

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Region 4

In the Matter of:

Surface Koatings, Inc.,

Respondent.

Docket No. CAA-04-2021-0104(b)

CONSENT AGREEMENT

I. NATURE OF ACTION

1. This is an administrative penalty assessment proceeding brought under Section 113(d) of the Clean Air Act ("CAA" or the "Act"), 42 U.S.C. § 7413(d), and Sections 22.13(b) and 22.18 of the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits (Consolidated Rules), as codified at Title 40 of the Code of Federal Regulations (C.F.R.), Part 22.
2. This Consent Agreement and the attached Final Order shall collectively be referred to as the CAFO.
3. Having found that settlement is consistent with the provisions and objectives of the Act and applicable regulations, the Parties have agreed to settle this action pursuant to 40 C.F.R. § 22.18 and consent to the entry of this CAFO without adjudication of any issues of law or fact herein.

II. PARTIES

4. Complainant is the Director of the Enforcement and Compliance Assurance Division, United States Environmental Protection Agency (EPA), Region 4, who has been delegated the authority on behalf of the Administrator of the EPA to enter into this CAFO pursuant to 40 C.F.R. Part 22 and Section 113(d) of the Act.
5. Respondent is Surface Koatings, Inc., a corporation, doing business in the State of Tennessee. This proceeding pertains to Respondent's facility located at 134 Davis Street, Portland, Tennessee 37148 (Facility).

III. GOVERNING LAW

6. Any person who violates Section 183(e) of the CAA, 42 U.S.C. § 7511b(e), or rule promulgated thereunder, may be assessed a civil penalty pursuant to Section 113(d) of the Act, 42 U.S.C. § 7413(d), and 40 C.F.R. Part 19. Each day a violation continues may constitute a separate violation. Civil penalties under Section 113(d) of the Act, 42 U.S.C. § 7413(d), may be assessed by an administrative order.
7. A "person," as defined in CAA § 302(e), 42 U.S.C. § 7602(e), includes a corporation, partnership, or association.
8. Section 183(e) of the CAA requires EPA to regulate volatile organic compounds (VOC) emissions from consumer and commercial architectural coatings products.
9. The implementing regulations for CAA § 183(e), found at 40 C.F.R. § 59, Subpart D, establish over sixty-one (61) specific architectural coating categories/sub-categories, and prescribe a VOC content limit to each category/sub-category. 40 C.F.R. § 59.402(a) requires each manufacturer or importer of architectural coatings to annually ensure that each of its coating products do not exceed the VOC content limit for the coating product's category, except in accordance with 40 C.F.R. § 59.403 and/or 40 C.F.R. § 59.404, under which a coating product may exceed the VOC content limit if the VOC exceedance fee is paid and/or if a tonnage exemption is claimed. To qualify for these exemptions, the architectural coatings manufacturer or importer must submit the VOC exceedance report, payment of the VOC exceedance fee, and/or the VOC tonnage exemption report, by March 1st of the following year in accordance with 40 C.F.R. § 59.408(a) and (d), and 40 C.F.R. § 59.408(a) and (e).
10. EPA and the United States Department of Justice jointly determined that this matter, although it involves alleged violations that occurred more than one year before the initiation of this proceeding, is appropriate for an administrative penalty assessment. 42 U.S.C. § 7413(d); 40 C.F.R. § 19.4.

IV. FINDINGS OF FACTS

11. Respondent's corporate headquarters is located along with its manufacturing Facility at: 134 Davis Street, Portland, Tennessee 37148.
12. On June 20, 2019, EPA issued a Clean Air Act Section 114 information request letter requiring the Respondent to submit information pertaining to its architectural coating manufacturing and/or importing over the past five years to include information on the volume of each coating produced or imported, each coating category classification, supporting information for the category classification, product labeling information and copy of labels.
13. On or about August 2, 2019, the Respondent submitted its response to the EPA's information request. Respondent's response revealed that the company had seven (7) coating products that did not meet the requirements of the regulatorily prescribed coating category selected by the company for those coating products.
14. On July 16, 2020, the EPA issued to Respondent a Notice of Potential Violation and Opportunity to Confer ("NOPVOC"), providing notice that the EPA found that Respondent potentially

committed the alleged violations described in Section V of this Agreement and providing Respondent an opportunity to confer with the EPA. On August 13, 2020, representatives of Respondent and the EPA held a meeting to discuss the NOPVOC.

