



American Fireworks Standards Laboratory

7316 Wisconsin Avenue, Suite 214
Bethesda, Maryland USA 20814
Telephone: 301/907-9115
Facsimile: 301/907-9117
Email: afslhq@afsl.org
Website: www.afsl.org

November 5, 2011

DISPLAY FIREWORKS PARTICIPATING IMPORTER AGREEMENT

THIS AGREEMENT is entered into by and between the American Fireworks Standards Laboratory (“AFSL”) and _____ (“**Participating Importer**”) to set forth the funding and participation arrangements for the AFSL Display Fireworks Certification Program.

“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 its officers or directors.

“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 its officers or directors.

WHEREAS, AFSL exists to develop voluntary safety and quality standards, to work with manufacturers, Shippers and Importers to improve fireworks safety and quality, and to provide a testing and certification program for the benefit of manufacturers and American fireworks Importers;

WHEREAS, the U.S. Display Fireworks industry has recognized the need to establish standards and develop a certification program for Display Fireworks, and AFSL has expressed a willingness to develop voluntary standards for Display Fireworks and to establish Testing Procedures to verify conformance with such standards; and

WHEREAS, in a serious effort to enhance the quality and safety in transportation and assure compliance with U.S. federal regulations for Display Fireworks, certain Participating Importers and AFSL have voluntarily agreed that AFSL will test, certify, and supervise the container loading of all Display Fireworks produced in China and intended for shipment to or ultimate sale in the United States of America;

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 Participating Importer participates in the program or until the AFSL terminates this Agreement.

Fireworks Testing – Fireworks designated by AFSL as Professional Display Fireworks shall be independently tested and certified in China under the AFSL Display Fireworks Certification Program, a

copy of which is attached as **Appendix I** and incorporated herein by reference. **Exhibit A** of the program contains a current list of the categories of Professional Display Fireworks that are subject to this program. This list is subject to change at AFSL's discretion.

Certification Program Funding – AFSL will incur certain costs in administering the Display Fireworks Certification Program. To support the program, Participating Importers have authorized a Display Fireworks Certification Fee on all shipments of certified Display Fireworks shipped to the United States to be assessed on them by the Shipper. The amount of the Certification Fee is established at U.S. \$1.00 per carton for fireworks covered by the program. This fee will be reviewed annually and may be adjusted based on the projected program requirements.

Participating Importer Duties – As a participant in the AFSL program, Participating Importer agrees that it will cause to be certified through AFSL's certification program all Display fireworks identified in **Appendix I, Exhibit A**, described above, that it imports into the United States from China. Participating Importer agrees that it will promptly notify AFSL of any display fireworks shipped or received which do not bear the AFSL certification mark and of any items that have not been properly inspected and certified under the Container Loading Supervision requirements of the program.

Participating Importer agrees that it must remain a member in good standing of AFSL in order to participate in this Display Fireworks Certification Program. Participating Importer agrees to cause the Shipper to promptly pay to AFSL the Certification Fee for each carton of Display Fireworks imported.

AFSL Duties – AFSL will provide Participating Shippers with a list of Participating Importers by the fifteenth (15th) of each month, effective for the month following. AFSL agrees to accept requests for testing of, and to test and certify, shipments submitted by Participating Shippers on behalf of Participating Importers, provided the Shipper satisfies all its obligations under its agreements with AFSL.

Remedies Upon Breach – In the event AFSL determines that the Participating Importer has breached a provision of this Agreement, AFSL may seek remedies or corrective action including, but not limited to, termination of this Agreement.

Arbitration – Any disputes arising under this Agreement that cannot be resolved by discussion among the parties shall be resolved through binding arbitration in accordance with the rules of the American Arbitration Association.

Revisions – This Agreement may be revised by the mutual written agreement of the parties.

