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 17 UNITED STATES OF AMERICA

18 UNITED STATES DISTRICT COURT

19 FOR THE CENTRAL DISTRICT OF CALIFORNIA

20 UNITED STATES OF AMERICA,

21 Plaintiff,

22 v.

23 GREE USA, INC.,

24 Defendant.
 25

No. CR 2:21-CR-00498-MCS

PLEA AGREEMENT FOR DEFENDANT
GREE USA, INC.

26 1. This constitutes the plea agreement between GREE USA, INC.
 27 ("defendant") and the United States Department of Justice's Consumer
 28

1 Protection Branch ("CPB") and the United States Attorney's Office for
2 the Central District of California ("USAO" and collectively with the
3 CPB, the "government") in the above-captioned case. This agreement
4 is limited to the CPB and the USAO, and cannot bind any other
5 federal, state, local, or foreign prosecuting, enforcement,
6 administrative, or regulatory authorities.

7 RULE 11(c)(1)(C) AGREEMENT

8 2. Defendant understands that this agreement is entered under
9 Federal Rule of Criminal Procedure 11(c)(1)(C). Accordingly,
10 defendant understands that, if the Court determines that it will not
11 accept this agreement, absent a breach of this agreement by defendant
12 prior to that determination and whether or not defendant elects to
13 withdraw any guilty pleas entered pursuant to this agreement, this
14 agreement will, with the exception of Paragraph 39, be rendered null
15 and void and both defendant and the government will be relieved of
16 their obligations under this agreement. Defendant agrees, however,
17 that if defendant breaches this agreement prior to the Court's
18 determination whether or not to accept this agreement, the breach
19 provisions of this agreement, Paragraphs 41-48 below, will control,
20 with the result that defendant will not be able to withdraw any
21 guilty plea entered pursuant to this agreement, the government will
22 be relieved of all of its obligations under this agreement, the
23 Court's failure to follow any recommendation or request regarding
24 sentence set forth in this agreement will not provide a basis for
25 defendant to withdraw defendant's guilty plea, and defendant will
26 thereafter be subject to prosecution for any federal criminal
27 violation of which the government has knowledge.

28

DEFENDANT'S OBLIGATIONS

3. Defendant agrees to:

a. Give up the right to indictment by a grand jury and, at the earliest opportunity requested by the government and provided by the Court, appear and plead guilty to the one-count information in the form attached to this agreement as Exhibit A or a substantially similar form, charging defendant with Failure to Furnish Information Required by 15 U.S.C. § 2064(b), in violation of 15 U.S.C. §§ 2068(a)(4) and 2070.

b. Not contest facts agreed to in this agreement.

c. Affirmatively recommend to the Court that it impose sentence in accordance with Paragraph 33 of this agreement.

d. Pay restitution as set forth in Paragraphs 10-19 of this agreement.

e. Cooperate with the government as set forth in Paragraph 9 of this agreement.

f. Fully implement the Enhanced Compliance Measures contained in Exhibit D of this agreement.

g. Appear for all court appearances, obey all conditions of any bond, and obey any other ongoing court order in this matter.

h. Not commit any crime; however, offenses that would be excluded for sentencing purposes under United States Sentencing Guidelines ("U.S.S.G." or "Sentencing Guidelines") § 4A1.2(c) are not within the scope of this agreement.

i. Be truthful at all times with Pretrial Services, the United States Probation Office, and the Court.

j. Pay the applicable special assessment at or before the time of sentencing.

1 k. Not seek the discharge of any restitution obligation,
2 in whole or in part, in any present or future bankruptcy proceeding.

3 THE GOVERNMENT'S OBLIGATIONS

4 4. The government agrees to:

5 a. Not contest facts agreed to in this agreement.

6 b. Affirmatively recommend to the Court that it impose
7 sentence in accordance with Paragraph 33 of this agreement.

8 c. Except for criminal tax violations (including
9 conspiracy to commit such violations chargeable under 18 U.S.C.
10 § 371), not further criminally prosecute defendant and/or related
11 parent and subsidiary companies for violations arising out of the
12 conduct described in this agreement and the agreed Statement of Facts
13 attached to this agreement as Exhibit B (the "Covered Conduct").
14 Defendant understands that the government is free to prosecute
15 defendant criminally for any other unlawful past conduct or any
16 unlawful conduct that occurs after the date of this agreement.
17 Defendant agrees that at the time of sentencing the Court may
18 consider uncharged conduct in determining the applicable Sentencing
19 Guidelines range, the propriety and extent of any departure from that
20 range, and the sentence to be imposed after consideration of the
21 Sentencing Guidelines and all other relevant factors under 18 U.S.C.
22 § 3553(a).

23 CORPORATE AUTHORIZATION

24 5. Defendant represents that it is authorized to enter into
25 this agreement. On or before the plea hearing pursuant to this
26 agreement, defendant shall provide the government and the Court with
27 a legal document certifying that defendant is authorized to enter
28 into and comply with all of the provisions of this agreement. Such

1 corporate resolution shall designate a company representative for
2 defendant who is authorized to take the actions specified in this
3 agreement, and shall also state that all legal formalities for such
4 authorizations have been observed in the form attached to this
5 agreement.

6 ORGANIZATIONAL CHANGES AND APPLICABILITY

7 6. This agreement shall bind defendant, its successor entities
8 (if any), parent companies, and any other person or entity that
9 assumes the liabilities contained herein ("successors-in-interest").
10 Defendant, or its successors-in-interest, if applicable, shall
11 provide the government with notice in writing at least fifteen (15)
12 days before of any name change, business reorganization, sale or
13 purchase of assets, divestiture of assets, or similar action
14 impacting defendant's ability to pay the fine or affecting this
15 agreement. No change in name, change in corporate or individual
16 control, business reorganization, change in ownership, merger, change
17 of legal status, sale or purchase of assets, or similar action shall
18 alter defendant's responsibilities under this agreement. Defendant
19 shall not engage in any action to seek to avoid the obligations and
20 conditions set forth in this agreement.

21 NATURE OF THE OFFENSE

22 7. Defendant understands that for defendant to be guilty of
23 the crime charged in the single-count information, that is, Failure
24 to Furnish Information Required by 15 U.S.C. § 2064(b)(3) and (4), in
25 violation of Title 15, United States Code, Sections 2068(a)(4) and
26 2070, the following must be true: defendant knowingly and willfully
27 failed immediately to inform the United States Consumer Product
28 Safety Commission upon obtaining information which reasonably

1 supported the conclusion that defendant's dehumidifiers contained a
2 defect which created a substantial product hazard, that is, a
3 substantial risk of injury to the public, and created an unreasonable
4 risk of serious injury or death.

5 PENALTIES

6 8. Defendant understands that the statutory maximum sentence
7 that the Court can impose for a violation of Title 15, United States
8 Code, Sections 2068(a)(4) and 2070, is: a five (5) year period of
9 probation; a fine of five hundred thousand dollars (\$500,000) or
10 twice the gross gain or gross loss resulting from the offense,
11 whichever is greatest; and a mandatory special assessment of four
12 hundred dollars (\$400).

13 COOPERATION

14 9. Defendant agrees to cooperate fully with the government in
15 any and all matters relating to the Covered Conduct until the date
16 upon which all investigations and prosecutions arising out of the
17 Covered Conduct are concluded. Defendant's cooperation pursuant to
18 this paragraph is subject to applicable laws and regulations, as well
19 as valid claims of attorney-client privilege or attorney work product
20 doctrine. However, defendant must provide to the government a log of
21 any document or information that is not provided based on an
22 assertion of law, regulation, or privilege, and defendant bears the
23 burden of establishing the validity of any such assertions. This
24 cooperation shall include, but is not limited to the following:

25 a. Defendant shall truthfully disclose all information
26 not protected by a valid claim of attorney-client privilege with
27 respect to its activities and those of any of its present and former
28 directors, officers, employees, agents, representatives, and any

1 others concerning all matters about which the government may inquire.
2 This obligation of truthful disclosure includes defendant's
3 obligation to assemble, organize, and provide the government all non-
4 privileged documents, records, or other tangible evidence in the
5 defendant's custody or control as the government may reasonably
6 request.

7 b. Defendant shall provide testimony or information
8 necessary to identify or establish the original location,
9 authenticity, or other basis for admission into evidence of documents
10 or other tangible evidence in any criminal, legal, court or other
11 proceeding as the government may request.

12 c. Defendant shall, using its reasonable best efforts,
13 make available its present and former officers, directors and
14 employees to provide information and/or testimony as the government
15 may request, including testimony before a grand jury, a trial court,
16 or other legal or court proceeding, as well as interviews with law
17 enforcement authorities. Defendant's cooperation under this
18 paragraph shall include identification of witnesses who have material
19 information relating to the Covered Conduct, including identification
20 of witnesses who have particular types of material information
21 requested by the government. It is further understood that defendant
22 must at all times provide complete, truthful, and accurate
23 information.

24 d. Defendant (and its directors, officers, employees,
25 agents, and representatives) shall testify truthfully before the
26 grand jury and at any trial or other proceeding with respect to any
27 matters about which they may be questioned. Defendant (and its
28 directors, officers, employees, agents, and representatives) shall at

1 all times give complete, truthful, and accurate information and
2 testimony. Defendant (and its directors, officers, employees,
3 agents, and representatives) shall neither attempt to protect any
4 person who has been involved in criminal activity, nor falsely
5 implicate anyone in criminal activity.

6 RESTITUTION

7 10. Defendant agrees to pay restitution under 18 U.S.C.
8 § 3663(a)(3) to individuals who were directly and proximately harmed,
9 either through physical injury or financial loss, by a fire or
10 overheating caused by one of the defendant's dehumidifiers that were
11 manufactured by co-defendant GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
12 in 2010 through 2013, sold in the United States, and subject to the
13 recall that co-defendant GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI
14 announced on September 12, 2013, expanded on January 30, 2014, and
15 re-announced on November 29, 2016. The restitution owed to such
16 individuals shall be reduced by the amount of compensation that they
17 have already received for their losses through earlier payments from
18 the defendant, co-defendants GREE ELECTRIC APPLIANCES, INC. OF
19 ZHUHAI, HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD., or other
20 sources, including but not limited to, insurance.

21 11. Defendant agrees to pay restitution under 18 U.S.C.
22 § 3663(a)(3) to entities that were directly and proximately harmed by
23 a fire or overheating that was caused by one of the defendant's
24 dehumidifiers that were manufactured by co-defendant GREE ELECTRIC
25 APPLIANCES, INC. OF ZHUHAI in 2010 through 2013, sold in the United
26 States, and subject to the recall that co-defendant GREE ELECTRIC
27 APPLIANCES, INC. OF ZHUHAI announced on September 12, 2013, expanded
28 on January 30, 2014, and re-announced on November 29, 2016. The

1 restitution owed to such entities shall be reduced by the amount of
2 compensation that they have already received for their losses through
3 earlier payments from the defendant, co-defendants GREE ELECTRIC
4 APPLIANCES, INC. OF ZHUHAI, HONG KONG GREE ELECTRIC APPLIANCES SALES
5 CO., LTD., or other sources, including but not limited to, insurance.

6 12. Defendant agrees that all such individuals and entities
7 mentioned in Paragraphs 10 and 11 are victims of the crime to which
8 it is pleading guilty or other uncharged crimes related to the crime
9 to which it is pleading guilty. In exchange for the government not
10 charging additional crimes against defendant, defendant agrees to pay
11 the restitution set forth in Paragraphs 10-19, even though the
12 defendant will not be convicted of those additional crimes. These
13 additional crimes give rise to this agreement and include offenses
14 against property under Title 18, United States Code, for which
15 restitution may be ordered under 18 U.S.C. § 3663A(c)(1).

16 13. Defendant and the government request that the Court appoint
17 a United States Magistrate Judge or Special Master under 18 U.S.C.
18 § 3664(d)(6) as appropriate and necessary to determine the proper
19 payment of the restitution set forth in Paragraphs 10 and 11.

20 Defendant and the government request that the United States
21 Magistrate Judge or Special Master, as determined by the Court, make
22 findings of fact regarding:

23 a. Who should receive restitution under Paragraphs 10 and
24 11; and

25 b. The restitution amounts that these individuals and
26 entities should receive.