15. Between August 13, 2020, and September 11, 2020, Respondent reclassified/recategorized its seven (7) coating products into the "Concrete Curing Compound" coating category. Although the seven (7) coatings were now re-categorized, Respondent failed to meet the regulatory timeframe for assuring that its coating products' VOC content were within the limit for the applicable coating category.
16. On September 11, 2020, Respondent submitted the required tonnage exemption reports and VOC exceedance reports.
17. On September 24, 2020, Respondent paid the VOC content limit exceedance fee of \$38,628.44 in accordance with 40 C.F.R. § 59.403. The architectural coating rule allows a coating product to exceed VOC content limits of its coating category upon timely payment of exceedance fees and timely submission of tonnage exemption report as applicable and VOC exceedance report, which timeframes Respondent did not meet.
18. Respondent and EPA entered into tolling agreements, tolling the statute of limitations from January 4, 2021 through January 26, 2022.

V. ALLEGED VIOLATIONS

19. Respondent is a "person" as defined in Section 302(e) of the Act, 42 U.S.C. § 7602(e).
20. Respondent is a "manufacturer" and/or "importer" of architectural coatings as defined at 40 C.F.R. § 59.401.
21. Respondent is a corporation whose main business is the manufacture, sale and/or distribution of architectural coatings and is therefore subject to the requirements of 40 C.F.R. Part 59, Subpart D.
22. Respondent's corporate headquarters is located along with its manufacturing facility at: 134 Davis Street, Portland, Tennessee 37148.
23. Pursuant to CAA § 183(e) and 40 C.F.R. § 59.402(a), the Respondent failed to timely assign seven (7) architectural coating products to the correct coating category and ensure whether the coating products met or exceeded the VOC content limit of the correct applicable coating category for each of the seven (7) coating products for calendar years 2015, 2016, 2017, 2018, and 2019.
24. Pursuant to CAA § 183(e), 40 C.F.R. § 59.408(a) and 40 C.F.R. § 59.408(e) the Respondent failed to timely submit the tonnage exemption report for calendar years 2015, 2016, 2017, 2018, and 2019.
25. Pursuant to CAA § 183(e), 40 C.F.R. § 59.408(a), 40 C.F.R. § 59.408(d) and 40 C.F.R. § 59.403(d) the Respondent failed to timely submit the VOC exceedance fee report and failed to timely make the exceedance fee payment for calendar years 2015, 2016, 2017, 2018, and 2019.

VI. STIPULATIONS

26. The issuance of this CAFO simultaneously commences and concludes this proceeding. 40 C.F.R. § 22.13(b).
27. For the purpose of this proceeding, as required by 40 C.F.R. § 22.18(b)(2), Respondent:
- a. admits that EPA has jurisdiction over the subject matter alleged in this CAFO;
 - b. neither admits nor denies the factual allegations set forth in Section IV (Findings of Facts) of this CAFO;
 - c. consents to the assessment of a civil penalty as stated below;
 - d. consents to the conditions specified in this CAFO;
 - e. waives any right to contest the allegations set forth in Section V (Alleged Violations) of this CAFO; and
 - f. waives its rights to appeal the Final Order accompanying this CAFO.
28. For the purpose of this proceeding, Respondent:
- a. agrees that this CAFO states a claim upon which relief may be granted against Respondent;
 - b. acknowledges that this CAFO constitutes an enforcement action for purposes of considering Respondent's compliance history in any subsequent enforcement actions;
 - c. waives any rights it may possess at law or in equity to challenge the authority of EPA to bring a civil action in a United States District Court to compel compliance with the CAFO, and to seek an additional penalty for such noncompliance, and agrees that federal law shall govern in any such civil action;
 - d. by executing this CAFO, certifies to the best of its knowledge that Respondent is currently in compliance with all relevant requirements of the Act and its implementing regulations, and that all violations alleged herein, which are neither admitted nor denied, have been corrected;
 - e. waives any right it may have pursuant to 40 C.F.R. § 22.8 to be present during any discussions with, or to be served with and reply to, any memorandum or communication addressed to EPA officials where the purpose of such discussion, memorandum, or communication is to persuade such official to accept and issue this CAFO; and
 - f. agrees to comply with the terms of this CAFO.
29. In accordance with 40 C.F.R. § 22.5, the individuals named in the certificate of service are authorized to receive service related to this proceeding and the parties agree to receive service by electronic means.

