

This SETTLEMENT AGREEMENT AND RELEASE ("Agreement") is entered into between the California Air Resources Board ("ARB"), with its principal office at 1001 I Street, Sacramento, California 95814, David Meyer ("MEYER"), Pacific Automobile Exchange, Inc. doing business as Aprilia Sherman Oaks ("SHERMAN OAKS"), and Pacific Automobile Exchange, Inc. doing business as Aprilia of Thousand Oaks ("THOUSAND OAKS"), collectively, with their principal place of business at 13629 Ventura Boulevard, Sherman Oaks, California 91423.

I. RECITALS

- (1) California Health and Safety Code section 43151 states, "No person who is a resident of, or who operates an established place of business within this state shall import, deliver, purchase, rent, lease, acquire, or receive a new motor vehicle, new motor vehicle engine, or motor vehicle with a new motor vehicle engine for use, registration, or resale in this state unless such motor vehicle engine or motor vehicle has been certified pursuant to this chapter. No person shall attempt or assist in any such action."
- (2) Health and Safety Code section 43152 states, "No person who is engaged in this state in the business of selling to an ultimate purchaser, or renting or leasing new motor vehicles or new motor vehicle engines, including, but not limited to, manufacturers, distributors, and dealers, shall intentionally or negligently import, deliver, purchase, receive, or otherwise acquire a new motor vehicle, new motor vehicle engine, or vehicle with a new motor vehicle engine which is intended for use primarily in this state, for sale or resale to an ultimate purchaser who is a resident of or doing business in this state, or for registration, leasing or rental in this state, which has not been certified pursuant to this chapter. No person shall attempt or assist in any such act."
- (3) Health and Safety Code section 43153 states, "No person who is engaged in this state in the business of selling to an ultimate purchaser or renting or leasing new motor vehicles or new motor vehicle engines, including, but not limited to, manufacturers, distributors, and dealers, shall intentionally or negligently sell, or offer to sell, to an ultimate purchaser who is a resident of or doing business in this state, or lease, offer to lease, rent, or offer to rent, in this state any new motor vehicle, new motor vehicle engine, or vehicle with a new motor vehicle engine, which is intended primarily for use or for registration in this state, and which has not been certified pursuant to this chapter. No person shall attempt or assist in any such action."
- (4) Health and Safety Code sections 39018 and 39019 define a motor vehicle as non-California certified if it does not possess an emission control system approved for use in California by ARB. California Health and Safety Code section 39042 and 43156 define a new motor vehicle as a vehicle that has an odometer reading of less than 7,500 miles.
- (5) Pursuant to Health and Safety Code section 43154, any person who violates any provision of this part, shall be subject to a civil penalty not to exceed five thousand dollars (\$5,000) per vehicle.

SETTLEMENT AGREEMENT AND RELEASE

ARB and Aprilia of Sherman Oaks/Aprilia of Thousand Oaks

Page 2 OF 7

- (6) At the time David Meyer owned and/or operated THOUSAND OAKS, David Meyer and/or THOUSAND OAKS removed the emission control devices from eleven new Aprilia motorcycles that were certified by ARB for use and sale in California. The resulting motorcycles were thus uncertified. David Meyer and/or THOUSAND OAKS offered for sale, in California, and/or attempted or assisted in such actions, new Aprilia motorcycles (the "THOUSAND OAKS VEHICLES") with under 7,500 odometer miles for use or registration in California that were not certified for sale or use in California pursuant to Chapter 2 of Part 5 of Division 26 of the Health and Safety Code in that these vehicles were not certified by ARB as meeting California emissions standards and that said actions on the part of David Meyer and/or THOUSAND OAKS were unlawful and in violation of Health and Safety Code section 43151-43153.
- (7) David Meyer and/or SHERMAN OAKS offered for sale one new Aprilia motorcycle (the "SHERMAN OAKS VEHICLE") with under 7,500 odometer miles to California customers that was not certified for sale or use in California pursuant to Chapter 2 of Part 5 of Division 26 of the Health and Safety Code in that this vehicle was not certified by ARB as meeting California emissions standards and that said actions on the part of David Meyer and/or SHERMAN OAKS were unlawful and in violation of Health and Safety Code section 43151-43153.
- (8) ARB contends that if the allegations described in recital paragraphs (1) through (7) hereinabove were proven, penalties could be imposed against MEYER pursuant to Health and Safety Code section 43154 for each and every violation alleged.
- (9) MEYER fully and timely cooperated with ARB in the investigation of offers and sales of Aprilia motorcycles to California customers by self-disclosing the subject vehicles, unlawful acts by MEYER, invoices, and other relevant information. The self-disclosed information could not have been discovered by ARB through traditional investigatory means such as the Department of Motor Vehicles' database and documents.
- (10) In selling the THOUSAND OAKS VEHICLES, MEYER took fully compliant motorcycles and removed the emission control devices (de-restricted) at the request of the customers. MEYER clearly told its customers that the vehicles may only be used for racing purposes. MEYER did not intentionally or negligently mislead its customers by misrepresenting the purpose/use of the motorcycles.
- (11) MEYER promptly removed the SHERMAN OAKS VEHICLE from the State and provided satisfactory evidence to ARB investigators.
- (12) MEYER fully disclosed in writing to ARB the violations promptly after the violations were discovered.
- (13) MEYER took the initiative to find violations and promptly report them, rather than reacting to knowledge of a pending enforcement action or third party complaint.