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1 14. In connection with the administration and disposition of
2 restitution in this matter, defendant and the government request that
3 the United States Magistrate Judge or Special Master:

4 a. Notify potential claimants of the restitution claim
5 process within one hundred twenty (120) days of the defendant's
6 sentencing proceeding;

7 b. Collect restitution claims for a period of one hundred
8 eighty (180) days after the date of the last notice to potential
9 claimants. Restitution claims submitted later than one hundred
10 eighty (180) days after the date of the last notice to potential
11 claimants are not eligible for restitution;

12 c. Determine the validity of each submitted restitution
13 claim, and for each valid claim, determine the amount of restitution
14 owed for that claim;

15 d. Implement appropriate procedures necessary to carry
16 out the foregoing duties within one hundred twenty (120) days of the
17 sentencing proceeding;

18 e. Promptly notify defendant, co-defendants GREE ELECTRIC
19 APPLIANCES, INC. OF ZHUHAI, HONG KONG GREE ELECTRIC APPLIANCES SALES
20 CO., LTD., and the government of all claims received; and

21 f. Report to the Court every sixty (60) days following
22 the defendant's sentencing proceeding on the status of the United
23 States Magistrate Judge's or Special Master's work to date,
24 anticipated future efforts, and any matters the United States
25 Magistrate Judge or Special Master believes require the Court's
26 attention.

27 15. If the United States Magistrate Judge or Special Master
28 decides that restitution is owed on a claim, defendant will pay that

1 claim within ten (10) days after the United States Magistrate's or
2 Special Master's decision becomes final. The United States
3 Magistrate Judge's or Special Master's decision becomes final forty-
4 five (45) days after the first notice of the decision to defendant,
5 co-defendant GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI, or co-
6 defendant HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD.

7 a. Defendant will pay any restitution award of fifty
8 thousand dollars (\$50,000) or less within ten days after the United
9 States Magistrate Judge's or Special Master's decision becomes final.
10 Defendant has no right to appeal any decision awarding restitution of
11 fifty thousand dollars (\$50,000) or less.

12 b. Defendant may appeal in a court of competent
13 jurisdiction any decision awarding restitution greater than fifty
14 thousand dollars (\$50,000). If defendant appeals or challenges the
15 United States Magistrate Judge's or Special Master's decision within
16 forty-four (44) days after the first notice of the decision to
17 defendant, co-defendant GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI, or
18 co-defendant HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD., the
19 United States Magistrate Judge's or Special Master's decision does
20 not become final until all of defendant's appeals have been
21 exhausted.

22 c. All decisions by the United States Magistrate Judge or
23 Special Master will be vested in their discretion and, if contested,
24 will be reviewed under the arbitrary-and-capricious standard set
25 forth in 5 U.S.C. § 706(2)(A). Review of any decision by the United
26 States Magistrate Judge or Special Master will be based exclusively
27 on the written record before the United States Magistrate Judge or
28 Special Master at the time of the decision. No discovery will be

1 taken in a challenge to the United States Magistrate Judge's or
2 Special Master's decision.

3 16. Defendant will have a reasonable opportunity to investigate
4 and challenge any claim before the United States Magistrate Judge or
5 Special Master makes a decision. Defendant's reasonable opportunity
6 to investigate and challenge a claim will not exceed six (6) months
7 from the first notification to defendant, co-defendant GREE ELECTRIC
8 APPLIANCES, INC. OF ZHUHAI, or co-defendant HONG KONG GREE ELECTRIC
9 APPLIANCES SALES CO., LTD. of the claim, unless the United States
10 Magistrate Judge or Special Master decides to extend the time for
11 defendant to investigate and challenge a claim. In no event will
12 defendant's opportunity to investigate and challenge a claim exceed
13 twelve (12) months after the first notification to defendant, co-
14 defendant GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI, or co-defendant
15 HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD. of the claim.

16 17. The United States Magistrate Judge or Special Master may
17 request from the Court a reasonable extension of the time periods in
18 the preceding paragraphs as circumstances warrant.

19 18. Defendant shall promptly provide to the United States
20 Magistrate Judge or Special Master all documentary materials or
21 testimonial information reasonably requested by the United States
22 Magistrate Judge or Special Master, subject to applicable laws and
23 regulations, as well as valid claims of attorney-client privilege or
24 attorney work product doctrine. However, defendant must provide to
25 the government a log of any document or information that is not
26 provided based on an assertion of law, regulation, or privilege, and
27 defendant bears the burden of establishing the validity of any such
28 assertions.

1 19. Defendant shall pay in full any costs, fees, and expenses
2 the United States Magistrate Judge or Special Master incurs in
3 carrying out his or her duties separate and apart from any
4 restitution paid to victims with valid restitution claims.

5 SUSPENSION, REVOCATION, AND DEBARMENT

6 20. Defendant understands that if defendant holds any
7 regulatory licenses or permits, the conviction in this case may
8 result in the suspension or revocation of those licenses and permits.
9 The government makes no representation or promise concerning
10 suspension or debarment of defendant from contracting with the United
11 States or with any office, agency, or department thereof. Suspension
12 and debarment of organizations convicted under various federal
13 criminal statutes is a discretionary administrative action solely
14 within the authority of the federal contracting agencies. Defendant
15 understands that unanticipated collateral consequences such as this
16 will not serve as grounds to withdraw defendant's guilty plea.

17 FACTUAL BASIS

18 21. Defendant admits that defendant is, in fact, guilty of the
19 offense to which defendant is agreeing to plead guilty. Defendant
20 further admits that it is responsible for the acts of its employees,
21 directors, officers, and agents, as set forth in the Statement of
22 Facts attached hereto as Exhibit B and incorporated by reference
23 herein. Defendant and the government agree to the Statement of
24 Facts, and agree that this Statement of Facts is sufficient to
25 support a plea of guilty for defendant to the charge described in
26 this agreement, and to establish the Sentencing Guidelines factors
27 set forth in Paragraphs 30 and 31 below as well as the fine, and
28 restitution payments specified in this agreement. Defendant and the

1 government also agree that the Statement of Facts is not meant to be
2 a complete recitation of all facts relevant to the underlying
3 criminal conduct or all facts known to either party that relate to
4 that conduct.

5 COMPLIANCE PROGRAM

6 22. Defendant further agrees to comply with the terms of the
7 Enhanced Compliance Measures as set forth in Exhibit D to this
8 agreement and incorporated by reference herein, and to institute and
9 maintain, at a minimum, the policies and procedures as described
10 therein, which are intended to prevent future violations of law,
11 including the Consumer Product Safety Act, 15 U.S.C. § 2051 *et seq.*
12 ("CPSA"), and its implementing regulations.

13 PUBLICATION

14 23. Within ten (10) days of the filing of this agreement,
15 defendant agrees to make the information, this agreement, and the
16 Statement of Facts conspicuously available to the public on the Gree
17 website (<https://global.gree.com/usa/>) for two (2) years after the
18 filing of this agreement.

19 NOTICE

20 24. Notice shall be effective upon actual receipt by the
21 government or the defendant.

22 25. Any notice to the defendant under this agreement shall be
23 given by: (1) email to an email address provided by the defendant;
24 and (2) personal delivery, overnight delivery by a recognized
25 delivery service, or registered or certified mail, addressed to:

26 James M. Koukios
27 Sophia H. Cash
28 Morrison & Foerster LLP
2100 L Street, NW, Suite 900
Washington, DC 20037

1 26. Any notice to the government under this agreement shall be
2 given by: (1) email to an email address provided by the government;
3 and (2) personal delivery, or overnight delivery by a recognized
4 delivery service addressed to the following:

5 Director, Consumer Protection Branch
6 U.S. Department of Justice
7 450 5th St NW, Suite 6400 South
8 Washington, DC 20001

9 and

10 Chief, Environmental & Community
11 Safety Crimes Section
12 U.S. Attorney's Office
13 Central District of California
14 1300 United States Courthouse
15 312 North Spring Street
16 Los Angeles, California 90012

17 SENTENCING FACTORS AND AGREED-UPON SENTENCE

18 27. Defendant understands that in determining defendant's
19 sentence the Court is required to calculate the applicable Sentencing
20 Guidelines range and to consider that range, possible departures
21 under the Sentencing Guidelines, and the other sentencing factors set
22 forth in 18 U.S.C. § 3553(a). Defendant understands that the
23 Sentencing Guidelines are advisory only.

24 28. Defendant and the government agree that the 2018 United
25 States Sentencing Guidelines are applicable to the defendant's
26 sentencing.

27 29. Defendant and the government stipulate and agree that
28 U.S.S.G. § 2B1.1 applies to the defendant's sentencing pursuant to
U.S.S.G. § 2N2.1(c) (1).

30. Defendant and the government stipulate and agree to the
following applicable Sentencing Guidelines factors:

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<u>Base Offense Level:</u>	6	[U.S.S.G. § 2B1.1(a)(2)]
<u>Specific Offense Characteristics:</u>		
Loss of More Than \$9,500,000	+20	[U.S.S.G. § 2B1.1(b)(1)(K)]
Resulted in Substantial Financial Hardship to Five or More Victims	+4	[U.S.S.G. § 2B1.1(b)(2)(B)]
Substantial Part of Scheme Committed Outside the United States/Involved Sophisticated Means	+2	[U.S.S.G. § 2B1.1(b)(10)]
Involved Conscious or Reckless Risk of Death or Serious Bodily Injury	+2	[U.S.S.G. § 2B1.1(b)(16)(A)]
<u>Total Offense Level:</u>	34	

31. Defendant and the government further stipulate and agree to the following applicable Sentencing Guidelines factors:

a. The defendant's base fine pursuant to U.S.S.G. § 8C2.4(e) is twenty-eight million, five hundred thousand dollars (\$28,500,000), the amount from the offense level fine table based on the defendant's offense level.

b. Defendant's culpability score pursuant to U.S.S.G. § 8C2.5 is five (5), calculated as follows:

i. U.S.S.G. § 8C2.5(a) - Base Culpability Score: five (5).

ii. U.S.S.G. § 8C2.5(b)(4) - the organization had 50 or more employees and an individual within substantial authority personnel participated in, condoned, or was willfully ignorant of the offense: plus two (+2).

1 iii. U.S.S.G. § 8C2.5(g)(2) - the organization fully
2 cooperated in the investigation and clearly demonstrated recognition
3 and affirmative acceptance of responsibility for its criminal
4 conduct: minus two (-2).

5 c. Defendant's fine multiplier range with a culpability
6 score of five (5) pursuant to U.S.S.G. § 8C2.6 is one (1) to two (2).

7 d. Defendant's fine range pursuant to U.S.S.G. § 8C2.7 is
8 twenty-eight million, five hundred thousand dollars (\$28,500,000) to
9 fifty-seven million dollars (\$57,000,000).

10 32. Defendant and the government agree not to argue that any
11 other specific offense characteristics, adjustments, or departures be
12 imposed.

13 33. Defendant and the government stipulate and agree that,
14 taking into account the factors listed in 18 U.S.C. § 3553(a),
15 defendant shall be sentenced as follows:

16 a. Criminal Fine: Pursuant to Paragraph 28 of the
17 Deferred Prosecution Agreement with co-defendants GREE ELECTRIC
18 APPLIANCES, INC. OF ZHUHAI and HONG KONG GREE ELECTRIC APPLIANCES
19 SALES CO., LTD., co-defendants GREE ELECTRIC APPLIANCES, INC. OF
20 ZHUHAI and HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD. have
21 agreed to pay a criminal penalty of fifty-two million two hundred
22 thousand dollars (\$52,200,000) to the United States relating to the
23 same underlying conduct of defendant described herein. Defendant is
24 the United States subsidiary of co-defendants GREE ELECTRIC
25 APPLIANCES, INC. OF ZHUHAI and HONG KONG GREE ELECTRIC APPLIANCES
26 SALES CO., LTD. In conjunction with co-defendants' deferred
27 prosecution agreement and pursuant to Federal Rule of Criminal
28 Procedure 11(c)(1)(C), the government and defendant agree that

1 defendant shall pay a total criminal fine in the amount of five
2 hundred thousand dollars (\$500,000) as to the count of conviction.
3 The criminal fine shall be paid within ten (10) business days of the
4 entry of judgment by wire transfer to the Clerk of the United States
5 District Court for the Central District of California, and
6 confirmation of the completed wire transfer shall be provided to the
7 government.