VII. TERMS OF PAYMENT

30. Respondent consents to the payment of a civil penalty, which was calculated in accordance with the Act, in the amount of **\$136,136**, which is to be paid in full within thirty (30) calendar days of the Effective Date of this CAFO.
31. Payment(s) shall be made by cashier's check, certified check, by electronic funds transfer (EFT), or by Automated Clearing House (ACH) (also known as REX or remittance express). If paying by check, the check shall be payable to: Treasurer, United States of America, and the Facility

name and docket number for this matter shall be referenced on the face of the check. If Respondent sends payment by the U.S. Postal Service, the payment shall be addressed to:

United States Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
P.O. Box 979077
St. Louis, Missouri 63197-9000

If Respondent sends payment by non-U.S. Postal express mail delivery, the payment shall be sent to:

U.S. Bank
Government Lockbox 979077
U.S. EPA Fines & Penalties
1005 Convention Plaza
Mail Station: SL-MO-C2-GL
St. Louis, Missouri 63101
Contact Number: (314) 425-1819

If paying by EFT, Respondent shall transfer the payment to:

Federal Reserve Bank of New York
ABA: 021030004
Account Number: 68010727
SWIFT address: FRNYUS33
33 Liberty Street
New York, New York 10045
Field Tag 4200 of the Fedwire message should read:
"D 68010727 Environmental Protection Agency"

If paying by ACH, Respondent shall remit payment to:

US Treasury REX / Cashlink ACH Receiver
ABA: 051036706
Account Number: 310006, Environmental Protection Agency
CTX Format Transaction Code 22 – checking
Physical location of US Treasury facility:
5700 Rivertech Court
Riverdale, Maryland 20737
Contact: John Schmid, (202) 874-7026
REX (Remittance Express): 1-866-234-5681

32. Respondent shall send proof of payment, within 24 hours of payment of the civil penalty, to:

Regional Hearing Clerk
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8960

R4_Regional_Hearing_Clerk@epa.gov

and

Mr. Chetan Gala
Air Enforcement Branch
Enforcement and Compliance Assurance Division
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8960
gala.chetan@epa.gov

33. "Proof of payment" means, as applicable, a copy of the check, confirmation of credit card or debit card payment, confirmation of wire or automated clearinghouse transfer, and any other information required to demonstrate that payment has been made according to EPA requirements, in the amount due, and identified with the Facility name and Docket No **CAA-04-2021-0104(b)**.
34. Pursuant to 42 U.S.C. § 7413(d)(5), if Respondent fails to timely pay any portion of the penalty assessed under this CAFO, EPA may recover in addition to the amount of the unpaid penalty assessed, the following amounts on any amount overdue:
- a. Interest. Interest will begin to accrue on the civil penalty from the Effective Date of this CAFO. If the civil penalty is paid within 30 days of the Effective Date of this CAFO, Interest is waived. However, if the civil penalty is not paid in full within 30 days of the Effective Date of this CAFO, Interest will continue to accrue on any unpaid portion until the unpaid portion of the civil penalty and accrued Interest are paid. Interest will be assessed at rates established pursuant to 26 U.S.C. § 6621(a)(2).
 - b. Non-Payment Penalty. A 10 percent quarterly nonpayment penalty pursuant to 42 U.S.C. § 7413(d)(5).
 - c. Attorneys' Fees and Costs of Collection. The United States enforcement expenses, including, but not limited to, attorneys' fees and cost of collection.
35. If Respondent fails to timely pay any portion of the penalty assessed under this CAFO, EPA may:
- a. Refer the debt to a credit reporting agency or a collection agency pursuant to 40 C.F.R. §§ 13.13 and 13.14;
 - b. Collect the debt by administrative offset (i.e., the withholding of money payable by the United States to, or held by the United States for, a person to satisfy the debt the person owes the Government), which includes, but is not limited to, referral to the Internal Revenue Service for offset against income tax refunds, 40 C.F.R. Part 13, Subparts C and H;