American Fireworks Standards Laboratory

Participating Importer

John D. Rogers

Date

Importer's Authorized Signature

Date



7316 Wisconsin Avenue, Suite 214
Bethesda, Maryland USA 20814
Telephone: 301/907-9115
Facsimile: 301/907-9117
Email: afslhq@afsl.org
Website: www.afsl.org

AFSL

DISPLAY FIREWORKS CERTIFICATION PROGRAM

November 6, 2011

I. INTRODUCTION

- A. At the request of the U. S Display Fireworks Industry, The American Fireworks Standards Laboratory (AFSL) is implementing a program for inspecting, evaluating, and certifying shipments of Professional Display Fireworks (“Display Fireworks”) shipped to U.S. Importers by the factories/manufacturers in China. AFSL is an independent, non-profit corporation established in 1989 by members of the fireworks industry to enhance the quality and reduce the potential risks of injury associated with the transportation, handling, storage and use of both Consumer and Display Fireworks.
- B. Government agencies including the Department of Transportation (DOT) and the Bureau of Alcohol, Tobacco and Firearms (BATF) in the United States, and the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) in China have regulations affecting both the quality and safety of Display Fireworks.
- C. This Display Fireworks Certification Program applies to the manufacture, packaging and shipping of Display Fireworks devices designed to produce visual and audible effects. Display Fireworks are designed and intended for professional use and commercial displays. This Program enables manufactures to produce Display Fireworks devices in accordance with applicable AFSL requirements for composition, packaging, labeling and transportation. It is intended to assure that Display Fireworks devices may be manufactured, transported, stored and used safely.
- D. Accordingly, the American Fireworks Standards Laboratory (AFSL), in cooperation with the U.S. Display Fireworks industry, has developed and will administer the Display Fireworks Certification

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Program (DFCP) for the benefit of the Display Fireworks industry.

- E.** Participation in the DFCP is voluntary. Any company that manufactures or imports into the United States fireworks meeting the definition of Display Fireworks may, and is encouraged to, participate in the Program. An interested party elects to participate by signing a participation agreement which confirms that the party has read and understands the program and agrees to comply with all program requirements. Sample Participation Agreements for Importers and Shippers may be obtained from the AFSL office or downloaded from the AFSL website: www.afsl.org.

II. PROGRAM OVERVIEW

- A.** This Program enables manufacturers to produce and transport Display Fireworks devices in accordance with applicable United States requirements for composition, labeling and transportation. These requirements are intended to assure that Display Fireworks devices may be transported, stored and used safely. **EXHIBIT A** contains a list of Display Fireworks types and classifications that are covered by this program.

- B.** The primary elements of the program are:

1. Written standards for Display Fireworks that include regulatory requirements of the DOT, BATF, voluntary requirements of the AFSL, and other requirements and limitations intended to improve the safety and quality of Display Fireworks imported or distributed in the U.S.;
2. Quality control and technical support for the manufacturing process and continuous training for the affected industry to assure compliance with the program requirements;
3. Annual factory audits to verify proper manufacturing processes and packaging materials;
4. Independent, third party testing and certification of Display Fireworks and their packaging by AFSL in China prior to shipment to and importation into the U.S. to confirm compliance with applicable U.S. government regulations and AFSL Standards;
5. Inspection and supervision of the container loading process in China by AFSL;
6. Monitoring of the Program in China and in the U.S. by AFSL to assure its continuing effectiveness.

III. PROGRAM PARTICIPATION

- A. Importer Participation.** Any 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 in the program by executing a Display

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Fireworks Program Importer's Participation Agreement ("Importer's Agreement"), which confirms the Importer's agreement to:

1. Obtain Display Fireworks only from factories that have been audited and certified by AFSL;
2. Cause all imported Display Fireworks to be independently tested in China by AFSL as provided for in this Program;
3. Promptly notify AFSL of any Display Fireworks shipped or received which do not bear the AFSL certification mark and of any items that have not been properly inspected and certified under the Container Loading Supervision requirements of the program, and
4. Pay a certification fee specified by the AFSL Board per shipping carton on all Display Fireworks evaluated and certified under this program.

B. Shipper Participation. Any Hong Kong or China Shipper that is a member in good standing of AFSL, that is identified on the shipping documents as the "Shipper", and that routinely sources Display Fireworks for participating U.S. Importers is entitled to participate in the program by executing a Display Fireworks Program Shipper's Participation Agreement ("Shipper's Agreement"), wherein the Shipper agrees to:

1. Obtain Display Fireworks intended for shipment to U.S. Importer participants from factories that have been audited and certified by AFSL and that are listed as an AFSL-Certified Factory;
2. Cause all Display Fireworks intended for shipment to U.S. Importer participants to be tested and certified in accordance with the Display Fireworks Certification Program;
3. Promptly notify AFSL and the participating U.S. Importer of any Display Fireworks shipped which do not bear the AFSL certification mark or which have not been inspected under the container loading supervision procedures;
4. Collect from the U.S. Importer and pay to the AFSL escrow account in accordance with the terms specified in the Shipper's Agreement the certification fees specified by the AFSL Board for each shipping carton of Display Fireworks certified under this program.