(14) MEYER alleges, and provided satisfactory evidence to ARB, that he was misled by Piaggio Group Americas, Inc. ("PIAGGIO") (importer and manufacturer of Aprilia motorcycles) into believing that de-restricted motorcycles are registered like any other motorcycle, and license plates are provided to the customers. MEYER had no reason to believe otherwise, and in fact, did not believe otherwise. While PIAGGIO knew how its vehicles were certified, whether in the restricted or de-restricted configuration, MEYER did not know and had no way to discover this, other than statements made by PIAGGIO. Based on the material misrepresentations by PIAGGIO, MEYER reasonably and detrimentally relied on the misrepresentations and offered and/or sold the THOUSAND OAKS VEHICLES to California customers.

(15) Upon learning that de-restricting the Aprilia motorcycles was illegal, MEYER immediately ceased such actions.

(16) The violation (or similar violation) did not occur at the same facility within the past three years.

(17) The violations did not present an imminent or substantial endangerment to, human health or the environment, and did not violate the specific terms of any judicial or administrative order, or consent agreement.

(18) MEYER admits the facts as alleged in recital paragraphs (1) through (7) above.

(19) MEYER is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

II. TERMS AND RELEASE

In consideration of ARB not filing a legal action against MEYER for the alleged violations referred to above, ARB and MEYER agree as follows:

(1) As a condition of this Agreement, David Meyer and SHERMAN OAKS, jointly and severally, shall pay the total sum of sixty thousand dollars (\$60,000.00) as a penalty to the California Air Pollution Control Fund, subject to the following terms.

(a) Stay on Payment or Enforcement of Penalties. The enforcement in connection with the payment of forty-four thousand three hundred dollars (\$44,300) of the total penalty shall be stayed as long as the following conditions are met: (i) David Meyer and SHERMAN OAKS do not violate Health and Safety Code section 43151-43153; and (ii) David Meyer and SHERMAN OAKS do not violate the payment conditions for payment of fifteen thousand seven hundred dollars (\$15,700) as set forth below.

(b) David Meyer and SHERMAN OAKS, jointly and severally, shall pay the total penalty of fifteen thousand seven hundred dollars (\$15,700) payable by check to the California Air Pollution Control Fund in accordance with the following schedule:

- (i) Seven Thousand Five Hundred dollars (\$7,500) within 30 days of execution of this Agreement, but no later than October 1, 2011,
- (ii) Ten additional payments of Seven Hundred Forty-Five dollars (\$745) each no later than the first of each month, commencing on November 1, 2011, and
- (iii) One final payment of Seven Hundred Fifty dollars (\$750) no later than September 1, 2012.

Payments shall be made by check payable as described above and addressed to:

Mr. Kerry Albert
Air Resources Board
Enforcement Division
1001 I Street, P.O. Box 2815
Sacramento, California 95812

David Meyer and SHERMAN OAKS agree that the time period to file a lawsuit over the facts and allegations contained in the Recitals is tolled until David Meyer and SHERMAN OAKS have made all payments required by this Agreement.