- c. Suspend or revoke Respondent's licenses or other privileges, or suspend or disqualify Respondent from doing business with EPA or engaging in programs EPA sponsors or funds, 40 C.F.R. § 13.17; and/or
- d. Request that the Attorney General bring a civil action in the appropriate district court to recover the amount assessed, in addition to the amounts described above, pursuant to 42 U.S.C. § 7413(d)(5). In any such action, the validity, amount, and appropriateness of the penalty and of this CAFO shall not be subject to review.

36. Penalties paid pursuant to this CAFO shall not be deductible for purposes of federal taxes.

VIII. EFFECT OF CAFO

37. In accordance with 40 C.F.R. § 22.18(c), Respondent's full compliance with this CAFO shall only resolve Respondent's liability for federal civil penalties for the violations and facts specifically alleged above.

38. Full payment of the civil penalty, as provided in Section VII (Terms of Payment), shall not in any case affect the right of EPA or the United States to pursue appropriate injunctive or other equitable relief or criminal sanctions for any violations of law. 40 C.F.R. § 22.18(c).

39. Any violation of this CAFO may result in a civil judicial action for civil penalties as provided in Section 113(b) of the Act, 42 U.S.C. § 7413(b), as well as criminal sanctions as provided in Section 113(c) of the Act, 42 U.S.C. § 7413(c). EPA may use any information submitted under this CAFO in an administrative, civil judicial, or criminal action.

40. Nothing in this CAFO shall relieve Respondent of the duty to comply with all applicable provisions of the Act and other federal, state, or local laws or statutes, nor shall it restrict EPA's authority to seek compliance with any applicable laws or regulations, nor shall it be construed to be a ruling on, or determination of, any issue related to any federal, state, or local permit, except as expressly provided herein.

41. Nothing herein shall be construed to limit the power of EPA to undertake any action against Respondent or any person in response to conditions that may present an imminent and substantial endangerment as provided under the Act.

42. The terms, conditions, and compliance requirements of this CAFO may not be modified or amended except upon the written agreement of both Parties, and approval of the Regional Judicial Officer.

43. The provisions of this CAFO shall apply to and be binding upon Respondent and its officers, directors, employees, agents, trustees, authorized representatives, successors, and assigns.

44. Any change in the legal status of the Respondent, or change in ownership, partnership, corporate or legal status relating to the Facility, will not in any way alter Respondent's obligations and responsibilities under this CAFO.

