CONSUMER FIREWORKS FORUM CAESARS PALACE HOTEL, LAS VEGAS February 19, 2015



INTRODUCTION

John Rogers, Executive Director, AFSL

UPDATE OF AFSL ACTIVITIES

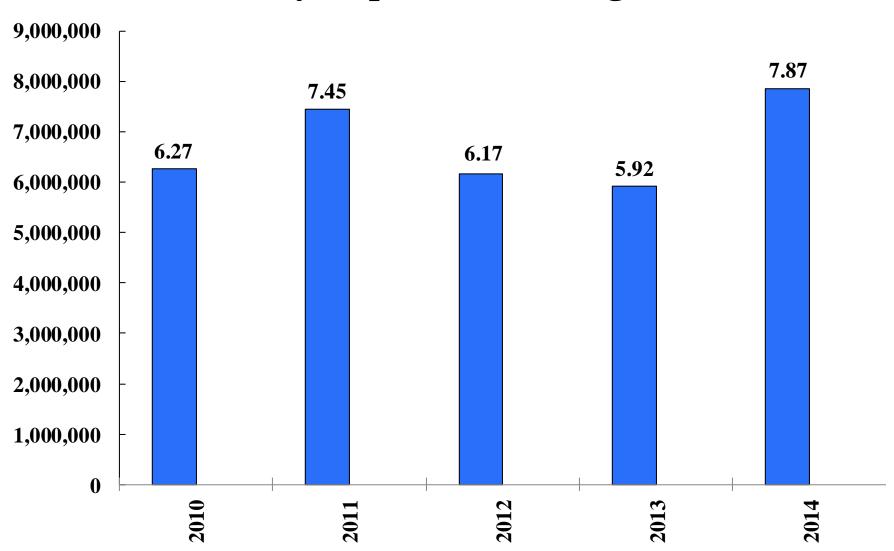
- Testing Program 2014 Results
- CPSC Commissioner Robinson's China Trip
- Domestic Audits of Importers
- Charging Factories for Failed Lots
- AFSL Standards Modifications
- General Counsel's Report
- > FCA Status

INTRODUCTION

Mike Collar, AFSL President

Testing Program - 2014 Results

CASES TESTED BY YEAR 2010-2014 Quality Improvement Program

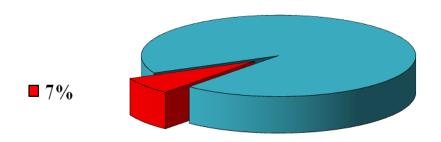


COMPLIANCE RATE 2014 QUALITY IMPROVEMENT PROGRAM



■ Non-Compliance

93%



Complying Cases: 7.33 million cases (including 162,000 component cases and 74,000 regular cases in Thailand)

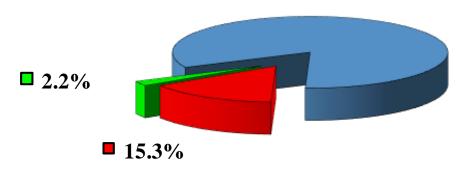
Non-Complying Cases: 539,000 (including 9,500 component cases)

Total Cases: 7.87 million cases (including 172,000 component cases and 74,000 regular cases in Thailand).

REGULAR, ASSORTMENT, AND COMPONENT 2014

■ Regular ■ Assortment ■ Component

82.5%



Cases tested for Regular Program: 6.49 million cases (including

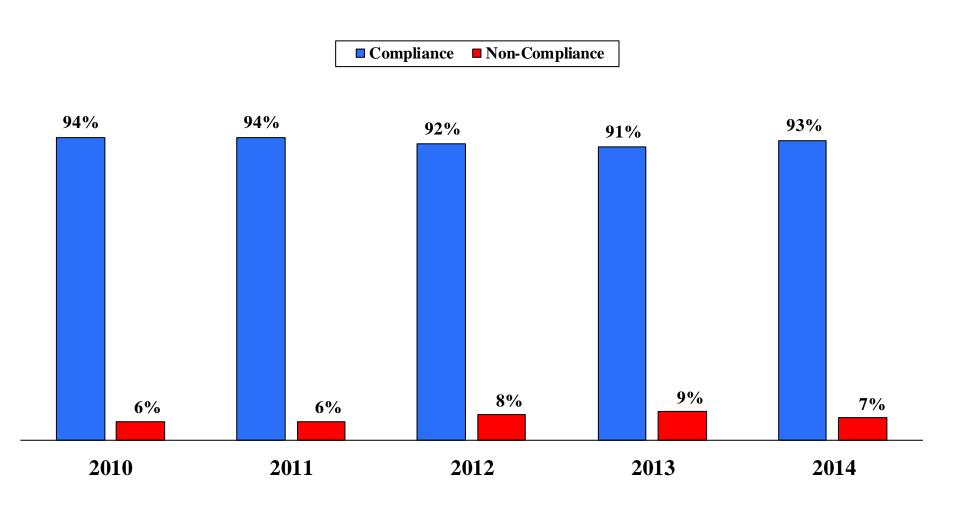
74,000 cases in Thailand)

