SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into by and between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB"), with its principal office at 1001 I Street, Sacramento, California 95814 and Cobra Engineering, Inc. (hereinafter "COBRA") with its principal place of business at 23801 E. La Palma Avenue, Yorba Linda, California 92887, collectively, "The Parties." The Effective Date of this Agreement shall be October 6, 2015.

RECITALS

1. Vehicle Code section 27156, subdivision (c) provides, in pertinent part, 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, subdivision (h) provides, in pertinent part, that this section shall not apply to an alteration, modification, or modifying device found by resolution of the State Air Resources Board to either not reduce the effectiveness of any required motor vehicle pollution control device or result in emissions from any such modified or altered vehicle which are at levels that comply with existing state or federal standards for the model year of the vehicle being modified or converted.

3. Vehicle Code section 38391 provides, in pertinent part, that "[n]o person shall install, sell, offer for sale, or advertise any device, apparatus, or mechanism intended for use with...any required off-highway vehicle pollution control device or system which alters or modifies the original design or performance of any such motor vehicle pollution control devise or system."

4. California Code of Regulations, title 13, section 2222, subdivision (b)(2) provides, in pertinent part, that "no person or company doing business in interstate commerce shall advertise in California any device, apparatus, or mechanism which alters or modifies the original design or performance of any required motor vehicle pollution control device or system and not exempted from Vehicle Code section 27156 unless each advertisement contains a legally adequate disclaimer."

5. California Code of Regulations, title 13, section 2222, subdivision (j) provides, "The Executive Officer shall exempt aftermarket critical emission control parts on highway motorcycles from the prohibitions of California Vehicle Code sections 27156 and 38391 based on an evaluation conducted in accordance with the 'California Evaluation Procedures for Aftermarket Critical Emission Control Parts on Highway Motorcycles' (The Critical Emission Control Procedures), as adopted on January 22, 2009, which is incorporated by reference herein."

6. For purposes of this Agreement, "aftermarket critical emission control part" means any add-on or modified part or system that is intended to replace or modify any original part or system that is designed and used primarily for the reduction of emissions (exhaust, evaporative, or both) from a highway motorcycle, and includes but is not limited to catalytic converters, oxygen sensors, and fuel and air controller modules.

7. The Critical Emission Control Procedures provide, "If the Executive Officer finds that any manufacturer, distributor, retailer, or installer is manufacturing, supplying, distributing, offering for sale, selling, advertising, or installing an aftermarket critical emission control part for use on highway motorcycles in California in violation of these evaluation procedures, he or she may enjoin said manufacturer, distributor, retailer, or installer from any further manufacture, supply, distribution, offer for sale, sale, advertisement, or installation pursuant to section 43017 of the Health and safety Code. The Executive Officer may also assess civil penalties to the extent permissible under Part 5, Division 26 of the Health and Safety Code."

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, in pertinent part, "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, as these terms are defined in this division or state board regulations."

10. ARB alleges that, between January 1, 2010 and the Effective Date, COBRA sold, offered for sale, and/or advertised aftermarket critical emission control parts for use on highway motorcycles in California (hereinafter "Subject Parts").

11. ARB alleges that the Subject Parts altered or modified the original design or performance of the motor vehicle pollution control device or system.

12. ARB alleges that the Subject Parts were not exempted by ARB pursuant to California Code of Regulations, title 13, section 2222 et seq.

13. ARB alleges that the advertisements, offers for sale, sales, and installation of the Subject Parts were unlawful and in violation of Vehicle Code sections 27156, subdivision (c) and 38391 and California Code of Regulations, title 13, section 2222 et seq.

14. COBRA is a California corporation doing business in California.

15. COBRA promptly and fully cooperated with ARB throughout its investigation.

16. ARB alleges that if the allegations described in recital paragraphs 1-13 were proven, civil penalties could be imposed against COBRA as provided in Health and Safety Code section 43016.

17. COBRA admits the facts in recital paragraphs 1 through 13, but denies any liability arising thereunder.

18. COBRA 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.

TERMS AND RELEASE

In settlement of any and all claims that ARB has against COBRA for the violations alleged above, and in consideration of ARB not filing a legal action as well as the other terms set out below, ARB and COBRA agree as follows:

1. As a condition of this Agreement, COBRA shall pay the total sum of fifty eight thousand dollars ($58,000.00) as a penalty by certified check or wire transfer to the **California Air Pollution Control Fund** in accordance with the following schedule.

   a. Fourteen thousand five hundred dollars ($14,500.00) shall be paid upon execution of this Agreement.

   b. Fourteen thousand five hundred dollars ($14,500.00) shall be paid no later than January 4, 2016.

   c. Fourteen thousand five hundred dollars cents ($14,500.00) shall be paid no later than April 4, 2016.

   d. Fourteen thousand five hundred dollars ($14,500.00) shall be paid no later than July 4, 2016.