45. By signing this Consent Agreement, Respondent acknowledges that this CAFO will be available to the public and agrees that this CAFO does not contain any confidential business information or personally identifiable information.
46. By signing this Consent Agreement, the Complainant and the undersigned representative of Respondent each certify that he or she is fully authorized to execute and enter into the terms and conditions of this CAFO and has the legal capacity to bind the party he or she represents to this CAFO.
47. By signing this Consent Agreement, both Parties agree that each party's obligations under this CAFO constitute sufficient consideration for the other party's obligations.
48. By signing this Consent Agreement, Respondent certifies that the information it has supplied concerning this matter was at the time of submission, and continues to be, true, accurate, and complete for each such submission, response, and statement. Respondent acknowledges that there are significant penalties for submitting false or misleading information, including the possibility of fines and imprisonment for knowing submission of such information, under 18 U.S.C. § 1001.
49. EPA also reserves the right to revoke this CAFO and settlement penalty if and to the extent that EPA finds, after signing this CAFO, that any information provided by Respondent was materially false or inaccurate at the time such information was provided to EPA. If such false or inaccurate material was provided, EPA reserves the right to assess and collect any and all civil penalties for any violation described herein. EPA shall give Respondent notice of its intent to revoke, which shall not be effective until received by Respondent in writing.
50. It is the intent of the parties that the provisions of this CAFO are severable. If any provision or authority of this CAFO or the application of this CAFO to any party or circumstances is held by any judicial or administrative authority to be invalid or unenforceable, the application of such provisions to other parties or circumstances and the remainder of the CAFO shall remain in force and shall not be affected thereby.
51. Unless specifically stated otherwise in this CAFO, each party shall bear its own attorney's fees, costs, and disbursements incurred in this proceeding.

IX. EFFECTIVE DATE

52. This CAFO shall become effective after execution of the Final Order by the Regional Judicial Officer, on the date of filing with the Hearing Clerk.

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The foregoing Consent Agreement in the Matter of **Surface Koatings, Inc., Docket No. CAA-04-2021-0104(b)**, is Hereby Stipulated, Agreed, and Approved for Entry.

FOR RESPONDENT:


Signature

JANUARY 14 2022
Date

Printed Name: DUSTIN SELLARDS

Title: GENERAL MANAGER

Address: 134 DAVIS STREET PORTLAND TN 37148

The foregoing Consent Agreement in the Matter of **Surface Koatings, Inc., Docket No. CAA-04-2021-0104(b)**, is Hereby Stipulated, Agreed, and Approved for Entry.

FOR COMPLAINANT:

for

Carol L. Kemker
Director
Enforcement and Compliance Assurance Division
U.S. Environmental Protection Agency, Region 4

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 4

In the Matter of:

Surface Koatings, Inc.,

Respondent.

Docket No. CAA-04-2021-0104(b)

FINAL ORDER

The Regional Judicial Officer is authorized to ratify this Consent Agreement which memorializes a settlement between Complainant and Respondent. 40 C.F.R. §§ 22.4(b) and 22.18(b)(3). The foregoing Consent Agreement is, therefore, hereby approved, ratified and incorporated by reference into this Final Order in accordance with the *Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation/Termination or Suspension of Permits*, 40 C.F.R. Part 22.

The Respondent is hereby ORDERED to comply with all of the terms of the foregoing Consent Agreement effective immediately upon filing of this Consent Agreement and Final Order with the Regional Hearing Clerk. This Final Order disposes of this matter pursuant to 40 C.F.R. §§ 22.18 and 22.31.

BEING AGREED, IT IS SO ORDERED.

Tanya Floyd
Regional Judicial Officer

CERTIFICATE OF SERVICE

I certify that the foregoing Consent Agreement and Final Order, in the Matter of **Surface Koatings, Inc., Docket No. CAA-04-2021-0104(b)**, were filed and copies of the same were emailed to the parties as indicated below.

Via email to all parties at the following email addresses:

To Respondent: Surface Koatings, Inc.
 c/o: Mr. Gary C. Shockley, Esq
 Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
 gshockley@bakerdonelson.com
 1600 West End Avenue
 Suite 2000
 Nashville, TN 37203
 (615) 726-5704

To EPA: Mr. Chetan Gala
 Gala.Chetan@epa.gov
 (404) 562-9746

 Ms. Lucia Mendez, Attorney Advisor
 Mendez.Lucia@epa.gov
 (404) 562-9637

 U.S. EPA Region 4
 61 Forsyth Street, S.W.
 Atlanta, Georgia 30303-8960

Shannon L. Richardson, Regional Hearing Clerk
U.S. EPA Region 4
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8960