C. Factory Participation. Any factory/manufacturer based in China that manufactures and ships to U.S. participating Importers Display Fireworks may participate in the program by becoming an AFSL certified factory. Factories are not required to sign a participation agreement but must comply with the requirements listed in paragraph IV.B., below, and must successfully undergo an annual factory audit described in paragraph IV.D., below in order to be listed initially and maintain its listing as an AFSL - Certified Factory.

D. Termination of Participants. A participating Importer, Shipper, or certified Factory/Manufacturer that materially breaches the terms of this Program may be terminated or suspended from further participation and, in certain cases, may be subject to legal action for collection of any delinquent

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certification fees, including attorney's fees. AFSL will notify participants Shippers or Importers thirty (30) days prior to termination or suspension and allow the participant an opportunity to correct any reported deficiencies. AFSL may deem repeated violations, even if cured, as grounds for termination. A terminated or suspended participant may reapply for participation 30 days after termination upon a showing that it has corrected any deficiencies that caused the termination.

- E. Voluntary Termination.** A participating Importer, Shipper or Factory may voluntarily terminate the participation 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 certification fees it would have paid to AFSL during the ninety day notice period.

IV. PROGRAM DESCRIPTION

Following is a description of each of the elements of the Display Fireworks Certification Program.

- A. AFSL Voluntary Standards for Display Fireworks** - An important element of the program is the development and maintenance of voluntary Standards for Display Fireworks which define packaging and design characteristics for Display Fireworks, including specifically all applicable U.S. regulations and additional limitations and requirements on fireworks design and performance determined by the industry to enhance the quality and reduce the potential risks of injury or incidents during handling, using, storage or transportation of Display Fireworks.

Standards and revisions to Standards are written by the AFSL Display Fireworks Standards Committee, the members of which are appointed by the Board of Directors. The Standards Committee is comprised of members representing various segments of the Display Fireworks industry, including Manufacturers, Importers, Shippers, and Warehousing and/or Transport Companies, as well as federal and state regulatory authorities, state fire safety officials, and an insurance industry representative. The Standards Committee also is supported by 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.

A copy of the Standards is available free of charge to any participants in the program from the AFSL office and also is available for downloading from the AFSL website: www.afsl.org.

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.

- B. Factory Quality Control and Technical Support.**

The DFCP recognizes that the production of fireworks at acceptable performance, quality, and safety

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levels requires adherence to proven practices and procedures addressing each area in which quality failures may occur. The requirements listed below address these areas as they relate to the manufacture of fireworks. Therefore, under this program, participating factories are required to:

1. Maintain current copies of all AFSL Standards and be aware of all content thereof;
2. Develop and implement an effective factory internal auditing program to assure consistent production of product and packaging to the design specifications;
3. 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;
4. Identify, isolate, and rework or destroy non-complying merchandise identified as a result of in-process testing;
5. Mark the factory identification number on each shipping carton;
6. Participate in at least one training program conducted by AFSL each year to assure the factory is aware of new AFSL requirements, changes to existing Standards, and is well versed in AFSL Operating Procedures for the DFCP;
7. Participate in a testing and certification program wherein every production Lot of a specific item intended for shipment to a participating U.S. Importer is tested by AFSL to determine if it complies with the applicable AFSL Standards. Such testing will be conducted using a statistically valid random sampling plan. Any production Lot that fails to meet the minimum AFSL requirements must be reworked, destroyed, or otherwise disposed of and must not be offered for ultimate distribution to the United States market by an AFSL participant;
8. Participate in a container loading inspection and supervision program. This process will review documents and inspect shipping cartons being loaded into shipping containers. When approved the container must be sealed with an AFSL seal.

