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 COMPETITION SPECIALTIES, INCORPORATED (hereinafter "CSI") with its principal place of business at 2402 West Valley Highway North Auburn, Washington 98001.

RECITALS

1. California Vehicle Code section 27156(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(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. California Code of Regulations, title 13, section 2225(a) provides, in pertinent part, that the Executive Officer may seek fines for violations of applicable laws and regulations.

4. 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." California Health and Safety Code section 43008.6 provides that "The state board may collect a civil penalty not to exceed one thousand five hundred dollars ($1,500) for each violation of Section 27156 of the Vehicle Code."

5. CSI is a wholesale distributor of, inter alia, new aftermarket non-original equipment performance parts.

6. ARB alleges that between May 18, 2012 and May 18, 2015, CSI, sold, offered for sale, and/or advertised two hundred seventy-six (276) aftermarket performance parts (hereinafter "Subject Parts").

7. The subject parts alter or modify the original design or performance of the motor vehicle pollution control device or system.

8. The subject parts are not exempted by ARB pursuant to California Code of Regulations, title 13, section 2222 et seq.

9. The supplying, distributing, selling, offering for sale, and/or advertising in California of the subject parts were unlawful and in violation of Vehicle Code section 27156(c) and title 13, CCR section 2222 et seq.

10. CSI has no prior enforcement record with ARB.

11. ARB alleges that if the facts described in recital paragraphs 1-9 were proven, civil penalties could be imposed against CSI as provided in Health and Safety Code section 43016.

12. CSI admits the facts described in recital paragraphs 1-9, but denies any liability arising therefrom.

13. CSI 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 consideration of ARB not filing a legal action against CSI for the violations alleged above, and in consideration of the other terms set out below, ARB and CSI agree as follows:

1. As a condition of this Settlement Agreement, CSI shall pay the sum of one hundred three thousand five hundred dollars ($103,500) as a penalty by certified check payable to the **California Air Pollution Control Fund**. This amount shall be paid in two installments. The first installment of fifty-one thousand seven hundred fifty dollars ($51,750) shall be due and payable within 10 days of execution of this Settlement Agreement. The second installment of fifty-one thousand seven hundred fifty dollars ($51,750) shall be due and payable no later than August 31, 2016.

2. As a further condition of this Agreement, CSI shall pay an additional amount of thirty-four thousand five hundred dollars ($34,500) to the School Bus and Diesel Emission Reduction Supplemental Environmental Project (SEP) within 10 days of execution of this Settlement Agreement. Payment shall be made by certified check 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. This portion ($34,500) of the aggregate settlement amount is not deemed to be a payment of a fine or penalty, but rather a payment by CSI in settlement of a disputed claim.

Please send the signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:

Gretchen Ratliff
Air Resources Board, Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, CA 91731

Please send a copy of the signed Settlement Agreement and payment using the attached "Settlement Agreement Payment Transmittal Form" to:

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

3. CSI shall not supply, distribute, offer for sale, sell, or advertise in California any aftermarket part in violation of title 13, CCR, section 2222 or Vehicle Code section 27156.

4. CSI shall advertise each and every non-exempt part in California with one of the following disclaimers:

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

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

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

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

   E. Any other disclaimer language approved by ARB in writing.

5. This Agreement shall apply to and be binding upon CSI and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees,

subsidiary and parent corporations and predecessors and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

6. Now, therefore, in consideration of the payment by CSI to the California Air Pollution Control Fund and the San Joaquin Valley Air Pollution Control District in the amounts specified above, ARB hereby releases CSI 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 based on the facts and allegations described in recital paragraphs 1-9, above. The undersigned represent that they have the authority to enter this Agreement.

7. This Agreement constitutes the entire agreement and understanding between ARB and CSI 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 CSI concerning these claims.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. Captions. The captions by which the sections and subsections of this Agreement are identified are for convenience only, and shall have no effect whatsoever upon their interpretation.

14. This Agreement may be executed by facsimile and in multiple counterparts, each of which shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

15. 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.

16. 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 penalty obtained in this case is $500.00 per unit for 276 units.

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

The penalty provisions applied in this case are Health and Safety Code sections 43008.6 and 43016 because CSI sold aftermarket parts in California that were not exempted 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 the use of the uncertified aftermarket critical emission control parts. However, since the aftermarket critical emission control parts were not certified for sale in California, emissions attributable to them are illegal and excess. 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.

17. CSI 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.

18. 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.

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

20. This Agreement consists of 6 pages, 13 Recitals, and 20 Terms and Release paragraphs.

California Air Resources Board	**Competition Specialties, Inc.**
By: _____	By: _____
Name: Richard W. Corey	Name: KEN WOOMER
Title: Executive Officer	Title: PRESIDENT
Date: 4/25/2016	Date: 3-8-16