8 b. Special Assessment: Defendant shall pay a mandatory
9 special assessment in the amount of four hundred dollars (\$400).

10 c. Restitution: Defendant shall be ordered to pay
11 restitution as set forth in Paragraphs 10-19 above.

12 WAIVER OF CONSTITUTIONAL RIGHTS

13 34. Defendant understands that by pleading guilty, defendant
14 gives up the following rights:

15 a. The right to persist in a plea of not guilty.

16 b. The right to a speedy and public trial by jury.

17 c. The right to be represented by counsel at trial.

18 Defendant understands, however, that, defendant retains the right to
19 be represented by counsel at all other proceedings.

20 d. The right to be presumed innocent and to have the
21 burden of proof placed on the government to prove defendant guilty
22 beyond a reasonable doubt.

23 e. The right to confront and cross-examine witnesses
24 against defendant.

25 f. The right to testify and to present evidence in
26 opposition to the charges, including the right to compel the
27 attendance of witnesses to testify.

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1 g. Any and all rights to pursue any affirmative defenses,
2 Fourth Amendment or Fifth Amendment claims, and other pretrial
3 motions that have been filed or could be filed.

4 WAIVER OF STATUTE OF LIMITATIONS

5 35. Having been fully advised by defendant's attorneys
6 regarding application of the statute of limitations to the offense to
7 which defendant is pleading guilty, defendant hereby knowingly,
8 voluntarily, and intelligently waives, relinquishes, and gives up:

9 a. any right that defendant might have not to be
10 prosecuted for the offense to which defendant is pleading guilty
11 because of the expiration of the statute of limitations for the
12 offense prior to the filing of the information alleging the offense;
13 and

14 b. any defense, claim, or argument defendant could raise
15 or assert that prosecution of the offense to which defendant is
16 pleading guilty is barred by the expiration of the applicable statute
17 of limitations, pre-indictment delay, or any speedy trial violation.

18 WAIVER OF APPEAL OF CONVICTION

19 36. Defendant understands that, with the exception of an appeal
20 based on a claim that defendant's guilty plea was involuntary, by
21 pleading guilty defendant is waiving and giving up any right to
22 appeal its conviction on the offense to which defendant is pleading
23 guilty.

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1 LIMITED MUTUAL WAIVER OF APPEAL OF SENTENCE

2 37. Defendant agrees that, provided the Court imposes the
3 sentence specified in Paragraph 33 above, defendant gives up the
4 right to appeal any portion of that sentence.

5 38. The government agrees that, provided the Court imposes the
6 sentence specified in Paragraph 33 above, the government gives up its
7 right to appeal any portion of that sentence.

8 RESULT OF WITHDRAWAL OF GUILTY PLEA

9 39. Defendant agrees that if, after entering a guilty plea
10 pursuant to this agreement, defendant seeks to withdraw and succeeds
11 in withdrawing the defendant's guilty plea on any basis other than a
12 claim and finding that entry into this plea agreement was
13 involuntary, then:

14 a. the government will be relieved of all of its
15 obligations under this agreement; and

16 b. should the government choose to pursue any charge or
17 any civil, administrative, or regulatory action that was either
18 dismissed or not filed as a result of this agreement, then:

19 i. any applicable statute of limitations will be
20 tolled between October 25, 2017, and the filing or commencing of any
21 such action;

22 ii. defendant waives and gives up all defenses based
23 on the statute of limitations, any claim of pre-indictment delay, or
24 any speedy trial claim with respect to any such action, except to the
25 extent that such defenses existed as of October 25, 2017; and

26 iii. defendant waives the rights enumerated in Federal
27 Rule of Criminal Procedure 11(f) and Federal Rule of Evidence 410
28 with respect to the Statement of Facts in Exhibit B to this agreement

1 making the Statement of Facts admissible against it for any purpose
2 in any federal criminal, civil, administrative or regulatory
3 proceeding so long as the government has fulfilled all of its
4 obligations in this agreement and the Court has imposed the agreed-
5 upon sentence before defendant withdraws its guilty plea. Defendant
6 acknowledges that Federal Rule of Criminal Procedure 11(f) and
7 Federal Rule of Evidence 410 limit the admissibility of statements
8 made in the course of plea proceedings or plea discussions in both
9 civil and criminal proceedings, if the guilty plea is later
10 withdrawn. Defendant expressly warrants that it understands these
11 rules and makes this waiver after having discussed these rules with
12 its counsel.

13 EFFECTIVE DATE OF AGREEMENT

14 40. This agreement is effective upon signature and execution of
15 all required certifications by defendant, defendant's counsel, and a
16 CPB Trial Attorney and an Assistant United States Attorney.

17 BREACH OF AGREEMENT

18 41. Defendant breaches this agreement if defendant, at any time
19 after the Effective Date of this Agreement:

- 20 a. commits any felony under United States law;
- 21 b. provides in connection with this agreement
22 deliberately false, incomplete, or misleading information;
- 23 c. fails to cooperate as set forth in Paragraph 9 of this
24 agreement;
- 25 d. fails to implement fully the Enhanced Compliance
26 Measures as set forth in Exhibit D of this agreement; or

27
28

1 e. otherwise fails to perform or to fulfill completely
2 each of defendant's obligations under this agreement, including the
3 obligation to pay restitution as set forth in Paragraphs 10-19.

4 42. Defendant's breach of this agreement shall result in the
5 following:

6 a. defendant will not be able to withdraw its guilty plea
7 if defendant has previously entered a guilty plea pursuant to this
8 agreement;

9 b. the government will be relieved of all of its
10 obligations under this agreement;

11 c. the Court's failure to follow any recommendation or
12 request regarding defendant's sentence set forth in this agreement
13 will not provide a basis for defendant to withdraw defendant's guilty
14 plea; and

15 d. defendant will thereafter be subject to prosecution
16 for any federal criminal violation of which the government has
17 knowledge, including, but not limited to, federal criminal violations
18 relating to the conduct set forth in the Statement of Facts in
19 Exhibit B of this agreement, which may be pursued by the government
20 in the United States District Court for the Central District of
21 California or any other appropriate venue.

22 43. Determination of whether defendant has breached this
23 agreement shall be in the government's sole discretion.

24 Determination of whether conduct or statements of any current
25 director, officer or employee, or any person acting on behalf of, or
26 at the direction of, defendant, will be imputed to defendant for the
27 purpose of determining whether defendant has breached this agreement
28 shall be in the government's sole discretion.

1 44. If the government receives evidence that defendant has
2 breached this agreement, the government agrees to give defendant
3 written notice of any alleged breach before making a determination of
4 whether defendant has breached this agreement. Within forty-five
5 (45) days of receipt of such notice, defendant shall have the
6 opportunity to respond to the government in writing to explain the
7 nature and circumstances of such alleged breach, as well as the
8 actions defendant has taken to address and remediate the situation.
9 The government shall consider defendant's written explanation before
10 making a determination of whether defendant has breached this
11 agreement.

12 45. Determination of whether to pursue prosecution of defendant
13 after breach of this agreement pursuant to Paragraph 42.d shall be in
14 the government's sole discretion. The government shall consider
15 defendant's written explanation of its breach provided for in
16 Paragraph 44 before determining whether to pursue prosecution of
17 defendant.

18 46. Any prosecution of defendant pursuant to Paragraph 42.d may
19 be premised on information provided by defendant. Any such
20 prosecution relating to the conduct described in the Statement of
21 Facts in Exhibit B of this agreement or relating to conduct known to
22 the government before October 25, 2017, that was not time-barred by
23 the applicable statute of limitations on October 25, 2017, may be
24 commenced against defendant, notwithstanding the expiration of the
25 statute of limitations, between October 25, 2017, and the
26 government's written notice of alleged breach plus one (1) year.
27 Thus, by signing this agreement, defendant agrees that the statute of
28 limitations with respect to any prosecution pursuant to

1 Paragraph 42.d that was not time-barred on October 25, 2017, shall be
2 tolled until one (1) year after any government written notice of
3 alleged breach of this agreement. Defendant gives up all defenses
4 based on the statute of limitations, any claim of pre-indictment
5 delay, or any speedy trial claim with respect to any prosecution
6 pursuant to Paragraph 42.d, except to the extent that such defenses
7 existed on October 25, 2017.

8 47. In the event that the government determines that defendant
9 has breached this agreement:

10 a. all statements made by or on behalf of defendant to
11 the government or to the Court, including the Statement of Facts in
12 Exhibit B of this agreement, and any testimony given by defendant
13 before a grand jury, a court, or any tribunal, or at any legislative
14 hearings, whether before or after this agreement, and any leads
15 derived from such statements or testimony, shall be admissible in
16 evidence in any and all criminal proceedings brought by the
17 government against defendant; and

18 b. defendant shall not assert any claim under the United
19 States Constitution, Rule 11(f) of the Federal Rules of Criminal
20 Procedure, Rule 410 of the Federal Rules of Evidence, or any other
21 federal rule that any such statements or testimony made by or on
22 behalf of defendant before or after this agreement, or any leads
23 derived therefrom, should be suppressed or are otherwise
24 inadmissible.

25 48. Defendant acknowledges that the government has made no
26 representations, assurances, or promises concerning what sentence may
27 be imposed by the Court if defendant breaches this agreement and this
28 matter proceeds to judgment. Defendant further acknowledges that any

1 such sentence is solely within the discretion of the Court and that
2 nothing in this agreement binds or restricts the Court in the
3 exercise of its discretion.

4 COURT AND PROBATION OFFICE NOT PARTIES

5 49. Defendant understands that the Court and the United States
6 Probation Office are not parties to this agreement and need not
7 accept any of the government's sentencing recommendations or the
8 parties' agreements to facts, sentencing factors, or sentencing.
9 Defendant understands that the Court will determine the facts,
10 sentencing factors, and other considerations relevant to sentencing
11 and will decide for itself whether to accept and agree to be bound by
12 this agreement.

13 50. Defendant understands that both defendant and the
14 government are free to:

15 a. supplement the facts by supplying relevant information
16 to the United States Probation Office and the Court;

17 b. correct any and all factual misstatements relating to
18 the Court's Sentencing Guidelines calculations and determination of
19 sentence; and

20 c. argue on any appeal and collateral review that the
21 Court's Sentencing Guidelines calculations and the sentence it
22 chooses to impose are not error, although each party agrees to
23 maintain its view that the conclusions, calculations and sentence
24 referenced in Paragraphs 28-31 and 33 are consistent with the facts
25 of this case.

26 While this paragraph permits both the government and defendant
27 to submit full and complete factual information to the United States
28 Probation Office and the Court, even if that factual information may

1 be viewed as inconsistent with the facts agreed to in this agreement,
2 this paragraph does not affect defendant's and the government's
3 obligations not to contest the facts agreed to in this agreement.

4 NO ADDITIONAL AGREEMENTS

5 51. Defendant understands that, except as set forth herein,
6 there are no promises, understandings, or agreements between the
7 government and defendant or defendant's attorneys, and that no
8 additional promise, understanding, or agreement may be entered into
9 unless in a writing signed by all parties or on the record in court.

10 PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

11 52. The parties agree that this agreement will be considered
12 part of the record of defendant's guilty plea hearing as if the
13 entire agreement had been read into the record of the proceedings.

14
15 AGREED AND ACCEPTED

16 UNITED STATES ATTORNEY'S OFFICE
17 FOR THE CENTRAL DISTRICT OF
18 CALIFORNIA

19 TRACY L. WILKISON
20 Acting United States Attorney
21 SCOTT M. GARRINGER
22 Assistant United States Attorney
23 Chief, Criminal Division

24 Joseph O. Johns
25 JOSEPH O. JOHNS by AAG
26 DENNIS MITCHELL
27 Assistant United States Attorneys

28 UNITED STATES DEPARTMENT OF
JUSTICE
CONSUMER PROTECTION BRANCH

GUSTAV W. EYLER
Director
Consumer Protection Branch

Allan Gordus
ALLAN GORDUS
NATALIE N. SANDERS
MARYANN N. MCGUIRE
Trial Attorneys
Consumer Protection Branch
U.S. Department of Justice

29 10/26/21
Date

10/26/21
Date

DEFENDANT GREE USA, C.