Cases tested for Assortment Program: 1.20 million cases

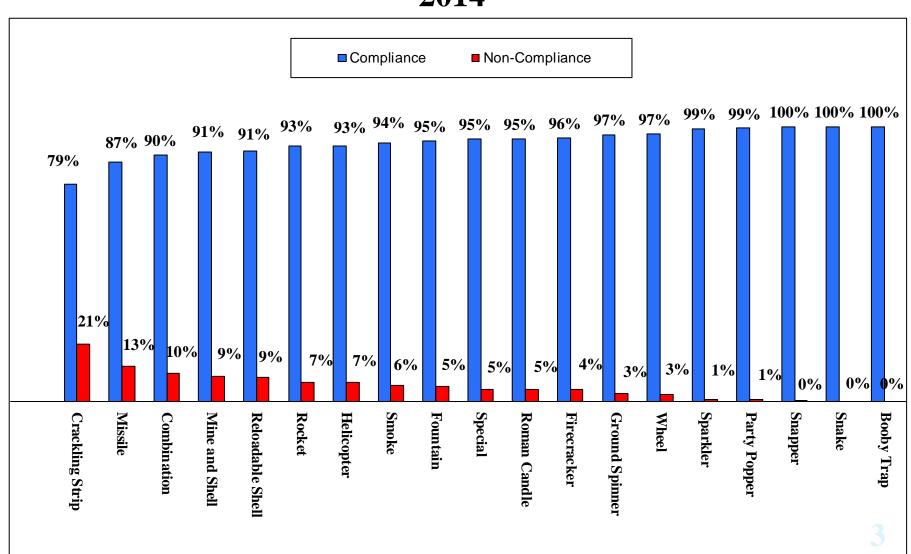
Cases tested for Component Program: 172,000 cases

