Address: _____
Fax: _____ Telephone: _____ Telex: _____
Item Name: _____
Factory Item Number: _____ Ex Number: _____
Submitted under AFSL Classification (Number and Name):

Has this item been submitted previously? _____ If yes, when? _____
Previous AFSL File number?

Preliminary Testing Information. Please provide the following information to assist with the accuracy and safety of the testing and evaluation:

A description of this item's performance (effects, reports, motion, velocity, etc.):

A complete report indicating the results of testing against the AFSL Standard will be returned, marked CONFIDENTIAL, to the individual at the address indicated below. Send test results to:

Name: _____
Address: _____
Copy to: _____(optional)

Sample Preparation. The item to be evaluated for AFSL certification must be submitted as it would be packed for shipment, including all labeling, packaging, and packing. A minimum of 20 unSGS, or packages of unSGS as intended for sale is required for evaluation. For example, this would mean 20 packages of firecrackers, 20 fountains, 20 rockets, 20 boxes of sparklers, etc. Labeling may be shown as designed on a prototype unit, but the AFSL will provide the camera-ready caution label with the type size, wording, placement, and relation to other components of the label as will be used for the finished product.

The following requirements apply to the individual item and any packaging. Where the actual packaging materials are not yet available, samples of materials with descriptive specifications may be submitted, but the prototype packaging must accurately represent the size, labeling, number of items, etc., in the actual packaging.

The required sample unSGS must be packed as for shipment, including any product packaging. Allowances will be made for prototypes, but the packaging and packing must accurately represent the actual shipping case. A partially filled shipping case should have inert

materials of approximately the same density as the sample unSGS added to fill the box (additional sample unSGS may be used as desired).

The materials of the shipping case, all labeling for the shipping cases, and the method of sealing and closure of the shipping case must accurately represent the actual packing.

Shipment of Samples: The sample must be shipped as a Class C Explosive, Common Fireworks Samples. In the U.S. this will require shipment by

—

The shipment should be made to:

AMERICAN FIREWORKS STANDARDS LABORATORY
(Address) _____

Evaluation and Testing. Testing and evaluation will be done according to the AFSL Standard for the appropriate classification number. The documented testing by the manufacturer against the Quality Control/Design Checklist for manufacturing the item must be submitted with the test samples. All test records and reports for this item will be maintained as confidential until six months after the item is available commercially or until the manufacturer releases SGS confidential status. Excess sample unSGS will be retained or destroyed at the option of the AFSL Scheduling: Every effort will be made to complete the testing and mail the report within 4 weeks of receipt of the samples at AFSL. Close attention to the instructions included in this application and early or off-season submission of the samples will help to assure that emergency requests are rare.

AFSL CERTIFICATION MARK



FIREWORKS CATEGORIES

1. Firecrackers*
2. Fountains*
3. Girandolas*
4. Comets, Mine and Shell Devices*, including Single and Multiple Tube Devices
5. Reloadable Tube Aerial Shell Devices*
6. Helicopters*; Missiles (Fin-stabilized and Spin-stabilized)*; and Sky Rockets*, including Bottle Rockets
7. Roman Candles*
8. Party Poppers*, Snappers*, Booby Traps*, Snakes*, Toy Smoke Devices*
9. Specialty Items*
10. Sparklers*
11. Ground Spinners*; and Chasers*;
12. Wheels*
13. Combinations*
14. Crackling Strips*

* Indicates Category I items that are presently tested under the China Fireworks Quality Improvement Program.

TEST SITES OPERATING IN CHINA

Intertek Testing Services has established testing sites in the following locations:

- 1. Beihai**
- 2. Guangxi**
- 3. LiuYang**
- 4. Liling**

AFSL LABORATORY TEST REPORT

CO NC AB CA NF

ALL ROCKETS

LOT ID #

--	--	--	--	--	--

SHIPPER _____
 TEST DATE _____
 WAREHOUSE _____
 MODEL # _____
 PRODUCT _____
 LABEL #'s _____ to _____
 _____ to _____

QUANTITY _____ cases
 PACKING _____
 LOT SIZE _____
 SAMPLE SIZE _____
 FACTORY ID # _____
 EX # ON CTN _____

Test Details

PYROTECHNIC LEAKAGE:

AMT ___ mg. ___ of ___ failed. P F

A. FUSE ATTACHMENT:

___ of ___ failed. P F

B. STICK REQUIREMENT:

1. ___ of ___ failed rigidity P F
2. ___ of ___ failed straightness P F
3. ___ of ___ failed stick attachment P F

D. REPORT WEIGHTS/1mg.:

1. Total weight of ___ firecrackers: ___ mg.
 Average: _____ mg P F

E. PYROTECHNIC WEIGHT:

1. Total pyrotechnic weight: ___ gm.
 20 gm limit. P F
2. Break charge: _____ g, : _____ %
 - For tube >1", not exceed 25%/5gm. P F
 - For tube ≤1", not exceed 50%/5gm. P F

F. FUSE:

1. ___ of ___ failed side ignition. P F
2. Safety fuse required P F

G. BURNOUT/BLOWOUT:

___ blowout and ___ burnout of _____. P F

H. FUSE BURN TIME/0.1 sec.:

- ___ devices exhibited short Fuse BT. P F
 ___ devices exhibited long Fuse BT. P F
 ___ devices did not function. P F

I. NO HARD DISCS INSIDE SHELL:

___ of ___ failed: P F

J. FUNCTION OF EFFECTS: _

1. ___ of ___ failed AEFM: P F
2. ___ of ___ failed NOEF: P F
3. ___ of ___ failed flaming debris under 3 m: P F

K. CAUTIONARY LABELING:

1. Wording P F
2. Type Size P F
3. Placement P F

L. PRODUCT IDENTIFICATION:

Common or usual name P F

M. SHIPPING CARTON LABELING:

1. Orange 1.4, G Label. P F
2. Fireworks "UN0336" Label P F
3. "UN" Box Certification Mark P F

REMARKS :

_____ & _____
 CERTIFIED TECHNICIAN DATE

 REVIEWED BY DATE

Shipper's Agreement APPENDIX C

SUMMARY REPORT OF SHIPMENTS

DATE:

To: Tricor Secretaries Limited
Level 28, Three Pacific Place
1 Queen's Road East, Hong Kong
Tel. 852-2980-1888
Fax. 852-2861-0285

Attention: Mr. Matthew Au

Summary Report of Shipments by: _____ (No.)
(Name of participant)

A) PERIOD: FROM TO (ON-BOARD DATE)

B) NO. OF B/L:

C) CARTON QUANTITY BREAKDOWN

- | | |
|---------------|---------|
| 1) Category I | Cartons |
| 2) Component | Cartons |
| 3) On Sample | Cartons |
| 4) On Punk | Cartons |
| 5) On Others | Cartons |

Total:

NOTE:

Payment can be made by:

1. Cheque payable to "Tricor Secretaries Limited – American Fireworks Escrow Account"

OR

2. Remittance to:
Standard Chartered Bank
4-4A Des Voeux Road Central
Hong Kong
For credit of USD Savings Account No. 447-1-084905-5
In name of "Tricor Secretaries Limited – American Fireworks Escrow Account".