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2021.10.20

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NAME: Jun Ouyang
TITLE: Chief Executive
Officer, Chief Financial
Officer, and Director
Authorized Representative of
Defendant GRE USA, INC.

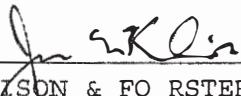
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10/21/2021

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MORRISON & FOSTER LLP
JAMES M. KOUKIOS
SOPHIA H. CASH
On Behalf of Defendant
GRE USA, INC.

Date

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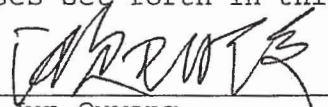
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CERTIFICATION OF DEFENDANT

I have been authorized by defendant GREE USA, INC. ("defendant") to enter into this agreement on behalf of defendant. I have read this agreement in its entirety. This agreement has been read to me in Mandarin, the language which I understand best. I have had enough time to review and consider this agreement, and I have carefully and thoroughly discussed every part of it with defendant's attorney. I understand the terms of this agreement, and I voluntarily agree to those terms on behalf of defendant. I have discussed the evidence with defendant's attorney, and defendant's attorney has advised me of defendant's rights, of possible pretrial motions that might be filed, of possible defenses that might be asserted either prior to or at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines provisions, and of the consequences of entering into this agreement. No promises, inducements, or representations of any kind have been made to me or to defendant other than those contained in this agreement. No one has threatened or forced me or defendant in any way to enter into this agreement. I am satisfied with the representation of defendant's attorney in this matter, and I am pleading guilty on behalf of defendant because defendant is guilty of the charge and wishes to take advantage of the promises set forth in this agreement, and not for any other reason.



2021.10.20

NAME: Jun Ouyang
TITLE: Chief Executive
Officer, Chief Financial
Officer, and Director
Authorized Representative of
Defendant GREE USA, INC.

Date

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CERTIFICATION OF INTERPRETER

I, [Ling Liu], am fluent in the written and spoken English and Mandarin languages. I accurately translated this entire agreement from English into Mandarin to defendant GREE USA, INC. on this date.

Ling Liu
INTERPRETER

2021.10.12
Date

CERTIFICATION OF DEFENDANT'S ATTORNEY

1

2 I am defendant GREE USA, INC.'s attorney. I have carefully and

3 thoroughly discussed every part of this agreement with the authorized

4 representative of my client. Further, I have fully advised my client

5 of its rights, of possible pretrial motions that might be filed, of

6 possible defenses that might be asserted either prior to or at trial,

7 of the sentencing factors set forth in 18 U.S.C. § 553(a), of

8 relevant Sentencing Guidelines provisions, and of the consequences of

9 entering into this agreement. To my knowledge: no promises,

10 inducements, or representations of any kind have been made to my

11 client other than those contained in this agreement; no one has

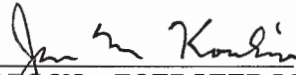
12 threatened or forced my client in any way to enter into this

13 agreement; my client's decision to enter into this agreement is an

14 informed and voluntary one; and the factual basis set forth in this

15 agreement is sufficient to support my client's entry of a guilty plea

16 pursuant to this agreement.

17 

18 MORRISON & FOERSTER LLP
 19 JAMES M. KOUKIOS
 SOPHIA H. CASH
 On Behalf of Defendant
 GREE USA, INC.

10/21/2021

Date

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CERTIFICATE OF CORPORATE RESOLUTIONS FOR GREE USA

WHEREAS, Gree USA, Inc. (“Gree USA”) has been engaged in discussions with the United States Department of Justice’s Consumer Protection Branch (“CPB”) and the United States Attorney’s Office for the Central District of California (the “USAO”) regarding issues relating to a knowing and willful failure to report information regarding consumer product safety defects, hazards, and risks to the United States Consumer Product Safety Commission (the “CPSC”);

WHEREAS, in order to resolve such discussions, it is proposed that Gree USA agrees to the terms and obligations of a plea agreement among Gree USA, CPB, and the USAO (the “Plea Agreement”);

WHEREAS, the Chief Executive Officer, Chief Financial Officer, and Director of Gree USA:

- has been extensively briefed on discussions with CPB and USAO regarding an agreement to resolve this matter;
- was informed of the principal terms of the Plea Agreement by Gree USA’s inside counsel, together with outside counsel for Gree USA, and agrees that Gree USA should enter into an agreement on those terms;
- has been provided with the Plea Agreement and its attachments for review;
- has reviewed documents relevant to the Plea Agreement and has discussed the final terms of the Plea Agreement with Gree USA’s inside counsel, together with outside counsel for Gree USA, who have advised the Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, of Gree USA’s rights, possible defenses, the Sentencing Guidelines’ provisions, and the consequences of agreeing to such terms and obligations of the Plea Agreement;

Therefore, on behalf of Gree USA, the Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, Jun Ouyang, has APPROVED the following:

1. Gree USA: (a) acknowledges the filing of the Information against Gree Electric Appliances, Inc. of Zhuhai (“Gree Zhuhai”), Hong Kong Gree Electric Appliances Sales Co., Ltd. (“Gree Hong Kong”), and Gree USA, charging each company with one count of failure to furnish information required by Title 15, United States Code Section 2064(b)(3) and (4), in violation of Title 15, United States Code, Section 2068(a)(4) and 2070; (b) waives indictment on such charge and agrees to the obligations under the Plea Agreement; (c) agrees that Gree Zhuhai or Gree Hong Kong will pay a total criminal fine of \$500,000 on behalf of Gree USA; (d) agrees to pay a special assessment of \$400; and (e) agrees to accept the restitution provisions of the Plea Agreement;

2. Gree USA accepts the terms and conditions of the Plea Agreement, including but not limited to: (a) a knowing waiver of Gree USA’s rights to a speedy trial pursuant to the Sixth Amendment to the United States Constitution, Title 18, United States Code, Section 3161, and the Federal Rule of Criminal Procedure 48(b); (b) a knowing waiver for purposes of the Plea Agreement and any charges by the United States arising out of the conduct described in the Statement of Facts attached to the Plea Agreement of any objection with respect to venue and consents to the filing of the Information against Gree USA, as provided under the terms of the Plea Agreement, in the United States District Court for the Central District of California; and (c) a knowing waiver of any defenses based on the statute of limitations for any prosecution arising out of the conduct described in the Statement of Facts attached to the Plea Agreement;

3. The Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, Jun Ouyang, is hereby authorized, empowered, and directed, on behalf of Gree USA, to agree to the terms and obligations of the Plea Agreement with such changes as Jun Ouyang may approve;

4. The Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, Jung Ouyang, is hereby authorized, empowered, and directed to take any and all actions as may be necessary or appropriate and to approve the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate to carry out and effectuate the purpose and intent of the foregoing resolutions;

5. All of the actions of the Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, Jun Ouyang, which would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as actions on behalf of Gree USA and its subsidiaries and affiliates; and

6. The Chief Executive Officer, Chief Financial Officer, and Director of Gree USA, Jun Ouyang, and Jian Chen are hereby authorized, empowered, and directed to appear on behalf of Gree USA at any court appearances in connection with the Plea Agreement.

Date: 2021.10.20

By: 

EXHIBIT A

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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

GREE ELECTRIC APPLIANCES, INC.
OF ZHUHAI,
HONG KONG GREE ELECTRIC
APPLIANCES SALES CO., LTD.,
and
GREE USA, INC.,

Defendants.

CR No.

I N F O R M A T I O N

[15 U.S.C. §§ 2068(a)(4), 2070:
Knowing and Willful Failure to
Report Information Regarding
Consumer Product Safety Defects,
Hazards, and Risks; 15 U.S.C.
§ 2070(c)(1), 18 U.S.C.
§ 981(a)(1)(C), 21 U.S.C. § 853,
28 U.S.C. § 2461(c): Criminal
Forfeiture]

The United States Department of Justice's Consumer Protection
Branch and the Acting United States Attorney for the Central District
of California charge:

[15 U.S.C. §§ 2068(a)(4), 2070]

[ALL DEFENDANTS]

A. INTRODUCTORY ALLEGATIONS

1. By at least September 2012, in Los Angeles County, within
the Central District of California, and elsewhere, defendants GREE
ELECTRIC APPLIANCES, INC. OF ZHUHAI, HONG KONG GREE ELECTRIC
APPLIANCES SALES CO., LTD., and GREE USA, INC., obtained information

1 which reasonably supported the conclusion that dehumidifiers
2 manufactured, distributed, and sold in interstate commerce by the
3 defendants contained a defect that caused those dehumidifiers to
4 overheat and catch fire, creating a substantial product hazard, and
5 created an unreasonable risk of serious injury and death to United
6 States consumers who operated the dehumidifiers in their homes and
7 businesses.

8 2. Despite knowing that they were required immediately to
9 inform the United States Consumer Product Safety Commission of the
10 defects and risks of those dehumidifiers they manufactured,
11 distributed, and sold in interstate commerce, defendants GREE
12 ELECTRIC APPLIANCES, INC. OF ZHUHAI, HONG KONG GREE ELECTRIC
13 APPLIANCES SALES CO., LTD., and GREE USA, INC., knowingly and
14 willfully failed to inform the United States Consumer Product Safety
15 Commission of those dehumidifiers' defects and risks until in or
16 about June 2013.

17 B. KNOWING AND WILLFUL FAILURE TO REPORT INFORMATION REGARDING
18 CONSUMER PRODUCT SAFETY DEFECTS, HAZARDS, AND RISKS

19 3. From on or about September 19, 2012, through at least on or
20 about June 2013, in Los Angeles County, within the Central District
21 of California, and elsewhere, defendants GREE ELECTRIC APPLIANCES,
22 INC. OF ZHUHAI, HONG KONG GREE ELECTRIC APPLIANCES SALES CO., LTD.,
23 and GREE USA, INC., knowingly and willfully failed to immediately
24 report to the United States Consumer Product Safety Commission upon
25 receiving information that reasonably supported the conclusion that
26 the Chinese dehumidifiers contained a defect that could create a
27 substantial product hazard, and created an unreasonable risk of
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1 serious injury and death, as required by Title 15, United States
2 Code, Section 2064(b)(3) and (4).

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FORFEITURE ALLEGATIONS

[15 U.S.C. § 2070(c)(1); 18 U.S.C. § 981(a)(1)(C); 21 U.S.C. § 853;
28 U.S.C. § 2461(c)]

4. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the defendants that the United States will seek forfeiture as part of any sentence in accordance with Title 15, United States Code, Section 2070(c)(1) and Title 28, United States Code, Section 2461(c) in the event of any defendant's conviction under the sole count of this Information:

5. Defendants shall forfeit the following property to the United States of America:

a. all right, title, and interest in any and all property associated with any violation of the sole count of this Information; and

b. to the extent such property is not available for forfeiture, a sum of money equal to the total value of the property described in subsection a.

7. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), each defendant shall forfeit substitute property, up to the total value of the property described in the preceding paragraph, if, as a result of

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1 any act or omission of a defendant, the property described in the
2 preceding paragraph, or any portion thereof: (a) cannot be located
3 upon the exercise of due diligence; (b) has been transferred or sold
4 to, or deposited with a third party; (c) has been placed beyond the
5 jurisdiction of the court; (d) has been substantially diminished in
6 value; or (e) has been commingled with other property that cannot be
7 divided without difficulty.