C. AFSL Training and Technical Assistance.

To assist the factories in accomplishing the requirements necessary to produce complying fireworks, AFSL provides factory training and technical assistance, 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 issues relating to specific products;
2. Regional training seminars conducted at least once per year in China to inform factories of any changes in U.S. regulations or AFSL Standards. Problems involving specific products that have

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come to AFSL's attention will be discussed with the specific factory involved. Seminars are scheduled on an as-needed basis;

3. Visits to factories, upon request, or as a need is demonstrated, to provide training and technical support in manufacturing and quality control procedures for fireworks manufactured for distribution to the U.S.

D. Factory Audits by SGS.

Another critical component of the Display Fireworks Certification Program is an annual audit of each participating Factory to assure that proper manufacturing practices are maintained and that components and packaging for Display Fireworks comply with the requirements of the DFCP. Audits are conducted by certified auditors from AFSL's testing laboratory, SGS. The initial audit of the participating Factory must be conducted prior to the acceptance by AFSL of any Lot of fireworks for evaluation and certification under the program.

Criteria to be evaluated during the audit are contained in the AFSL Standards for Display Fireworks, available on the AFSL Website at www.afsl.org. The Standards include a Factory Audit Checklist used by AFSL in conducting the audits.

Information to be obtained during the audit includes the following:

1. Factory operations will be evaluated to determine that a quality management system exists to prevent prohibited chemicals from being used in the manufacturing of Display Fireworks. The factory must also demonstrate the ability to manufacture and produce Display Fireworks to all standards prescribed by AFSL;
2. Factories must also provide thermal stability certification reports to document that all finished products manufactured meet the prescribed standards for thermal stability;
3. Factories must produce certifications and reports that shipping cartons have been tested and manufactured to the AFSL Standards, including drop test documentation;
4. Factories must provide all required licenses, including export licenses, producer permission documentation, etc., from all governmental agencies;
5. Factories must be able to produce the documentation required in items 2, 3, and 4, above, at the time of audit and maintain them for a period of three (3) years from the date of issuance.

After an audit is completed and AFSL determines that the factory meets all requirements of the audit program, the factory will be assigned an AFSL Factory Registration Number and will be listed on an AFSL-Registered Factory List maintained by AFSL. Applications for evaluation and certification of shipping Lots, and container loading inspections will only be accepted for fireworks produced by

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AFSL- Registered Factories.

E. Product Testing and Certification Service.

Another critical part of the Display Fireworks Certification Program is the ability to independently test and identify products that conform to the requirements of the Program. Identification of conforming products is accomplished through the controlled use of the AFSL-registered service mark described in paragraph G, below. Following are the components of the Product Testing and Certification Service provided by AFSL.

1. General Operating Procedures.

- a. The participating Shipper that makes a shipment of Display Fireworks to a participating Importer will arrange with AFSL to have all Display Fireworks certified prior to being containerized for shipment from China. The Shipper will report to AFSL's Escrow Agent all cartons shipped to a participating Importer, and collect and pay the appropriate fee to the Escrow Agent.
- b. The Shipper also will arrange with AFSL to have the Importer's certified Display Fireworks securely loaded into shipping containers for shipment from China. Requirements for container loading are spelled out in the AFSL Standards for Display Fireworks.
- c. AFSL currently has contracted with SGS, an independent and internationally recognized consumer product testing laboratory to provide factory audits, product testing and certification services, and container loading supervision for Display Fireworks in China. This service is designed to determine whether specific Lots of fireworks destined for the U.S. market comply with all AFSL requirements. Note that all Display Fireworks must be issued an EX Number by the DOT to assure safety in transportation. AFSL's testing laboratory confirms the presence of an EX Number on each carton but it is the Factories' responsibility to confirm that the number is correct.
- d. AFSL's testing laboratory maintains a staff of professional technicians trained by AFSL to conduct the evaluation program under the direction of AFSL. All technicians must be re-certified annually.
- e. AFSL's testing laboratory maintains multiple test sites in China strategically located to accommodate peak shipment volumes and provide timely testing service. Upon approval by AFSL, the testing laboratory also may test at other locations, when requested to do so by the Factory. In such instances, AFSL may establish a minimum number of cases to be tested per visit to maximize the use of resources.
- f. A Shipper must request that a shipment destined for a participating U.S. Importer be tested to confirm that it complies with program requirements prior to shipment to the U.S. The

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Shipper must notify the testing laboratory that the shipment is available to be tested at a specific location and time. The Shipper must also confirm that the goods to be tested are manufactured by an AFSL certified Factory. The Shipper should provide as much notice as possible to allow for timely scheduling of the inspection. Except in emergencies, notification to SGS should be by email, fax, or through the AFSL E-Booking system.