Total Cases: 7,865,078

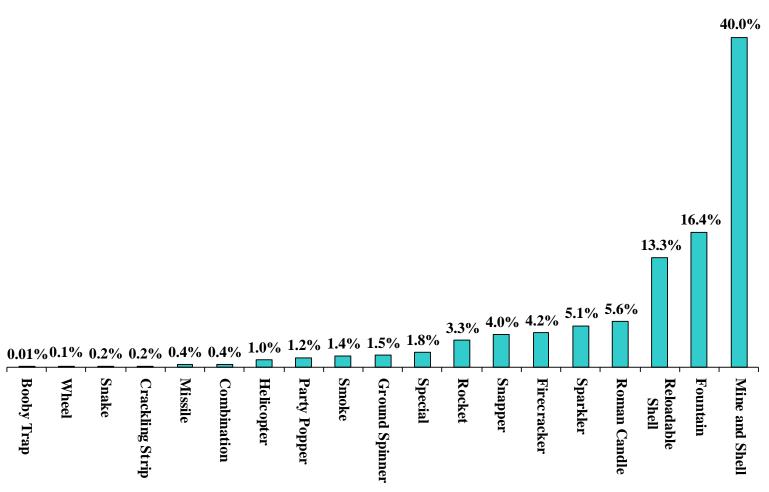
QIP COMPLIANCE PERCENTAGE BY YEAR



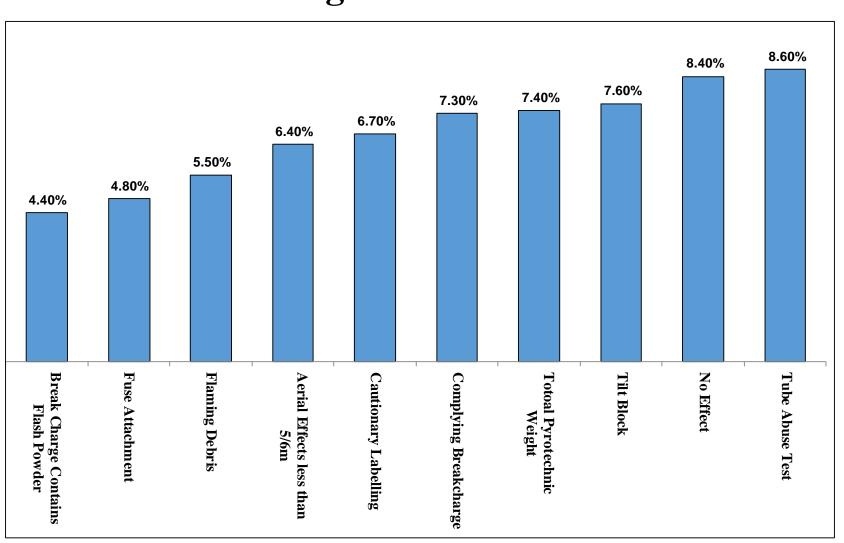
COMPLIANCE RATE BY CATEGORY 2014



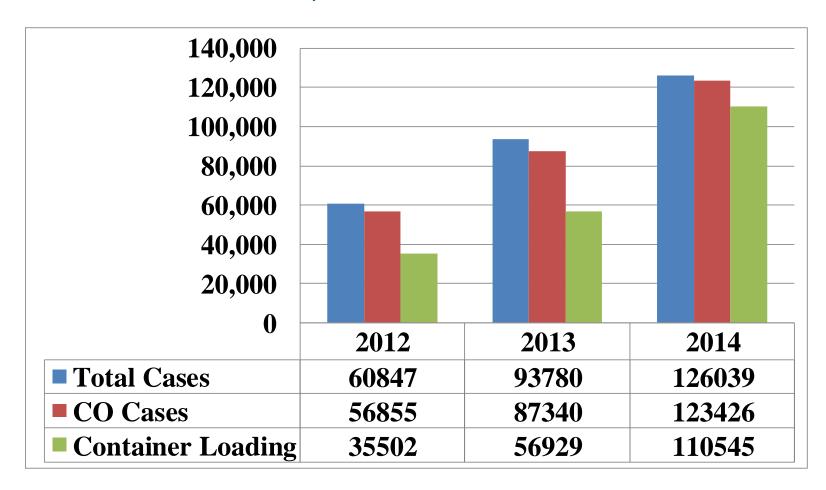
PERCENTAGE TESTING BY PRODUCT CATEGORY 2014



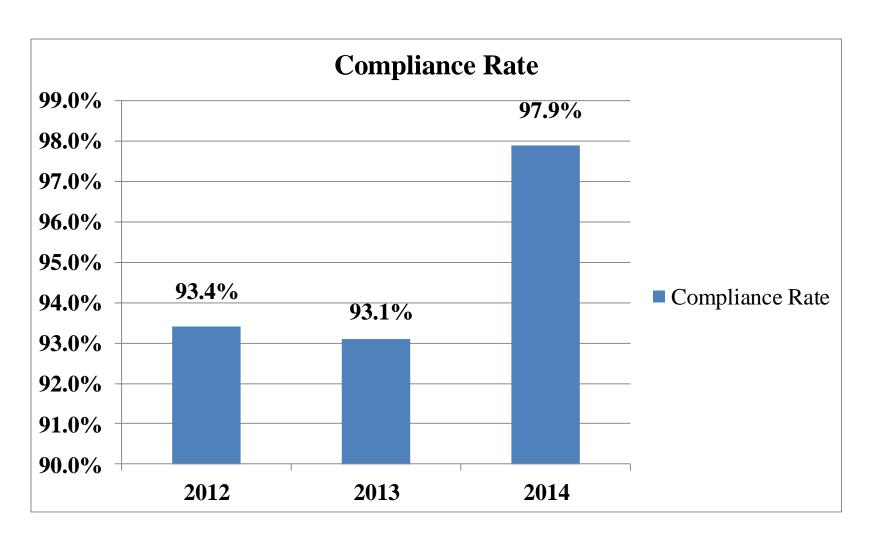
TOP 10 VIOLATIONS 2014 Percentage of Total Violations