8 TRACY L. WILKISON
Acting United States Attorney

GUSTAV W. EYLER
Director
Consumer Protection Branch

10

11 SCOTT M. GARRINGER
12 Assistant United States Attorney
Chief, Criminal Division

ALLAN GORDUS
NATALIE N. SANDERS
MARYANN N. MCGUIRE
Trial Attorneys
Consumer Protection Branch
Civil Division
U.S. Department of Justice

13 JOSEPH O. JOHNS
14 DENNIS MITCHELL
Assistant United States Attorneys
15 Environmental & Community Safety
Crimes Section

16

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1 **Exhibit B**

2 **Statement of Facts**

3 Defendants Gree Electric Appliances, Inc. of Zhuhai ("Gree
4 Zhuhai"), Gree USA, Inc. ("Gree USA"), and Hong Kong Gree Electric
5 Appliances Sales Co., Ltd. ("Gree Hong Kong") (collectively the
6 "Gree Companies") hereby agree and stipulate that the following
7 information is true and accurate. The Gree Companies admit, accept,
8 and acknowledge that they are responsible for the acts of their
9 officers, directors, employees, and agents as set forth below. The
10 Gree Companies also admit, accept, and acknowledge that, had this
11 matter proceeded to trial, the government would have proven beyond a
12 reasonable doubt, by admissible evidence, the facts set forth below.

13 **The Gree Companies**

14 1. From 2007 to September 2013, Gree Zhuhai was a large
15 Chinese company that manufactured household appliances ("Gree
16 appliances") for sale in and outside of China, including in the
17 United States.

18 2. From 2007 to September 2013, Gree Hong Kong was a Chinese
19 subsidiary of Gree Zhuhai that exported Gree appliances to the
20 United States.

21 3. From 2010 to September 2013, Gree USA was a California
22 corporation with offices in City of Industry, California, and a
23 subsidiary of Gree Hong Kong. Gree USA sold Gree appliances to
24 retailers in the United States. Those Gree appliances were
25 manufactured by Gree Zhuhai and imported into the United States by
26 Gree Hong Kong and Gree USA. Gree USA was a joint venture between
27 Gree Hong Kong and another company, MJC America Holdings Co., Inc.
28 ("MJC America Holdings"). Gree Hong Kong was the majority owner of

1 Gree USA. Gree USA's Chief Executive Officer ("CEO"), Chief
2 Financial Officer ("CFO"), who was the brother of Gree USA's CEO,
3 and Chief Administrative Officer ("CAO") were owners of MJC America
4 Holdings. Gree USA's CEO, CFO and CAO effectively controlled Gree
5 USA.

6 4. From 2010 to September 2013, Gree USA sold in the United
7 States dehumidifiers manufactured by Gree Zhuhai and imported into
8 the United States by Gree Hong Kong ("Gree dehumidifiers").

9 The Consumer Product Safety Commission and
10 the Consumer Product Safety Act

11 5. The Consumer Product Safety Act (the "CPSA") was enacted to
12 protect the public from dangerous consumer products.

13 6. The United States Consumer Product Safety Commission (the
14 "CPSC") is the federal agency responsible for protecting consumers
15 from dangerous consumer products and is the lead federal agency
16 responsible for the implementation, enforcement, and administration
17 of the CPSA. The CPSC can order mandatory recalls of dangerous
18 products.

19 7. The CPSA requires companies that manufacture, import,
20 distribute, or sell consumer products to inform the CPSC, among
21 other things, about any consumer product about which information
22 reasonably supports the conclusion that such product contains a
23 defect that could create a substantial product hazard, or creates an
24 unreasonable risk of serious injury or death. This duty to report
25 also applies to the individual directors, officers, and agents of
26 those companies. A company's or an individual's knowing and willful
27 failure to report an unsafe product to the CPSC is punishable as a
28 felony violation of the CPSA.

1 The Gree Companies Learn that Their Dehumidifiers
2 Are Catching Fire

3 8. On or about July 26, 2012, the CEO of Gree USA saw a video
4 of a burning Gree dehumidifier. On July 26, 2012, Gree USA's CEO
5 sent the video to a Gree Hong Kong manager ("Gree Hong Kong Manager
6 #1"), who was also a director of Gree Hong Kong and in charge of
7 exporting Gree appliances for sale in the United States, copying
8 other Gree USA employees and a Gree Zhuhai employee. In sending the
9 video, Gree USA's CEO labeled the email "urgent," and said that the
10 video was "scarey [sic] to just watch" and a "very serious issue
11 with GREE product quality." Gree USA's CEO also stated that the
12 video was the third reported instance of a Gree appliance catching
13 fire since in or about June 2012 and that it could lead to lawsuits
14 against Gree USA as well as a recall costing millions of dollars.
15 Gree USA's CEO knew that the Gree Companies had an obligation to
16 inform the CPSC immediately of any consumer product that contained a
17 defect creating a substantial product hazard or that created an
18 unreasonable risk of serious injury or death.

19 9. Gree Hong Kong Manager #1, replied to the July 26, 2012
20 email from Gree USA's CEO that same day. In his reply email, Gree
21 Hong Kong Manager #1 said that "[w]e also felt shock when we watched
22 the video[,] " and that he had sent the video to Gree Zhuhai's
23 Quality Department and to Gree Zhuhai's chief engineer who was also
24 its senior vice president for research and development.

25 The Gree Companies Learn that Two Defects in
26 Their Dehumidifiers are Causing Them to Catch Fire

27 10. During August 2012, Gree USA and Gree Zhuhai employees,
28 engineers and officers investigated the Gree dehumidifiers for

1 potential defects that could cause them to catch fire. No employee
2 of Gree USA or Gree Zhuhai informed the CPSC of a defect or risk
3 associated with the Gree dehumidifiers in August 2012.

4 11. On September 4, 2012, Gree USA's CEO emailed Gree Hong Kong
5 Manager #1 about the Gree dehumidifiers. The CEO stated that Gree
6 USA had tested its dehumidifier inventory in Gree USA's warehouse
7 and the testing showed that these dehumidifiers burned. The CEO
8 stated "the result is not like what you have told us" regarding how
9 many units were involved because "the result shows the units all can
10 catch the fire and apparently the material is not according to UL
11 standard! I don't think the factory is telling us the fact and
12 truth. . . ." The CEO stated that, because of Gree USA's test
13 results, he would have the dehumidifiers further tested for
14 compliance with UL (formerly Underwriters Laboratory) standards and
15 was planning to inform the CPSC about the Gree dehumidifiers.

16 12. On September 5, 2012, Gree Hong Kong Manager #1 emailed
17 Gree USA's CEO instructing "Gree USA to resolve the claim and CPSC
18 case" and stating that Gree Zhuhai would "fully indemnify Gree USA
19 for any expense and responsibility." That same day, Gree USA's CEO
20 replied and requested more details regarding who would pay the costs
21 that could result from the Gree dehumidifiers and when they would
22 pay, and offered to handle reporting the Gree dehumidifiers to the
23 CPSC if Gree Zhuhai would agree to pay all future costs related to
24 the dehumidifiers' defects. Gree Hong Kong Manager #1 replied on
25 September 6, 2012, stating that they were willing to agree to
26 compensate expenses in a timely manner and that Gree USA "would be
27 the single entity to reply insurance company and CPSC, [and] we will
28 provide the necessary supports of test records and technical

1 information if you need any." After these communications, no one
2 from the Gree Companies informed the CPSC about the Gree
3 dehumidifiers or their defects.

4 13. On September 10, 2012, Gree USA's CEO emailed the highest
5 ranking person at Gree Zhuhai, the chairperson of Gree Zhuhai's
6 board who also served as Gree Zhuhai's President and CEO, copying no
7 one else from Gree Zhuhai or Gree Hong Kong. In this email, Gree
8 USA's CEO stated that "GREE headquarters" had told him not to report
9 the Gree dehumidifiers to the CPSC. Specifically, the Gree USA CEO
10 stated that "GREE headquarters" had told him not to report that the
11 Gree dehumidifiers may be defective and catch on fire and that they
12 might have overheating parts and plastic parts that could burn
13 because the plastic did not meet the UL standard for fire
14 resistance. Gree USA's CEO warned in his email that any company or
15 individual who withheld from the CPSC information about a dangerous
16 product could face severe punishment, including criminal
17 prosecution. Gree USA's CEO asked how Gree Zhuhai would pay future
18 costs related to the Gree dehumidifiers, including any potential
19 harm to MJC America Ltd. ("MJC America"), a company owned by Gree
20 USA's CEO, CFO and CAO which also sold the defective Gree
21 dehumidifiers. Gree USA's CEO stated that if Gree Zhuhai did not
22 give him clear instructions on how to handle the Gree dehumidifiers
23 within a matter of days, then he would inform the CPSC about the
24 dehumidifiers. No one replied to this email.

25 14. On September 13, 2012, Gree USA's CEO sent another email to
26 Gree Hong Kong Manager #1. In this email, Gree USA's CEO discussed
27 how a recall of the defective Gree dehumidifiers might be handled
28 and attached the CPSC's "Recall Handbook." Gree USA's CEO also

1 discussed the financial costs and lost sales that could result from
2 a recall. He did not express any consideration or concern about how
3 defective Gree dehumidifiers could harm consumers. Gree USA's CEO
4 asked Gree Hong Kong Manager #1 to forward this email to Gree
5 Zhuhai's chief engineer.

6 15. On September 19, 2012, Gree Hong Kong Manager #1 came to
7 Gree USA's offices in City of Industry, California, to meet with
8 Gree USA's CEO. A Gree Zhuhai engineer and three other Gree USA
9 officers also participated in the meeting. This meeting was audio
10 recorded by agreement.

11 16. At this September 19 meeting, Gree Hong Kong Manager #1
12 stated that Gree Zhuhai's testing of the Gree dehumidifiers was not
13 able to reproduce the reported fire, but had revealed two defects:
14 (1) the dehumidifiers used plastics that did not meet UL standards
15 for fire resistance; and (2) electrical arcing caused by the
16 dehumidifiers' compressors overheating could burn the non-UL
17 standard plastic used in these dehumidifiers. The Gree Zhuhai
18 engineer at the meeting also discussed these defects. Gree Hong
19 Kong Manager #1 stated that he was aware of at least five consumer
20 reports of Gree dehumidifiers overheating and catching fire but that
21 Gree Zhuhai "still believe[d] that the fire case is a relatively
22 isolated case . . . associated with atrocious conditions." He also
23 stated that Gree Zhuhai would modify the manufacture of all future
24 dehumidifiers to fix this problem so they would not catch fire.

25 The Gree Companies Decide To Delay Reporting and Recalling
26 Their Defective Dehumidifiers

27 17. At this same September 19 meeting, Gree Hong Kong Manager
28 #1 said that the meeting participants' decisions on what to do about

1 the Gree dehumidifiers should be guided by the principle of
2 minimizing the costs and loss of reputation to the Gree Companies.
3 Gree Hong Kong Manager #1 said that Gree Zhuhai wanted to delay any
4 recall of the dehumidifiers for 6 to 9 months because delaying a
5 recall would reduce the recall's effect on Gree dehumidifier sales.
6 Gree Hong Kong Manager #1 stated that an immediate recall would have
7 a significant, and negative, effect on 2012 and 2013 Gree
8 dehumidifier sales. Gree Hong Kong Manager #1 stated that a recall
9 could be delayed 6 to 9 months because cooler fall and winter
10 temperatures would help prevent Gree dehumidifiers from overheating
11 and catching fire, and that there should be very few, if any,
12 dehumidifier fires in the 6 to 9 months following September 2012.

13 18. In response to what Gree Hong Kong Manager #1 said, Gree
14 USA's CEO said at the meeting that the Gree dehumidifiers' defects
15 were very significant and had important legal implications. But the
16 Gree USA CEO did not push to inform the CPSC of the dehumidifiers.
17 Rather, Gree USA's CEO recommended only that the Gree Companies have
18 another company test the Gree dehumidifiers and then decide whether
19 to delay the recall. Gree Hong Kong Manager #1 responded by urging
20 the Gree USA officers not to conduct such a test of the Gree
21 dehumidifiers because that test would show that the dehumidifiers
22 used plastic that did not meet UL standards for fire resistance.
23 Gree USA's CEO said that the Gree USA officers understood what Gree
24 Zhuhai was asking them to do and needed time to think before making
25 a decision about how to proceed.