- g. When a shipment is not available for evaluation at the scheduled time and the Shipper or participating Factory fails to inform the testing laboratory by close of business of the work day prior to the scheduled inspection, the participating Factory may be charged an "abortive inspection" fee at a rate specified in the AFSL operating guidelines.

2. Product Evaluation and Certification Procedures.

- a. Upon receiving the request for testing from the Shipper, the testing laboratory confirms that the Factory producing the goods is an AFSL-Registered Factory, and if so, dispatches a team of technicians to perform the required inspection and certification. To expedite the certification process, the Factory is expected to provide necessary personnel to assist testing laboratory personnel in obtaining the samples from the Lot to be tested and in applying the certification labels to individual shipping cartons of Lots passing the tests. Factory personnel work under the direct supervision of testing laboratory personnel who must be present, participating in, and supervising the sample collection and label application processes at all times.
- b. Sample collections and testing are conducted in accordance with procedures contained in the AFSL Display Fireworks Testing Manual, a copy of which is available to program participants upon request. All cartons within a Lot designated for testing are identified with a Lot Identification Number stamped on each shipping carton. When the testing is completed, the testing laboratory prepares a test report recording the results and forwards it to the Shipper, who in turn provides the results to the U.S. Importer. A copy of the test report as well as individual test data points are stored in a database maintained by AFSL and the testing laboratory so that test results may be readily accessed by AFSL. A sample test report is attached as **EXHIBIT B**. The testing laboratory also prepares a monthly summary of tests performed and forwards it to AFSL and to AFSL's Escrow Agent, for accounting purposes.
- c. **Number of Lots to be Evaluated.** AFSL through its testing laboratory is responsible for testing 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 accordance with AFSL's agreement with the testing laboratory, all requests for testing must be completed as quickly as possible, but in any event within three working days of the date of application. This is of critical importance to program participants given that all shipments of Display Fireworks must be certified before shipment to the U.S. Importer, and unreasonable delays can severely impact Factories' shipping schedules.
- d. **Passing Lots.** When a shipment tested by the testing laboratory complies with all AFSL requirements, the testing laboratory completes a test report for the Lot and, with the assistance of Factory personnel, applies a certification sticker bearing the AFSL service

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mark to the top or side panel of each shipping carton in the tested Lot. The Shipper is now authorized to request that the Lot be scheduled for container loading supervision.

- e. **Failing Lots.** When a Lot evaluated by the testing laboratory fails to comply with one or more program requirements, the testing laboratory provides a copy of the test report to the Shipper. The test report describes each failing result obtained during the evaluation. Upon receiving notice of a failing Lot, the Factory may not ship the goods in the failed Lot to the United States Importers without first reconditioning the goods and having them re-tested by AFSL's testing laboratory.
- f. **Factory Assistance.** Upon receiving notice that a Lot has failed to comply with the requirements of the program, AFSL makes every effort to contact the Factory and assists 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 visits to the Factory, or AFSL-sponsored training seminars.

F. Container Loading Supervision.

The final element of the Display Fireworks Certification Program is the supervision of the loading of the certified fireworks Lot onto the shipping container. The purposes of the Container Loading Supervision Program are (a) to assure that only Display Fireworks certified by AFSL are loaded and shipped to the participating U.S. Importer; (b) to assure that all shipping papers contain the required information; (c) to assure that the merchandise contained inside the cartons matches the product description on the outer carton.

The container loading supervision and inspection consists of the following:

1. Reviewing all shipping papers and documents required for moving Display Fireworks from the manufacturer to their final destination in the U.S. This shall also include the quantity of shipping cartons and content of the cartons as marked on the exterior of the shipping cartons;
2. All shipping cartons must be inspected to ensure all security and other required markings are affixed. Cartons will also be inspected for any visual damage or loss of integrity to the shipping carton during transportation and handling;
3. Containers must be inspected to ensure that required markings are present and match the shipping documents. Containers also must be inspected for damage, infestation, general container integrity, and other applicable provisions. Containers must be photographed to document compliance with the requirements as listed above;
4. Containers must be checked to assure that the fireworks, once loaded, are blocked and braced in accordance with required procedures;
5. After all the above requirements have been checked and found to be in compliance the container must be sealed by an AFSL Certified Technician with an AFSL Seal.