(2) Effect of Untimely Payment. If a payment installment is not made within 10 days of the date specified above, the entire remaining balance shall become immediately due and payable without notice or demand. In addition, if the Attorney General files a civil action to enforce this settlement agreement, David Meyer and SHERMAN OAKS, jointly and severally, shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

(3) David Meyer and SHERMAN OAKS shall not violate Health and Safety Code section 43150 *et seq.* with respect to the importation, delivery, purchase, rental, lease, acquisition, or receipt of any new (defined as less than 7,500 odometer miles) motor vehicle, new motor vehicle engine, or motor vehicle with a new motor vehicle engine for sale, use, or registration in California unless such motor vehicle engine or motor vehicle has been certified by ARB.

(4) This Agreement shall apply to and be binding upon David Meyer and SHERMAN OAKS and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, dealers, distributors, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

(5) Now therefore, in consideration of the payment on behalf of David Meyer and SHERMAN

OAKS in the amount of fifteen thousand seven hundred dollars (\$15,700) payable to the California Air Pollution Control Fund, ARB hereby releases David Meyer and SHERMAN OAKS and its principals, officers, agents, employees, shareholders, dealers, distributors, subsidiaries, predecessors and successors from any and all claims for past violations of Health and Safety Code section 43150 *et seq.* ARB may have based on the events described in paragraphs (1) - (6) of the Recitals. The undersigned represent that they have the authority to enter this Agreement.

(6) This Agreement constitutes the entire agreement and understanding between ARB, David Meyer, and SHERMAN OAKS concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between ARB, David Meyer, and SHERMAN OAKS concerning these claims.

(7) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.

(8) Advice of Counsel. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

(9) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules.

(10) Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.

(11) Waiver. The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

(12) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

(13) **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39617) requires the ARB to provide information on the basis for the penalties it seeks. This required information, which is provided throughout this settlement agreement, is summarized here.

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43024.

The per unit penalty in this case is a maximum of \$5000 per unit per strict liability violation. The penalty obtained in this case is \$1,200.00 per unit for 11 units (THOUSAND OAKS VEHICLES) and \$2,500 per unit for 1 unit (SHERMAN OAKS VEHICLE). This reflects the facts that this was an unintentional, first time violation; MEYER's unusually diligent efforts to comply and to promptly and fully cooperate with the investigation; the nature and means of discovery of the violations; the corrective and remedial measures taken; the measures taken to prevent recurrences; the lack of imminent and substantial endangerment to human health or the environment; the lack of violation of any specific term of any judicial or administrative order or consent agreement; the limited magnitude of excess emissions; and the impact of current economic conditions and the resulting impact on margins in the industry.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

ARB alleges that the penalty provision being applied in this case, Health and Safety Code section 43154, is appropriate because MEYER allegedly acquired, and/or offered for sale the subject vehicles that were not certified by ARB.

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The provisions cited above do not prohibit emissions above a specified level. It is not practicable to quantify these emissions, because the information necessary to do so, such as emission rates and time of use, is not available. There are no testing results available that would indicate how much emissions increased as a result of removal of the emission control devices. However, since the reconfigured vehicles were not certified for sale in California, emissions attributable to them are illegal. The parties had adequate opportunity to conduct such testing, but elected not to do so in the interests of settlement and because of the time and expense involved.

(14) MEYER acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health and Safety Code section 43024, has explained the manner in which the penalty amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the penalty is being assessed, and has considered and determined that this penalty is not being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

(15) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar case negotiation, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain period of time, considered together with the complete circumstances of this case. The penalty was discounted in this matter for the reasons stated above, including the fact that this was an innocent, first time violation and because MEYER made unusually diligent efforts to comply and to cooperate with the ARB's investigation. Penalties in future cases might be smaller or larger on a per unit basis.

(16) The penalty in this case was based in part on confidential business information provided by MEYER that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and MEYER that ARB does not retain in the ordinary course of business either. The penalty also reflects ARB's assessment of the relative strength of its case against MEYER, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that MEYER may have secured from its actions.

California Air Resources Board

By: Ellen M. Peter
Name: Ellen M. Peter
Title: Chief Counsel
Date: 10/13/2011

David Meyer

By: David Meyer
Name: David Meyer, individually
Date: 10/6/11

**Pacific Automobile Exchange, Inc., dba Aprilia
of Thousand Oaks**

By: David Meyer
Name: David Meyer
Date: 10/6/11