26 19. Two days after the September 19, 2012 meeting, Gree USA's
27 CEO sent an email to Gree Zhuhai's chief engineer and copied the
28 email to Gree Zhuhai's board chairperson. In his September 21, 2012

1 email, Gree USA's CEO said that he understood that Gree Zhuhai
2 wanted to delay a recall of the Gree dehumidifiers for 6 to 9
3 months. Gree USA's CEO also said that he thought that the Gree
4 dehumidifiers were still likely to catch fire, and that, after
5 careful consideration, Gree USA's officers had decided to report the
6 Gree dehumidifiers to the United States government.

7 20. The next day, Gree Zhuhai's chief engineer replied to the
8 September 21, 2012 email from Gree USA's CEO without copying Gree
9 Zhuhai's board chairperson. In his September 22, 2012 email, Gree
10 Zhuhai's chief engineer said that Gree Zhuhai had clearly expressed
11 its opinion about how to handle the defective Gree dehumidifiers,
12 and that he hoped Gree USA's CEO would follow that opinion. Gree
13 Zhuhai's chief engineer said that he had no authority to approve
14 what Gree USA's CEO proposed in his September 21, 2012 email and
15 that he hoped Gree USA's CEO would report his decision on how to
16 handle the defective Gree dehumidifiers to Gree Zhuhai's board
17 chairperson and listen to her opinion.

18 21. On September 28, 2012, Gree USA's CEO sent an email to Gree
19 Zhuhai's board chairperson, copying no one else from Gree Zhuhai or
20 Gree Hong Kong. In his email, Gree USA's CEO stated again that
21 Gree's dehumidifiers had two known defects: (1) the compressors in
22 the dehumidifiers could overheat; and (2) the plastic in the
23 dehumidifiers did not meet UL standards for fire resistance, meaning
24 that the plastic would burn when overheated. Gree USA's CEO said
25 that it was known that these two defects could cause the
26 dehumidifiers to catch fire and that there were numerous consumer
27 complaints about the dehumidifiers in fact catching fire. Gree
28 USA's CEO also said that the Gree Companies had sold millions of

1 these defective dehumidifiers. Gree USA's CEO further related that
2 he believed the Gree Companies should recall the dehumidifiers and
3 warn consumers that using them could result in personal injuries and
4 property damage, but that Gree Zhuhai had not agreed to a recall.
5 Gree USA's CEO warned that a recall could cost hundreds of millions
6 of dollars, would harm the reputation of Gree products, and would
7 reduce the Gree Companies' market share. But Gree USA's CEO also
8 warned that if Gree Zhuhai did not reach an agreement with Gree USA
9 on the recall of the dehumidifiers, then Gree USA unilaterally would
10 report the Gree dehumidifiers to the United States government. Gree
11 USA's CEO concluded his email by saying that this was a very
12 important and urgent matter. Neither Gree Zhuhai's board
13 chairperson nor anyone else at Gree Zhuhai replied to this email.

14 22. Despite the Gree USA's CEO's September 4, 10, 21, and 28,
15 2012 emails, no employee of the Gree Companies reported the Gree
16 dehumidifiers' defects or risks, or the known consumer complaints of
17 fires related to the dehumidifiers, to the CPSC in September 2012.

18 23. In September 2012, Gree USA sold at least 24,999 defective
19 Gree dehumidifiers to retailers in the United States for
20 approximately \$2,558,019. The Gree Companies knew that the
21 retailers wanted dehumidifiers that met all UL standards and did not
22 burn when overheated. The Gree Companies knew that Gree USA
23 represented to its retailers that the Gree dehumidifiers met all UL
24 standards. Gree USA's CEO, CFO and CAO knew that Gree USA's
25 representations that these Gree dehumidifiers met all UL standards
26 were false when these dehumidifiers were sold.

1 The Gree Companies Continue to Sell
2 Their Defective Dehumidifiers in the United States
3 Without Reporting Them to the CPSC

4 24. On October 19, 2012, a sales representative for Gree USA
5 met in person with Gree Zhuhai's board chairperson in China. During
6 this meeting, the sales representative discussed the defective Gree
7 dehumidifiers with Gree Zhuhai's board chairperson. Gree Zhuhai's
8 board chairperson said that she would send a new Gree Hong Kong
9 manager ("Gree Hong Kong Manager #2") to the United States to
10 address the problems associated with the dehumidifiers.

11 25. In October 2012, Gree USA sent to Gree Zhuhai new consumer
12 reports of fires related to the Gree dehumidifiers. These reports
13 contradicted Gree Hong Kong Manager #1's statements at the
14 September 19 meeting that a recall could be delayed 6 to 9 months
15 because cooler fall and winter temperatures would help prevent
16 dehumidifiers from overheating and catching fire and that there
17 should be very few, if any, dehumidifier fires in the 6 to 9 months
18 following September 2012. Despite these new consumer reports of
19 fires caused by Gree dehumidifiers, no employee of the Gree
20 Companies informed the CPSC about the dehumidifiers' defects or
21 risks in October 2012.

22 26. In October 2012, Gree USA sold at least 2,938 defective
23 Gree dehumidifiers to retailers in the United States for
24 approximately \$429,426. The Gree Companies knew that the retailers
25 wanted dehumidifiers that met all UL standards and did not burn when
26 overheated. The Gree Companies knew that Gree USA represented to
27 its retailers that the Gree dehumidifiers met all UL standards.
28 Gree USA's CEO, CFO and CAO knew that Gree USA's representations

1 that these Gree dehumidifiers met all UL standards were false when
2 these dehumidifiers were sold.

3 The Gree Companies Receive Another Test Report Showing
4 That Their Dehumidifiers are Defective and Dangerous

5 27. In late October 2012, Gree USA sent two Gree dehumidifiers
6 to an independent testing company for testing. On November 5, 2012,
7 the testing company wrote a report confirming and reiterating that
8 the Gree dehumidifiers were defective because the compressors in the
9 dehumidifiers could run continuously and thereby overheat to an
10 "extreme high temperature." Gree USA's CEO received this report on
11 November 6, 2012. Gree USA's CEO immediately sent the report to
12 Gree Hong Kong Manager #2, who had taken over responsibility for the
13 importation and sale of the Gree dehumidifiers in the United States
14 from Gree Hong Kong Manager #1.

15 The Gree Companies Continue to Sell
16 Their Defective Dehumidifiers in the United States
17 Without Reporting Them to the CPSC

18 28. At the end of November 2012, Gree USA's CEO told Gree Hong
19 Kong Manager #2 that an attorney advised him to inform the CPSC
20 immediately of all consumer reports of fires related to the Gree
21 dehumidifiers. Despite this legal advice and the November 5, 2012
22 test report reiterating that the Gree dehumidifiers were dangerously
23 defective, no employee of the Gree Companies informed the CPSC about
24 the dehumidifiers' defects, risks, or reported fires in November
25 2012.

26 29. In November 2012, Gree USA sold at least 6,817 defective
27 Gree dehumidifiers to retailers in the United States for
28 approximately \$792,067. The Gree Companies knew that the retailers

1 wanted dehumidifiers that met all UL standards and did not burn when
2 overheated. The Gree Companies knew that Gree USA represented to
3 its retailers that the Gree dehumidifiers met all UL standards.
4 Gree USA's CEO, CFO and CAO knew that Gree USA's representations
5 that these Gree dehumidifiers met all UL standards were false when
6 these dehumidifiers were sold.

7 The Gree Companies Have Yet Another Meeting to Discuss
8 Their Defective Dehumidifiers But Still Do Not Inform the CPSC

9 30. On December 18, 2012, Gree USA's CEO and another Gree USA
10 officer went with an attorney to Hong Kong to meet with Gree Hong
11 Kong Manager #2, a Gree Zhuhai engineer, Gree Zhuhai's Chief
12 Financial Officer ("CFO") and three attorneys representing Gree
13 Zhuhai. At this meeting, Gree USA's CEO discussed the November 5,
14 2012 test report with Gree Hong Kong Manager #2, the Gree Zhuhai
15 engineer and the Gree Zhuhai CFO. Gree Hong Kong Manager #2, the
16 Gree Zhuhai engineer and the Gree Zhuhai CFO told Gree USA's CEO
17 that Gree Zhuhai would test the Gree dehumidifiers and let him know
18 the results of their testing.

19 31. No employee of the Gree Companies informed the CPSC about
20 the dehumidifiers' defects, risks, or reported fires in December
21 2012.

22 32. In December 2012, Gree USA sold at least 1,395 defective
23 Gree dehumidifiers to retailers in the United States for
24 approximately \$201,835. The Gree Companies knew that the retailers
25 wanted dehumidifiers that met all UL standards and did not burn when
26 overheated. The Gree Companies knew that Gree USA represented to
27 its retailers that the Gree dehumidifiers met all UL standards.
28 Gree USA's CEO, CFO and CAO knew that Gree USA's representations

1 that these Gree dehumidifiers met all UL standards were false when
2 these dehumidifiers were sold.

3 The Gree Companies Decide to Keep Selling
4 Their Defective Dehumidifiers in the United States
5 Without Reporting Them to the CPSC

6 33. On January 23, 2013, a Gree USA officer sent an email to
7 Gree Hong Kong Manager #2. The email stated that Gree USA's and MJC
8 America's insurance company suggested that Gree USA report the Gree
9 dehumidifiers to the CPSC and recall all of the defective Gree
10 dehumidifiers. The email also stated that the insurance company
11 "wanted to know if any actions were taken to test the product design
12 in case it is defective" and was told that "the product was
13 submitted to several different testing and no faulty [sic] in the
14 design was found[,] also that new production has an extra
15 protection[.]" The Gree USA officer further reported in her email
16 that Gree USA had received a new consumer report of a dehumidifier
17 fire and asked how Gree USA should handle this report.

18 34. Also on January 23, 2013, Gree Zhuhai told Gree USA in
19 writing that it had tested its dehumidifiers and that they were not
20 defective and could be sold in the United States. Gree Zhuhai did
21 not provide Gree USA with any details on its testing or explain the
22 inconsistency in its test results with those of all prior tests of
23 the Gree dehumidifiers.

24 35. Despite the recommendation of Gree USA's insurance company
25 to report the Gree dehumidifiers to the CPSC and recall the
26 defective Gree dehumidifiers, and the new consumer report of fire,
27 no employee of the Gree Companies informed the CPSC about the
28

1 dehumidifiers' defects, risks, or reported fires in January or
2 February 2013.

3 36. Gree USA sold at least 7,609 and 29,857 defective Gree
4 dehumidifiers in January and February 2013, respectively, to
5 retailers in the United States for approximately \$905,291, and
6 \$3,255,542, respectively. The Gree Companies knew that the
7 retailers wanted dehumidifiers that met all UL standards and did not
8 burn when overheated. The Gree Companies knew that Gree USA
9 represented to its retailers that the Gree dehumidifiers met all UL
10 standards. Gree USA's CEO, CFO and CAO knew that Gree USA's
11 representations that these Gree dehumidifiers met all UL standards
12 were false when these dehumidifiers were sold.

13 The Gree Companies Finally Report Their Defective Dehumidifiers
14 to the CPSC but Continue to Sell Those Dehumidifiers
15 in the United States

16 37. On March 14, 2013, Gree USA, Gree Zhuhai, and MJC America
17 made an initial report to the CPSC about their dehumidifiers. The
18 initial report stated that they had sold approximately 1.6 million
19 Gree dehumidifiers in the United States since 2010, and that
20 consumers who had purchased those dehumidifiers had reported fires,
21 overheating, smoke, odors, and property damage related to these
22 dehumidifiers. The initial report did not mention the defects in
23 the Gree dehumidifiers that caused the dehumidifiers to burn.

24 38. Gree USA sold at least 6,025 and 7,596 defective Gree
25 dehumidifiers in March and April 2013, respectively, to retailers in
26 the United States for approximately \$571,702 and \$799,244,
27 respectively. The Gree Companies knew that the retailers wanted
28 dehumidifiers that met all UL standards and did not burn when

1 overheated. The Gree Companies knew that Gree USA represented to
2 its retailers that the Gree dehumidifiers met all UL standards.
3 Gree USA's CEO, CFO and CAO knew that Gree USA's representations
4 that these Gree dehumidifiers met all UL standards were false when
5 these dehumidifiers were sold.