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EXHIBIT C contains the Container Loading Supervision Documents used in conducting the inspections.

G. The AFSL Service Mark

1. AFSL has developed a service mark to identify fireworks that are independently tested and confirmed under the testing program to comply with the 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 that found to comply with the requirements of this Program will have a sticker label bearing the AFSL service mark applied to each shipping carton in the tested Lot. The label contains numerous security features to prevent duplication or misappropriation of the labels. 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 security sticker bearing the service mark that is designed solely for use in the Display Fireworks Program appears in **EXHIBIT D**.
2. 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 program. The labels are sequentially numbered to provide a means by which the effectiveness of this program can be monitored by federal, state, or local governmental agencies or enforcing authorities, and by AFSL.
3. Fireworks that have 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.

H. Domestic Monitoring of the AFSL Mark

1. 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 program requirements. Such monitoring is conducted by AFSL with the voluntary cooperation of U.S. Importers participating in the program.
2. When AFSL evaluates a product under its domestic monitoring program, a copy of the report 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 program requirements. AFSL encourages the Importer and the Factory to take steps to correct the nonconforming product.
3. 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.

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V. *FEES TO SUPPORT THE DISPLAY FIREWORKS CERTIFICATION PROGRAM.*

- A. The costs incurred by SGS in conducting initial factory inspections/audits as described in IV. D., above, will be borne by the factory/manufacturer that has applied for AFSL registration and that is the subject of the inspection/audit. The failure of a manufacturer to pay the fee to SGS in a timely manner will result in the removal of the factory from the AFSL-Registered Factory List. Applications for Product Evaluation and Certification and Container Loading Supervision will only be accepted for products manufactured by AFSL-Registered Factories.
- B. The costs incurred by AFSL in administering the DFCP are covered by a certification fee established by the Board of Directors for (1) each product evaluation and certification inspection; and (2) each container loading supervision inspection. This fee is paid to AFSL by the participating Importer, through its Hong Kong or China Shipper, to an escrow account maintained by AFSL in Hong Kong. It is the responsibility of the U.S. Importer participant ultimately to assure that the assessed fees are paid to AFSL.
- C. To assure accurate accounting of the certification 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 certification fees; and (2) assure timely receipt of reports from Shippers, confirm the accuracy thereof, and to report discrepancies to the AFSL Executive Director.
- D. In accordance with the Shipper's Agreement, Participating Shippers are required to submit monthly reports of shipments of Display Fireworks to the escrow agent by the twentieth (20th) day of each month in a form similar to that found in **Exhibit E** and **Exhibit F** of **Appendix I**. All reports to the escrow agent will be treated as confidential and will not be disclosed to others, including parties to the Shipper's Agreement, with the exception of notification to AFSL General Counsel in cases of breaches of the Shipper's Agreement by Participating Shipper.
- E. Situations in which Shippers are unable to collect the certification fees and consequently do not pay the fees to the Escrow Agent are referred by Escrow Agent to the Executive Director of AFSL who then requests payment from the U.S. Importer involved. Such voluntary payments are made payable by the Importer participant to the Escrow Agent and forwarded to the AFSL Executive Director for transfer to the Escrow Agent. 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.
- F. Shippers who collect the certification fees but who fail to remit a timely payment to the Escrow Agent are referred by the Escrow Agent to AFSL legal counsel for appropriate action, including but not limited to termination of the offender's rights under this program.
- G. The amount of the certification fee is subject to adjustment each year by the AFSL Board of Directors. Any adjustment will be made following evaluation of current program needs and will result in the minimum amount required to effectively support the program.
- H. The fees set by the Board for the initial phase of the Display Fireworks Certification Program have been established by the Board as follows:

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1. Initial and Annual Factory Inspection/Audit will be billed to the factory/manufacturer by SGS at a flat fee cost of \$900 per inspection/audit, including travel. The cost of a re-inspection mandated by a failure of critical aspects of the initial audit will be billed by SGS to the factory/manufacturer on a sliding-scale rate, depending on the length of time required to complete the re-inspection.
 2. The initial cost of product evaluation and certification services and container loading supervision have been established by the Board at US\$1.00 per shipping carton.
- I. Revenues generated from the DFCP fees will be used only for fireworks safety and quality improvements and for no other purpose. In addition, the Board has agreed to designate a percentage of revenues generated from the display program to fund special projects that are intended to benefit the Display Fireworks industry solely.

