SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Agreement") is entered into between the State of California Air Resources Board (CARB), with its principal office at 1001 "I" Street, Sacramento, California, 95814 and TAP Worldwide, LLC dba 4 Wheel Parts (TAP) with its principal place of business at 400 West Artesia Boulevard, Compton, California, 90220. As used in this Agreement, the term "the Parties" refers to CARB and TAP. The Effective Date of this Agreement shall be October 8, 2014.

RECITALS

1. California Vehicle Code section 27156(c) provides that "No person shall install, sell, offer for sale, or advertise any device intended for use with, or as a part of, any required motor vehicle pollution control device or system which alters or modifies the original design or performance of any such motor vehicle pollution control device or system."

2. Vehicle Code section 27156(h) provides that the prohibitions in subsection (c) do not apply to a device found by resolution of CARB not to reduce the effectiveness of any required motor vehicle pollution control device or result in vehicle emissions that violate applicable state or federal standards. Devices or systems described in Vehicle Code section 27156 that have not been approved by CARB are referred to below as "non-CARB exempted aftermarket parts".

3. California Code of Regulations, title 13, section 2222(e) states, "The executive officer may exempt add-on and modified parts based on an evaluation conducted in accordance with the 'Procedures for Exemption of Add-on and Modified Parts,' [The Aftermarket Parts Procedures] adopted by the state board on November 4, 1977, as amended June 1, 1990."

4. California Code of Regulations, title 13, section 2222(b) prohibits advertisement in California of any non-CARB exempted aftermarket part, which alters or modifies the original design or performance of any required motor vehicle pollution control device or system unless each advertisement contains a legally adequate disclaimer.

5. California Code of Regulations, title 13, section 2222, subdivision (h)(2) provides, "On or after January 1, 2009, the Executive Officer shall exempt new aftermarket catalytic converters from the prohibitions of California Vehicle Code sections 27156 and 38391 based on an evaluation conducted in accordance with the 'California Evaluation Procedures for New Aftermarket Catalytic Converters' [The Catalytic Procedures] as adopted by the state board on October 25, 2007."

6. The Catalytic Procedures provide, "No catalytic converter shall be sold, offered for sale, advertised, or installed on California vehicles until a complete application has been submitted, and an exemption for the catalytic converter based on the application has been issued by ARB."

7. The Aftermarket Parts Procedures provide, "Examples of emission related parts are shown in Appendix 1 of these procedures. Such parts require an exemption from the prohibitions of Sections 27156 and 38391 of the California Vehicle Code…in order to be legally advertised, offered for sale, sold, or installed in California."

8. In addition, California Code of Regulations, title 13, section 2225, subdivision (a) provides, in pertinent part, that the Executive Officer may seek fines for violations of Vehicle Code section 27156 or other laws or regulations, as applicable.

9. Health and Safety Code section 43016 states "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty not to exceed five hundred dollars ($500) per vehicle, portable fuel container, spout, engine, or other unit subject to regulation under this part..."

10. ARB alleges that prior to the date of this Agreement, and more specifically, between November 2009 and the Effective Date, TAP sold, offered for sale, and/or advertised aftermarket performance parts and catalytic converters in California ("Subject Aftermarket Parts"). None of these were exempted by CARB pursuant to Vehicle Code section 27156(h) and title 13, California Code of Regulation section 2222.

11. Penalties for the violations described above could be imposed against TAP pursuant to Health and Safety Code section 43016.

12. TAP fully cooperated with CARB throughout its investigation.

13. Upon learning of the potential, alleged violations, TAP immediately ceased selling any non-CARB exempted aftermarket part into California.

14. TAP has no prior enforcement record with ARB.

15. TAP is implementing a compliance plan to ensure that its vendors, manufacturers and customers understand which aftermarket parts are lawful or unlawful for specific applications.

16. TAP admits the facts in recital paragraphs 1 through 11 above, but denies any wrongdoing or liability arising out of those facts

17. TAP is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with CARB. CARB accepts this Agreement in termination of this matter as of the Effective Date. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

RELEASE

In consideration of CARB not filing any legal or administrative action against TAP for the alleged violations referred to above up through the Effective Date of this Agreement, CARB and TAP agree as follows:

1. As a condition of this Agreement, TAP shall pay the sum of three hundred seventy-five thousand five hundred and sixty-three dollars ($375,563) as a penalty by cashier's checks payable to the **California Air Pollution Control Fund.** This amount shall be paid in two installments. The first installment of one hundred twenty-five thousand five hundred and sixty-three dollars ($125,563) shall be due and payable no later than January 15, 2015. The second installment of two hundred fifty thousand dollars ($250,000) shall be due and payable no later than May 29, 2015.