6 39. On April 23, 2013, the Chief Administrative Officer of Gree
7 USA received an independent test report showing that the plastic
8 used in four Gree dehumidifiers made in 2010, 2011, and 2012 did not
9 meet UL standards for fire resistance.

10 40. On April 30, 2013, Gree USA, Gree Zhuhai, and MJC America
11 made a second, more comprehensive report to the CPSC about their
12 defective Gree dehumidifiers. This report stated that Gree USA,
13 Gree Zhuhai, and MJC America sold approximately 1.84 million of the
14 Gree dehumidifiers and that they had not concluded that these Gree
15 dehumidifiers posed a substantial product hazard or that the
16 dehumidifiers needed to be recalled. This report listed nineteen
17 known consumer reports of fires involving Gree dehumidifiers with
18 all but one of the fires occurring between June 14, 2012 and April
19 15, 2013.

20 41. After their April 30, 2013 report to the CPSC, the Gree
21 Companies continued to receive consumer reports of fires caused by
22 Gree dehumidifiers.

23 42. The Gree Companies received at least \$9,500,000 from the
24 distribution and wholesale of defective Gree dehumidifiers from
25 September 2012 through April 2013. Additionally, the Gree Companies
26 received at least \$29,500,000 from the distribution and wholesale of
27 other non-defective Gree dehumidifiers from September 2012 through
28 April 2013.

1 43. United States consumers lost at least \$17,400,000 by
2 purchasing defective and dangerous Gree dehumidifiers manufactured,
3 distributed, or sold by the Gree Companies from September 2012
4 through April 2013.

5 44. From September 2012 to April 2013, United States consumers
6 sustained at least \$2,100,000 worth of property damaged or destroyed
7 in fires caused by the defective Gree dehumidifiers.

8 The Gree Companies Imported Their Defective Dehumidifiers
9 With False UL Certifications

10 45. Between 2010 and at least until September 2012, the Gree
11 Companies imported into the United States Gree dehumidifiers with
12 certifications that the dehumidifiers met all UL standards, when in
13 fact the dehumidifiers did not meet UL standards.

14 The Gree Companies Finally Recall
15 Their Defective Dehumidifiers

16 46. By mid-July 2013, Gree Zhuhai decided to recall its
17 defective Gree dehumidifiers and notified the CPSC of this decision.
18 After making this decision, Gree Zhuhai started to plan for the
19 recall.

20 47. On September 12, 2013, Gree Zhuhai and the CPSC announced a
21 voluntary recall of 2.2 million Gree dehumidifiers in the United
22 States.

23 48. Despite its recall, Gree Zhuhai has received hundreds of
24 consumer reports of fires and overheating caused by defective Gree
25 dehumidifiers. Consumers have reported more than 2,000 incidents
26 involving Gree dehumidifiers, including 450 fires and more than
27 \$19,000,000 in property damage.
28

1 49. No later than September 19, 2012, each of the Gree
2 Companies had information which reasonably supported the conclusion
3 that their Gree dehumidifiers: (1) contained defects which created a
4 substantial product hazard, that is, a substantial risk of injury to
5 the public; and (2) created an unreasonable risk of serious injury
6 or death. After learning this information, each of the Gree
7 Companies knowingly and willfully failed immediately to inform the
8 United States Consumer Product Safety Commission about these
9 dangerous defects in their Gree dehumidifiers or the dangerous risks
10 posed by their Gree dehumidifiers.

11 50. As a result of the Gree Companies' failure to report
12 immediately their defective Gree dehumidifiers to the United States
13 Consumer Product Safety Commission, the Gree Companies were able to
14 continue to distribute and wholesale their dehumidifiers, including
15 defective Gree dehumidifiers, from September 2012 through April
16 2013, and received more than \$39,000,000 in proceeds from this
17 distribution and wholesale of Gree dehumidifiers. For purposes of
18 forfeiture, the approximately \$39,000,000 that the Gree Companies
19 received are assets associated with their failure to report
20 immediately their defective Gree dehumidifiers to the United States
21 Consumer Product Safety Commission in violation of 15 U.S.C.
22 §§ 2068(a)(4) and 2070.

1 **Exhibit D**

2 **Enhanced Compliance Measures**

3 **I. Compliance Program**

4 So as to address and further reduce the risk of any recurrence
5 of the misconduct at issue in this matter, Defendants Gree Electric
6 Appliances, Inc. of Zhuhai ("Gree Zhuhai"), Hong Kong Gree Electric
7 Appliances Sales Co., Ltd. ("Gree Hong Kong"), and Gree USA, Inc.
8 ("Gree USA") (collectively the "Gree Companies") hereby agree as
9 part of Gree USA's Plea Agreement and Gree Zhuhai's and Gree Hong
10 Kong's Deferred Prosecution Agreement with the United States
11 Department of Justice's Consumer Protection Branch and the United
12 States Attorney's Office for the Central District of California
13 ("the government") to adopt and maintain, or modify as necessary,
14 compliance programs, including internal controls, compliance
15 policies, and procedures (collectively the "Compliance Program") to
16 ensure product safety and compliance with the Consumer Product
17 Safety Act, 15 U.S.C. § 2051 *et seq.* ("CPSA"), and regulations and
18 agreements enforced by the United States Consumer Product Safety
19 Commission ("CPSC") with respect to any consumer product
20 manufactured, imported, distributed, or sold by the Gree Companies
21 in the United States. The Compliance Program, at a minimum, shall
22 contain the following elements:

23 **Written Standards, Policies and Procedures**

24 1. The Gree Companies shall establish and maintain, or
25 modify as necessary, written standards, policies, and procedures
26 with sufficient resources for responding to, investigating, and
27 documenting allegations of potential product hazards, and violations
28 of the CPSA, its implementing regulations, and agreements with the

1 CPSC, and which provides for the appropriate forwarding to personnel
2 at the Gree Companies with authority to act ("Compliance Officer")
3 of all information that may relate to, or affect, product safety and
4 CPSA compliance, including all reports and complaints involving
5 consumer products, whether an injury is referenced or not, and that
6 may relate to, or affect, UL certification or listing, whether
7 confirmatory testing has been conducted or not.

8 2. The Gree Companies shall implement, maintain, and enforce
9 an effective system of internal controls and procedures, to the
10 extent that they do not yet exist, designed to ensure that, with
11 respect to all consumer products manufactured, imported, or
12 distributed by the Gree Companies and sold in the United States:

13 a. information required to be disclosed by the Gree
14 Companies to the CPSC is recorded, processed, and reported in
15 accordance with applicable law;

16 b. all required reporting made to the CPSC is timely,
17 truthful, complete, accurate, and in accordance with applicable law;
18 and

19 c. prompt disclosure is made to the Gree Companies'
20 relevant senior management of any deficiencies in the design or
21 operation of such internal controls and procedures that are
22 reasonably likely to adversely affect, in any material respect, the
23 Gree Companies' ability to record, process, and report to the CPSC
24 in accordance with applicable law.

25 Confidential Employee Reporting

26 3. The Gree Companies shall establish or modify as necessary
27 a confidential reporting program for their employees and agents who
28 wish to disclose any concerns related to consumer product safety or

1 quality to a Compliance Officer or another senior manager with
2 authority to act as necessary.

3 4. The Gree Companies shall publicize the existence of the
4 confidential reporting program annually to their employees and
5 agents through emails, posting on Company intranets, live or online
6 training, or other effective means. The confidential reporting
7 program shall include a non-retribution, non-retaliation policy, and
8 shall facilitate anonymous and confidential communications for which
9 appropriate confidentiality shall be maintained.

10 5. Upon receipt of a disclosure related to consumer product
11 safety or quality, a Compliance Officer or a senior manager with
12 authority to act as necessary shall make a diligent, good-faith
13 inquiry into the disclosure to ensure that he or she has obtained
14 all the information necessary to determine whether a further review
15 should be conducted. The Compliance Officer or senior manager shall
16 conduct such further review of for any disclosure that is
17 sufficiently specific to:

18 a. permit determination of the appropriateness of the
19 alleged impropriety; and

20 b. provide an opportunity for taking corrective action.

21 6. The Compliance Officer or senior manager shall maintain a
22 disclosure log, which shall include a record and an accurate and
23 complete summary of each disclosure related to consumer product
24 safety or quality received (whether anonymous or not), the status of
25 the respective reviews, and any corrective action taken in response
26 to the reviews. All information gathered by the confidential
27 reporting program shall be maintained for at least five (5) years
28 following closure of the review and corrective action.

1 Training and Enforcement

2 7. The Gree Companies shall implement and maintain, or modify
3 as necessary, mechanisms designed to ensure that the Compliance
4 Program is effectively communicated to all applicable directors,
5 officers, employees, and where necessary and appropriate, agents,
6 vendors, and business partners.

7 8. The Gree Companies shall establish and maintain, or modify
8 as necessary, an effective system for providing guidance, training
9 and advice to directors, officers, employees, and where necessary
10 and appropriate, agents, vendors, and business partners, on
11 complying with the CPSA, its implementing regulations, agreements
12 with the CPSC, and the Compliance Program, including when they need
13 advice on an urgent basis.

14 Management Responsibility and Accountability

15 9. The Gree Companies shall assign continuing responsibility
16 for the implementation and oversight of the Compliance Program to
17 one or more senior corporate executives who, by reason of
18 background, experience, education, or training are competent to
19 oversee product safety and regulatory compliance-related matters.
20 Such corporate executive(s) shall have the authority to report
21 directly to independent monitoring bodies, including internal
22 auditors, the Company's Board of Directors, or any appropriate
23 committee of the Board of Directors, and shall have an adequate
24 level of autonomy from management as well as sufficient resources
25 and authority to maintain such autonomy.

26 Record Retention and Provision

27 10. The Gree Companies shall ensure retention of all CPSA
28 compliance-related records for at least five (5) years and shall

1 make such records available to the government or CPSC staff upon
2 reasonable request, subject to applicable laws and regulations, as
3 well as valid claims of attorney-client privilege or attorney work
4 product doctrine. However, the Gree Companies must provide to the
5 government a log of any document or information that is not provided
6 based on an assertion of law, regulation, or privilege, and the Gree
7 Companies bear the burden of establishing the validity of any such
8 assertions.

9 11. Upon reasonable request of the government or CPSC staff,
10 the Gree Companies shall provide written documentation of their
11 compliance-related improvements, processes, and controls, including,
12 but not limited to, the effective dates of such improvements,
13 processes, and controls. Upon reasonable request, the Gree
14 Companies shall cooperate fully and truthfully with the government
15 and CPSC staff to make available, in a manner agreed to by the
16 parties, all non-privileged information and materials, and personnel
17 deemed necessary by the government or CPSC staff, to identify and
18 evaluate records related to the Gree Companies' compliance with the
19 CPSA, its implementing regulations, agreements with the CPSC, and
20 the Compliance Program. The Gree Companies' cooperation pursuant to
21 this paragraph is subject to applicable laws and regulations, as
22 well as valid claims of attorney-client privilege or attorney work
23 product doctrine. However, the Gree Companies must provide to the
24 government a log of any document or information that is not provided
25 based on an assertion of law, regulation, or privilege, and the Gree
26 Companies bear the burden of establishing the validity of any such
27 assertions.

28

Compliance Expert

1
2 12. The Gree Companies shall retain, at the Gree Companies'
3 expense, an independent person or persons (the "Expert"), without
4 personal or financial ties (other than the retention agreement
5 between the parties) to the Gree Companies and/or the families of
6 their senior management, who by reason of background, experience,
7 education, and training, is qualified to advise the Gree Companies
8 on product safety and regulatory compliance issues under the CPSA
9 and its implementing regulations. The Expert's qualifications shall
10 include, but not be limited to, creating comprehensive product
11 safety and regulatory compliance policies, designing employee
12 training programs, and conducting regulatory compliance audits and
13 inspections. The Gree Companies shall notify the government in
14 writing of the name(s) and qualifications of the Expert as soon as
15 they retain the Expert.