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List of Attachments:

- 1. EXHIBIT A – LIST OF PRODUCTS AND CLASSIFICATIONS COVERED BY THE DISPLAY FIREWORKS PROGRAM**
- 2. EXHIBIT B – SAMPLE TEST REPORT**
- 3. EXHIBIT C – CONTAINER LOADING SUPERVISION CHECKLIST**
- 4. EXHIBIT D – DISPLAY FIREWORKS CERTIFICATION STICKER**
- 5. EXHIBIT E – SHIPMENT DETAIL FORM**
- 6. EXHIBIT F - SHIPPER REPORTING FORM**

**PRODUCTS AND CLASSIFICATIONS COVERED BY
THE DISPLAY FIREWORKS TESTING AND CERTIFICATION PROGRAM**

The requirements of the AFSL Standards for Display Fireworks apply to the following types and classifications of Display Fireworks. This list may be modified at AFSL's discretion.

<u>Product Type</u>	<u>Classification</u>
1. Shells	1.1G, UN0333; 1.3G, UN0335
2. Mines	1.3G, UN0335; 1.4G, UN0431
3. Comets	1.3G, UN0335; 1.4G, UN0431
4. Candles	1.3G, UN0335; 1.4G, UN0431
5. Cakes	1.3G, UN0335
6. Plates	1.4G, UN0431, et. al.
7. Fountains	1.3G, UN0335; 1.4G, UN0431, et. al.
8. Strobe (pots)	1.3G, UN0335; 1.4G, UN0431
9. Lances	1.4G, UN0431, et. al.
10. Waterfalls	1.3G, UN0335, et. al.
11. Bundled Quickmatch	1.3G, UN0335; 1.4G, UN0431, et. al.
12. Igniters / Electric Match	1.4G, UN0431; 1.4S, UN0454, et. al.

	<p>AFSL DISPLAY FIREWORKS TEST REPORT</p>	<p><i>CO NC AB CA</i></p>
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LOT ID #

SHIPPER _____
 TEST DATE _____
 MODEL # _____
 PRODUCT NAME _____

 PRODUCTION DATE _____
 MANUFACTURER ADDRESS _____

QUANTITY _____ cases
 PACKING _____
 LOT SIZE _____
 SAMPLE SIZE _____
 FACTORY ID # _____
 FACTORY REGISTRATION # _____
 EX # ON CTN _____
 LABEL #'s _____ to _____
 _____ to _____

Result Details

A. CARTON INSPECTION:

- | | | |
|--|---|---|
| 1. Shipping cartons general condition | P | F |
| _____ | | |
| 2. Shipping cartons inner package | P | F |
| _____ | | |
| 3. Shipping cartons stack test (3m) | P | F |
| _____ | | |
| 4. 13 mm space between product and top of shipping carton (for display shell only) | P | F |
| _____ | | |
| 5. Carton gross weight: _____ kg , _____ layers. | P | F |
| _____ | | |
| 6. Shipping marks. | | |
| a) "UN" Box Certification | P | F |
| b) Orange Label: _____ | P | F |
| c) Fireworks UN Label: UN _____ | P | F |
| d) "THIS END UP" for cakes only | P | F |
| e) Production Date Code | P | F |

- | | | |
|--|---|---|
| 5) Name and address of importer | P | F |
| 6. Pyrotechnic articles (indoor) labels. | P | F |
| _____ | | |
| 7. Wording type size | P | F |
| _____ | | |
| 8. Shell size (for shell only) | P | F |
| _____ | | |
| 9. Fuse protection (connecting fuse, safety cap) | P | F |
| _____ | | |
| 10. Fuse attachment | P | F |
| _____ | | |
| 11. Orienting loop / lowering rope | P | F |
| _____ | | |
| 12. Drop test documentation | P | F |
| _____ | | |
| 13. Thermal stability test documentation | P | F |