2. As a further condition of this Agreement, TAP shall pay an additional amount of one hundred twenty-five thousand one hundred and eighty-seven dollars ($125,187) to the School Bus and Diesel Emission Reduction Supplemental Environmental Project (SEP). Payment shall be made by cashier's check no later than November 21, 2014, payable to the "**San Joaquin Valley Air Pollution Control District**" and "For School Bus and Diesel Emission Reduction SEP" shall be annotated in the Note or Memo line on the check.

3. All checks shall be mailed to the following address along with the attached Settlement Agreement Payment Transmittal Form:

Air Resources Board
Accounting Branch
P.O. Box 1436
Sacramento, CA 95812-1436

4. Effect of Untimely Payment. If a payment or payment installment is not made within ten (10) business days of the date specified above, the entire remaining balance, plus a penalty interest rate of 10% per annum on the entire remaining balance from the date initially due shall become immediately due and payable without notice or demand.

5. If the Attorney General files a civil action to enforce this settlement agreement, TAP shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

6. Acceleration clause – anticipatory repudiation. It is agreed that if TAP at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving TAP, or a proceeding or petition under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, or receivership law or statute is filed by or against TAP, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of TAP's properties, or if any

deposit account or other property of TAP be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or TAP takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.

7. It is agreed that the penalty described in terms and release paragraph (1) is punitive in nature, rather than compensatory. Furthermore, this penalty is payable to and for the benefit of CARB, a governmental unit. Therefore, it is agreed that this penalty imposed on TAP by CARB arising from the facts described in recital paragraphs 1–11 are nondischargeable under title 11, United States Code section 523 (a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty or forfeiture payable to and for benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

8. TAP shall not install, sell, offer for sale, or advertise any device in California intended for use with, or as a part of, any required motor vehicle pollution control device or system which alters or modifies the original design or performance of any such motor vehicle pollution control device or system unless it has first received an exemption from CARB or TAP can affirmatively demonstrate that the device is used exclusively for racing purposes.

9. This Agreement shall apply to and be binding upon TAP and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, dealers, distributors, and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

10. Now therefore, in consideration of the payment by TAP in the amount of three hundred seventy-five thousand five hundred and sixty-three dollars ($375,563), to the California Air Pollution Control Fund, and one hundred twenty-five thousand one hundred and eighty-seven dollars ($125,187) to the School Bus and Diesel Emission Reduction, as of the Effective Date (defined herein), CARB hereby forever releases TAP and its principals, officers, agents, subsidiaries, predecessors, and successors from any and all claims CARB may have based on the violations described in recital paragraphs 1 through 11 under Vehicle Code section 27156 and title 13, California Code of Regulations section 2222 et seq. for the Subject Aftermarket Parts. The undersigned represent that they have the authority to enter into this Agreement.

11. This Agreement constitutes the entire agreement and understanding between CARB and TAP 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 CARB and TAP concerning these claims.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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 to the extent necessary to fulfill the Agreement's purpose and the intent of the parties.

17. 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.

18. **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health & Saf. Code § 39619.7) requires the CARB 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 $500 per unit for any violation of the laws and regulations listed herein. (Health & Saf. Code § 43016.) The penalty obtained in this case is $250 per unit for the sale of 2,003 units. This reflects the facts that this was an unintentional, first time violation and TAP's diligent efforts to comply and to cooperate with the investigation.

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

CARB alleges that the penalty provision being applied in this case, Health and Safety Code section 43016, is appropriate because TAP allegedly sold, and/or offered for sale, and/or advertised the subject non-California certified parts that were not exempted pursuant to California Code of Regulations, title 13, section 2222 and Vehicle Code section 27156 .

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. However, since the aftermarket parts involved in this case are illegal for use or sale in California, all of the emissions attributable to them are illegal and in excess.

19. TAP acknowledges that CARB has complied with SB 1402 in prosecuting and settling this case. Specifically, CARB 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.

20. 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 based on the fact that this was an innocent, first time violation and because TAP made more than diligent efforts to comply and to cooperate with the ARB's investigation. Penalties in future cases, if any, might be smaller or larger on a per unit basis.

21. The penalty in this case was based in part on confidential business information provided by TAP that is not retained by CARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between CARB and TAP that CARB does not retain in the ordinary course of business. The penalty reflects CARB's assessment of the relative strength of its case against TAP, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance

with the law and remove any unfair advantage that TAP may have secured from its actions.

22. This Agreement consists of 7 pages, 17 Recitals, and 22 Terms and Release paragraphs.

California Air Resources Board

By: _____

Name: Richard W. Corey

Title: Executive Officer

Date: 12/29/2014

TAP Worldwide, LLC

By: _____

Name: Darren Marcus Salvin, Esquire

Title: TAP Worldwide, LLC
General Counsel, Executive VP

Date: NOV. 7, 2014