16 13. Within six months of the Effective Date of the Deferred
17 Prosecution Agreement with Gree Zhuhai and Gree Hong Kong, the
18 Expert shall, in consultation with the Gree Companies, start the
19 process of auditing and advising the Gree Companies on the following
20 aspects of their Compliance Program:

21 a. written standards, policies and procedures that
22 provide for the appropriate forwarding to compliance personnel of
23 all information that may relate to, or impact, CPSA compliance,
24 including all reports and complaints involving consumer products
25 manufactured, imported, or distributed by the Gree Companies and
26 sold in the United States, whether an injury is referenced or not;

27 b. a mechanism for confidential employee reporting of
28 compliance-related questions or concerns to either a compliance

1 officer or to another senior manager with authority to act as
2 necessary;

3 c. effective communication of compliance-related
4 policies and procedures regarding the CPSA to all applicable
5 employees through training programs or otherwise;

6 d. senior management responsibility for CPSA compliance
7 and accountability for violations of the CPSA and its implementing
8 regulations; and

9 e. retention of all CPSA compliance-related records for
10 at least five (5) years, and availability of such records to the
11 government or CPSC staff upon reasonable request.

12 14. The Expert shall report to the government periodically, at
13 no less than twelve-month intervals during a three-year term (the
14 "Term"), regarding the Gree Companies' remediation and
15 implementation of their Compliance Program and these Enhanced
16 Compliance Measures. The Term shall begin on the Effective Date of
17 the Deferred Prosecution Agreement with Gree Zhuhai and Gree Hong
18 Kong. During the Term, the Expert shall submit an initial report
19 and at least two (2) follow-up reports (collectively the "Expert
20 Reports").

21 a. By no later than twelve (12) months from the
22 Effective Date of the Deferred Prosecution Agreement with Gree
23 Zhuhai and Gree Hong Kong, the Expert shall submit to the government
24 a written report (the "initial Expert Report") setting forth a
25 description of the Gree Companies' remediation efforts to date, and
26 when necessary and appropriate, their proposals reasonably designed
27 to improve their Compliance Program for ensuring consumer product
28 safety and compliance with the CPSA. The initial Expert Report

1 shall include an evaluation of the aspects of the Gree Companies'
2 Compliance Program set forth in Paragraph 13 above.

3 b. The Expert shall submit to the government at least
4 two (2) follow-up written reports (the "follow-up Expert Reports").
5 The first follow-up Expert Report shall be completed and delivered
6 to the government no later than twelve (12) months after the initial
7 Expert Report is submitted to the government. The second follow-up
8 Expert Report shall be completed and delivered to the government no
9 later than thirty (30) days before the end of the Term or twelve
10 (12) months after the first follow-up Expert Report, whichever is
11 earlier. The follow-up Expert Reports shall assess whether the Gree
12 Companies' Compliance Program is reasonably designed to ensure
13 consumer product safety and compliance with the CPSA, and include an
14 evaluation of the aspects of the Gree Companies' Compliance Program
15 set forth in Paragraph 13 above.

16 c. The Expert Reports likely will include proprietary,
17 financial, confidential, and competitive business information.
18 Public disclosure of the Expert Reports could discourage cooperation
19 or impede pending or potential government investigations and thus
20 undermine the objectives of the reporting requirement. For these
21 reasons, among others, the Expert Reports and contents thereof are
22 intended to remain and shall remain non-public, except as otherwise
23 agreed to by the Gree Companies and the government in writing, or
24 except to the extent that the government determines in its sole
25 discretion that disclosure would be in furtherance of the
26 government's discharge of its duties and responsibilities or is
27 otherwise required by law.

28

1 d. The Expert or the Gree Companies may submit a timely
2 written request for an extension of time to provide any of the
3 Expert Reports. A written request is timely if received by the
4 government at least five (5) days before the date the report is due.
5 Timely requests for extension will not be unreasonably denied.

6 **II. Gree Reporting Requirements**

7 15. The Gree Companies shall report to the government
8 periodically, at no less than twelve-month intervals during the
9 three-year Term, regarding their remediation and implementation of
10 the Compliance Program and these Enhanced Compliance Measures. As
11 with the Expert Reports, the Term shall begin on the Effective Date
12 of the Deferred Prosecution Agreement with Gree Zhuhai and Gree Hong
13 Kong. During the Term, the Gree Companies shall:

14 a. Conduct an initial review and submit an initial
15 report; and

16 b. Conduct and prepare at least two (2) follow-up
17 reviews and reports, as described below.

18 16. By no later than twelve (12) months from the Effective
19 Date of the Deferred Prosecution Agreement with Gree Zhuhai and Gree
20 Hong Kong, the Gree Companies shall submit to the government a
21 written report (the "initial Gree Report") setting forth a complete
22 description of their remediation efforts to date, and when necessary
23 and appropriate, their proposals reasonably designed to improve the
24 Gree Companies' Compliance Program for ensuring consumer product
25 safety and compliance with the CPSA, and the proposed scope of the
26 subsequent reviews.

27 17. The Gree Companies shall undertake at least two (2)
28 follow-up reviews and reports (the "follow-up Gree Reports"),

1 incorporating the government's views on the Gree Companies' previous
2 reviews and reports, to further monitor and assess whether the Gree
3 Companies' Compliance Program is reasonably designed to ensure
4 consumer product safety and detect and prevent violations of the
5 CPSA.

6 18. The first follow-up Gree Report shall be completed and
7 delivered to the government no later than twelve (12) months after
8 the initial Gree Report is submitted to the government. The second
9 follow-up Gree Report shall be completed and delivered to the
10 government no later than thirty (30) days before the end of the Term
11 or twelve (12) months after the first follow-up Gree Report,
12 whichever is earlier.

13 19. The initial and follow-up Gree Reports may rely on,
14 reference, or incorporate, in whole or in part, the Expert Reports.

15 20. The Gree Reports likely will include proprietary,
16 financial, confidential, and competitive business information.
17 Public disclosure of the Gree Reports could discourage cooperation
18 or impede pending or potential government investigations and thus
19 undermine the objectives of the reporting requirement. For these
20 reasons, among others, the Gree Reports and contents thereof are
21 intended to remain and shall remain non-public, except as otherwise
22 agreed to by the Gree Companies and the government in writing, or
23 except to the extent that the government determines in its sole
24 discretion that disclosure would be in furtherance of the
25 government's discharge of its duties and responsibilities or is
26 otherwise required by law.

27 21. The Gree Companies may submit a timely written request for
28 an extension of time to provide any of the Gree Reports. A written

1 request is timely if received by the government at least five (5)
2 days before the date the report is due. Timely requests for
3 extension will not be unreasonably denied.

4 **III. Certifications and Resolutions**

5 22. In addition to the Gree Companies' reporting requirements
6 set forth in Paragraphs 15-21, the Gree Companies shall make annual
7 compliance-related certifications and resolutions to the government
8 as described below:

9 a. The Gree Companies shall conduct the reviews
10 described in this paragraph and Paragraph 23 for each of three (3)
11 Review Periods. The duration of each Review Period shall be twelve
12 (12) months, beginning with the first twelve (12) month period
13 following the Effective Date of the Deferred Prosecution Agreement
14 with Gree Zhuhai and Gree Hong Kong. The Gree Companies shall
15 provide the certifications and resolutions described in this
16 paragraph and Paragraph 23 to the government within one hundred
17 twenty (120) days following the end of each of the Review Periods.

18 b. Following the end of each Review Period, the
19 President or Chief Executive Officer ("President") of Gree Zhuhai
20 shall conduct a review of the Gree Companies' compliance with their
21 obligations under the Compliance Program and these Enhanced
22 Compliance Measures. Based on his or her review, the President
23 shall submit to the government a certification stating that, to the
24 best of his or her knowledge based on a reasonable inquiry, during
25 the preceding Review Period, the Gree Companies complied with all
26 its obligations under the Compliance Program and these Enhanced
27 Compliance Measures. The certification shall summarize the review
28 described above. If the President is unable to provide any part of

1 this certification as specified herein, he or she shall provide a
2 detailed explanation of why he or she is unable to provide such
3 certification. The certification and detailed explanation shall be
4 sworn to under the pains and penalty of perjury in the United States
5 (and, if applicable, under the pains and penalty of perjury in the
6 jurisdiction where the President makes the certification or detailed
7 explanation ("Other Jurisdiction")) and shall set forth that the
8 representations contained therein may be provided to, relied upon,
9 and material to the United States (and, if applicable, the Other
10 Jurisdiction), and that a knowing false statement could result in
11 criminal or civil liability for the signatory in the United States
12 (and, if applicable, the Other Jurisdiction).

13 23. Following the end of each Review Period, the Board of
14 Directors of Gree Zhuhai or a designated Committee thereof (the
15 "Board"), shall conduct a review of the Gree Companies' compliance
16 with their obligations under the Compliance Program and these
17 Enhanced Compliance Measures. The Board shall evaluate the Gree
18 Companies' compliance by, at a minimum, receiving updates about the
19 activities of management employees responsible for ensuring
20 compliance with the Compliance Program and these Enhanced Compliance
21 Measures, and updates about the adoption and implementation of
22 policies, procedures, and practices as it relates to such
23 compliance. Based on its review, the Board shall submit to the
24 government a resolution that summarizes its review and oversight as
25 set forth above and that includes, at a minimum, the following
26 language:

27 The Board of Directors of Gree Zhuhai (or a designated
28 Committee of the Board) has made a reasonable inquiry

1 as described in Paragraph 23 of the Enhanced Compliance
2 Measures Exhibit D to the Plea Agreement with Gree USA
3 and the Deferred Prosecution Agreement with Gree Zhuhai
4 and Gree Hong Kong concerning the Gree Companies'
5 compliance with their obligations under the Compliance
6 Program and the Enhanced Compliance Measures in Exhibit
7 D for the preceding Review Period, [insert date range],
8 including the performance of management employees
9 responsible for ensuring such compliance. Based on its
10 reasonable inquiry and review, the Board has concluded
11 that, to the best of its knowledge, the Gree Companies
12 have complied with all their obligations under the
13 Compliance Program and the Enhanced Compliance Measures
14 in Exhibit D to the Plea Agreement with Gree USA and
15 the Deferred Prosecution Agreement with Gree Zhuhai and
16 Gree Hong Kong.

17 If the Board is unable to provide any part of this statement, it
18 shall include in the resolution a written explanation of the reasons
19 why it is unable to provide such a statement.

20 24. The Gree Companies may submit a timely written request for
21 an extension of time to provide the annual President certification
22 or Board resolution required in Paragraphs 22 and 23. A written
23 request is timely if received by the government at least five (5)
24 days prior to the date by which the certification or resolution is
25 due. Timely requests for extension will not be unreasonably denied.

26 25. All certifications, resolutions, reports, notifications
27 and other materials and information that must be provided to the
28 government as a part of these Enhanced Compliance Measures shall be
delivered by: (1) email to an email address provided by the
government; and (2) personal delivery, or overnight delivery by a
recognized delivery service addressed to the following:

Director, Consumer Protection Branch
U.S. Department of Justice
450 5th Street, NW, Suite 6400 South
Washington, DC 20001

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and

Chief, Environmental and Community Safety Crimes Section
U.S. Attorney's Office
Central District of California
1300 United States Courthouse
312 North Spring Street
Los Angeles, CA 90012

CERTIFICATE OF SERVICE

I, **Catherine Wilkinson**, declare:

That I am a citizen of the United States and a resident of or employed in Los Angeles County, California; that my business address is the Office of United States Attorney, 312 North Spring Street, Los Angeles, California 90012; that I am over the age of 18; and that I am not a party to the above-titled action;

That I am employed by the United States Attorney for the Central District of California, who is a member of the Bar of the United States District Court for the Central District of California, at whose direction I served a copy of:

Plea Agreement

- Placed in a closed envelope for collection and inter-office delivery, addressed as follows:
- Placed in a sealed envelope for collection and mailing via United States mail, addressed as follows:
- By hand delivery, addressed as follows:
- By facsimile, as follows:
- Via email, as follows:
- By Federal Express, as follows:

Email: jkougios@mofo.com
scash@mofo.com

This Certificate is executed on **October 28, 2021**, at Los Angeles, California. I certify under penalty of perjury that the foregoing is true and correct.

Catherine Wilkinson
Catherine Wilkinson
Legal Assistant