B. PRODUCT INSPECTION:

- | | | |
|--|---|---|
| 1. Pyrotechnic leakage. | P | F |
| _____ | | |
| 2. Lift charge chamber attachment (for shells) | P | F |
| _____ | | |
| 3. Product matches cartons markings. | P | F |
| _____ | | |
| 4. Warning labels and safety instructions | P | F |
| _____ | | |
| 5. Product description label. | | |
| 1) Device description | P | F |
| 2) Effect description | P | F |
| 3) Name and location of manufacturer | P | F |
| 4) Date and shift code of manufacture | P | F |

REMARKS:

_____ & _____
 CERTIFIED TECHNICIAN DATE

_____ _____
 REVIEWED BY DATE



LOADING SUPERVISION REPORT

Report No. :
Date :

To :	Fax/ E-mail :
Attn :	
Cc :	Fax/ E-mail :
Attn :	
From :	Fax/ E-mail :

Applicant :					
Loading location :					
Loading date :					
Loading supervisor :					
Product details:					
Model No.	Qty Applied (cases)	Qty Loaded (cases)	Packing	Carton Checked (cases)	Remarks
Total					

LOADING SUPERVISION CONCLUSION

Container No.	Size	SGS Seal No.	Other Seal No.	Remarks

REMARK

AFSL Loading

Note: During the container loading supervision, SGS randomly selected, opened, and conducted visual identity check on _____ shipping cartons only. Consequently, SGS makes no guarantee and/or warranty whatsoever as to the quantity and/or quality of the container contents.

**LOADING SUPERVISION REPORT**

Report No. :

Date :

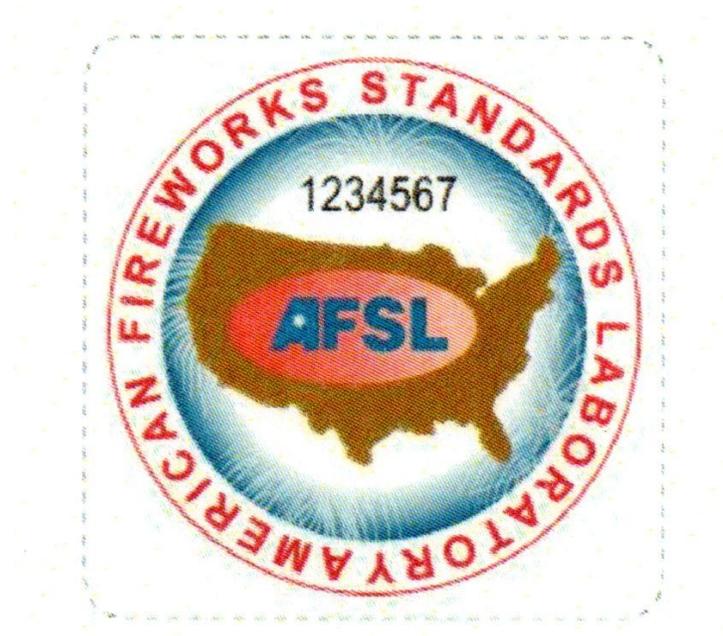
Pictures of Attachment:

- Shipping marks
- Open cartons and products
- Container number
- Empty container
- First row loading in container
- 1 / 4 full loading
- 1 / 2 full loading
- 3 / 4 full loading
- Full loading
- Blocking and bracing
- Close right hand door (the one with the container number)
- Closing door with the seals
- SGS Seal No. ,Other Seal No.
- Others (Any special finding about cargo, container...etc.)

AFSL Loading

Note: During the container loading supervision, SGS randomly selected, opened, and conducted visual identity check on _____ shipping cartons only. Consequently, SGS makes no guarantee and/or warranty whatsoever as to the quantity and/or quality of the container contents.

DISPLAY FIREWORKS CERTIFICATION STICKER



SHIPMENT DETAIL FORM

B/L NO.	CN BOARD DATE	NAME OF VESSEL	CTN @ US\$1.00	DUE DATE	Amount Payable Now	Amount Payable Later
Total CTNS						

SHIPPER REPORTING FORM

DATE:

To: Tricor Secretaries Limited
 Level 28, Three Pacific Place
 1 Queen's Road East,
 Hong Kong
 Telephone: 852-2980-1888
 Fax: 852-2545-1598.

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	Cartons	

Total:

NOTE:

Payment can be made by:

1. Check 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".