DISPLAY FIREWORKS TEST SUMMARY 2012, 2013 AND 2014



DISPLAY FIREWORKS COMPLIANCE RATE BY YEAR



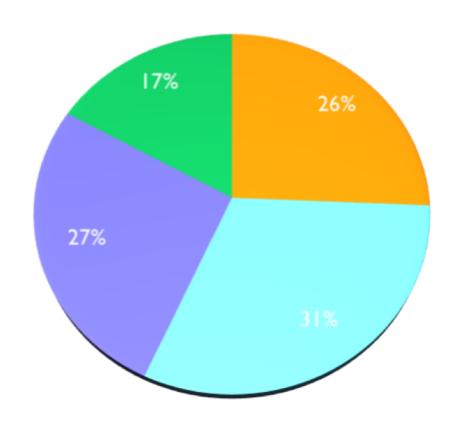
CPSC Commissioner Robinson's China Trip



Fireworks Violations FY14



- Fuse Violation
- Overloaded Report
- Labeling

















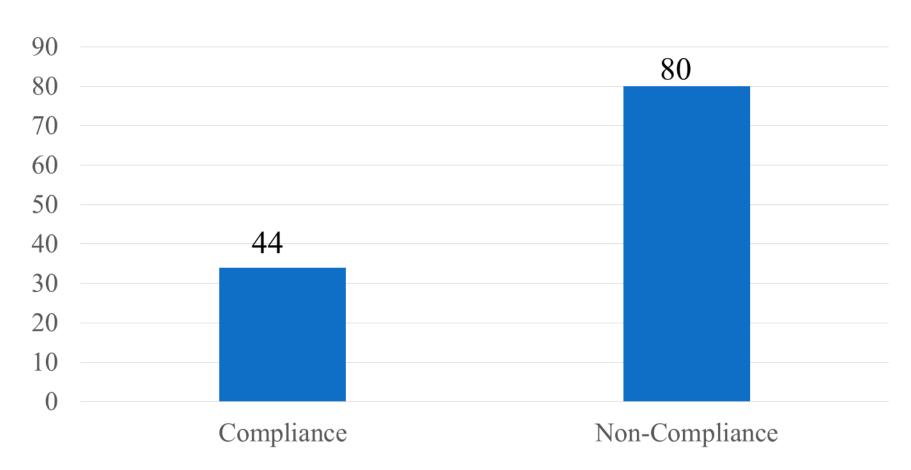


Domestic Audit of Importers - Jerry Wingard



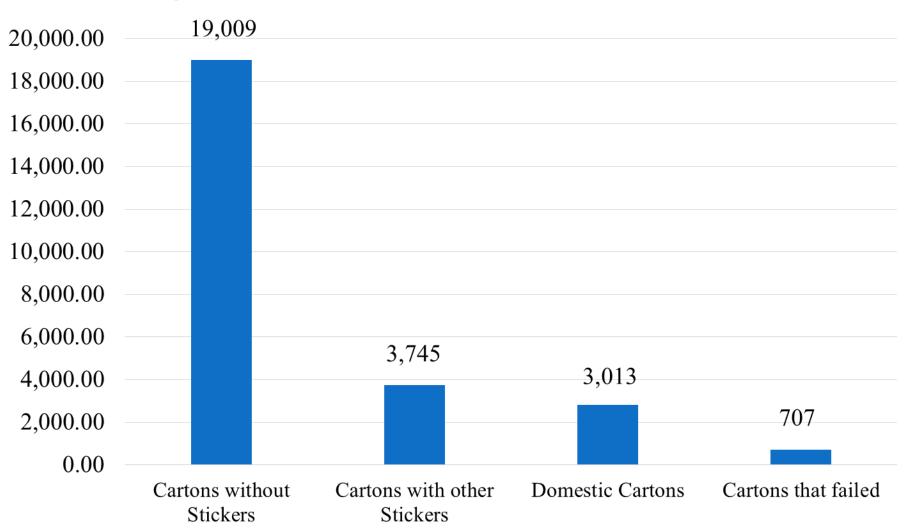
SUMMARY OF AUDITS

124 companies have been audited. The chart below shows the results:

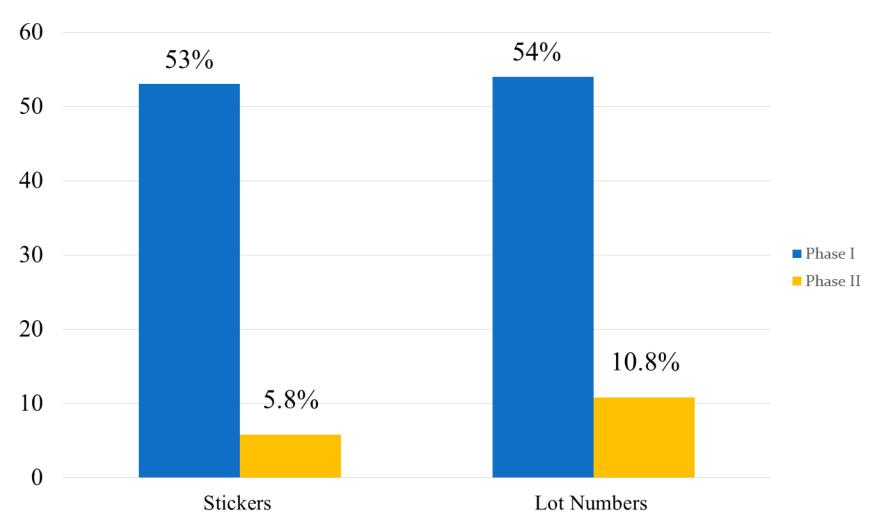


Cartons Inspected During Audits

During Phase II of the Audits 1,269,576 cartons were inspected



AFSL CERTIFICATION PROCESS FINDINGS – PHASE I AND II



Domestic Audit Phase III

- Phase III Follow-up audits of companies that scored 75% or less on their initial audits. Locations that score 100% will not be audited in Phase III.
- Start with companies with inventories greater than 10,000 cartons, followed by companies that had less than 10,000 cartons.
- Start with companies that with lowest scores.

Domestic Audit Phase III

- 80 companies will be re-audited.
- Phase III audits will begin the first week in March 2015 and will be completed in January 2016.

Charging Factories for Failed Lots Consumer Fireworks Only

Background

- The level compliance for fireworks tested under the program increased from 64% in 1994 to 93% in 2014.
- Tested cases increased from 0.9 million in 1994 to 7.8 million in 2014.

- >AFSL has absorbed the cost of failed lots.
- In 2014, the failed lots cost AFSL approximately \$122,000.

Which Factories will be Charged?

Factories that have a compliance rate lower than 93% in 2014.

Factory compliance data will be evaluated quarterly. Any factory that has a compliance rate of lower than 93%, based on testing done in the previous 12 months will be subject to the fee.

How Much will be Charged?

- > US\$0.30 per case for Regular and Assortment cases.
- > US\$0.20 per case for Component cases.

Who will Collect the Fees?

- ➤ AFSL will rely on the shippers to collect the failed Lot fees from the factories. AFSL will perform the evaluations and send invoices to factories with a copy to the appropriate shipper.
- Shippers will be requested to collect the fees from each factory and deposit the funds to the AFSL escrow account in Hong Kong.

What are the Penalties for Failure to Pay the Failed Lot Fees?

- > Failed Lot fees are due within 15 days from the date of notice.
- Fees for failed Lots will be considered delinquent if not paid within 30 days from the date of the notice.
- Factories that fail to pay the failed Lot fees will have all future requests for testing delayed until payments are received.
- ➤ Written notice of the testing hold will be provided to the factory with a copy to the shipper.

What is the Implementation Date for the Program?

July 1, 2015.

AFSL Standards Modifications

REQUIREMENTS FOR MULTIPLE TUBE MINE AND SHELL DEVICES TO ADDRESS RESIDUAL BURN

2-1.7 The finished item, including tubes and internal construction materials, must not continue to burn or reignite after functioning. See Appendix L for Test Procedure.

SPECIAL WARNING LABEL FOR MULTIPLE TUBE MINE/SHELL DEVICES FOR RESIDUAL BURN

4-2.10 Multiple-tube Mine and Shell Devices subject to this Standard must bear a warning label which reads: "May reignite. Soak with water after use."

WARNING
MAY RE-IGNITE. SOAK WITH WATER
AFTER USE.

NOTE: The label must be placed on the top surface of the device, where feasible. Where not feasible, the label must be place on the flat surface closest to the fuse. The label must be consistent with AFSL labeling requirements in Appendix B.

RESIDUAL BURN REQUIREMENTS FOR MULTIPLE TUBE MINE AND SHELL DEVICES

Effective Date: June 1, 2015.

SPECIAL PROJECT FOR FUSE FAILURES

- To address CPSC and AFSL reports of Fuse Failures:
 - Identify from the AFSL Data Base factories that have had significant fuse burn time or fuse attachment violations.
 - Provide a written notice to the factory and shipper of violations for the past year.
 - Meet with factories individually to address corrective actions.
 - Consider adding a tolerance to AFSL program; e.g. 4-9 seconds.

FCA Status

AFSL Board decide not to pursue the FCA at this moment.

- >6 FCA'S have been approved.
- >Approx. 200 approvals through FCA's

General Counsel's Report

- Quin Dodd

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THANK YOU!