The signed Agreement and any future mailings or documents required per the terms of this Settlement Agreement shall be mailed to:

Tony Zeng/Air Resources Engineer
Air Resources Board, Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, CA 91731

Each check shall be accompanied with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) and sent to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

Each wire transfer shall be accompanied with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) and sent to:

State of California Air Resources Board
c/o Bank of America, Inter Branch to 0148
Routing No. 0260-0959-3 Account No. 01482-80005
Notice of Transfer: Asha Sharma Fax: (916) 322-9612
Reference: ARB Case # MSES-12-025

Wire Transfer Fee: Vendor is responsible for any bank charges incurred for processing wire transfers.

Notification of each wire transfer shall be provided to:

Tony Zeng
California Air Resources Board
Enforcement Division
Tony.Zeng@arb.ca.gov
(626) 350-6505

2. 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.

3. It is agreed that if COBRA at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving COBRA, 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 COBRA, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of COBRA's properties, or if any deposit account or other property of COBRA be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal

process, or COBRA takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.

4. 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 ARB, a governmental unit. Therefore, it is agreed that this penalty imposed on COBRA by ARB is nondischargeable under 11 U.S.C § 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.

5. COBRA shall not install, sell, offer for sale, or advertise in California any critical emission control part in violation of title 13, California Code of Regulations, section 2222 or Vehicle Code sections 27156 or 38391.

6. COBRA shall advertise each and every non-exempt part in California with one of the following disclaimers in a minimum font size 8, appearing on each page that any non-exempt part appears:

   A. "NOT LEGAL FOR SALE OR USE IN CALIFORNIA"

   B. "NOT LEGAL FOR SALE OR USE IN CALIFORNIA ON ANY POLLUTION CONTROLLED MOTOR VEHICLES"

   C. "LEGAL IN CALIFORNIA ONLY FOR RACING VEHICLES WHICH MAY NEVER BE USED, OR REGISTERED OR LICENSED FOR USE, UPON A HIGHWAY"

   D. "FOR CLOSED COURSE COMPETITION USE ONLY. NOT INTENDED FOR STREET USE."

Use of one of the above disclaimers shall be deemed a "legally adequate disclaimer" pursuant to California Code of Regulations, title 13, section 2222(b)(2). Nothing in the foregoing constitutes a waiver of, or precludes ARB from pursuing, other violations such as false advertising, including, but not limited to statements suggesting that the device performs better than the original equipment (OEM) installed by the manufacturer of that vehicle, the device is compliant with On-Board Diagnostics II (OBD II), and the device was approved by ARB unless an additional disclaimer in a minimum font size 8 stating "The ARB Executive Order or exemption is not an endorsement or approval of any emission reduction claims for the catalytic converter and is only a finding that the catalytic converter is exempt from the prohibitions of Vehicle Code section 27156" appears on each page that suggests the device was approved by ARB.

7. This Agreement shall apply to and be binding upon COBRA and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

8. Now, therefore, in consideration of the payment by COBRA to the California Air Pollution Control Fund in the amounts specified above, ARB hereby releases COBRA and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and predecessors from any and all claims that ARB may have relating to the Subject Parts or based on the allegations described in recital paragraphs 1-13, above, including any claims under Vehicle Code sections 27156 and 38391. The undersigned represent that they have the authority to enter this Agreement.

9. This Agreement constitutes the entire agreement and understanding between ARB and COBRA 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 and COBRA concerning these claims.

10. 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.

11. 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.

12. 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.

13. 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.

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. 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.

16. The parties agree that this Settlement Agreement may be executed by facsimile and in counterparts by the Parties and their representatives, and the counterparts shall collectively constitute a single, original document, notwithstanding the fact that the signatures may not appear on the same page.

17. SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) 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 $500 per unit per strict liability violation. The penalty obtained in this case is $250 per unit for 232 units. This reflects COBRA's diligent efforts to comply and its cooperation with the investigation.

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 is this case, Health and Safety Code section 43016, is appropriate because COBRA allegedly sold, and/or offered for sale, and/or advertised the subject non-California certified critical emission control parts that were not exempted pursuant to Title 13, California Code of Regulations section 2222.

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 the use of the uncertified critical emission control parts. However, since the critical emission control parts were not certified for sale in California,

emissions attributable to them are illegal and excess as well. In the interests of settlement and because of the time and expense involved, the parties elected not to do such testing.

18. COBRA 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.

19. 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 COBRA made 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.

20. The penalty in this case was based in part on confidential business information provided by COBRA 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 COBRA 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 COBRA, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that COBRA may have secured from its alleged actions.

California Air Resources Board	**COBRA Engineering, Inc.**
By: Ellen M. Peter	By:
Name: Ellen M. Peter	Name: Tim McCool
Title: Chief Counsel	Title: President
Date: 11/23/2015	Date: 10/21/2015