SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (hereinafter "Agreement") is entered into between the State of California Air Resources Board (hereinafter "CARB"), with its principal office at 1001 "I" Street, Sacramento, California, 95812, and DAE-IL USA, INC, dba Custom Chrome, a Delaware corporation (hereinafter "Custom Chrome") with its principal place of business at 155 East Main Avenue, Suite 150, Morgan Hill, California 95037, each, individually a "Party," and collectively, the "Parties" hereinafter.

RECITALS

A. WHEREAS, California Vehicle Code (VC) section 27156, subdivision (c) provides, in part:

> (c) No person shall install, sell, offer for sale, or advertise any device, apparatus, or mechanism intended for use with, or as a part of, a required motor vehicle pollution control device or system that alters or modifies the original design or performance of the motor vehicle pollution control device or system.

B. WHEREAS, VC section 27156(h) provides:

> (h) This section shall not apply to an alteration, modification, or modifying device, apparatus, or mechanism found by resolution of the State Air Resources Board to do either of the following: (1) Not to reduce the effectiveness of a required motor vehicle pollution control device. (2) To result in emissions from the modified or altered vehicle that are at levels that comply with existing state or federal standards for that model-year of the vehicle being modified or converted.

C. WHEREAS, VC section 38391 provides:

> No person shall install, sell, offer for sale, or advertise any device, apparatus, or mechanism intended for use with, or as a part of, any required off-highway 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.

D. WHEREAS, VC section 38395 provides:

> This article shall not apply to an alteration, modification, or modifying device, apparatus, or mechanism found by

> resolution of the State Air Resources Board either: (a) To not reduce the effectiveness of any required off-highway motor vehicle pollution control device; or (b) To result in emissions from any such modified or altered off-highway vehicle which are at levels which comply with existing state or federal standards for that model year of the vehicle being modified or converted.

E. WHEREAS, Title 13, California Code of Regulations (CCR) section 2222(j) states:

> (j) 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," as adopted on January 22, 2009, which is incorporated by reference herein.

F. WHEREAS, California Health and Safety Code section 43016 provides, in 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, portal 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.

G. WHEREAS, Title 13, CCR section 2225(a) provides, in part, that the Executive Officer may seek fines for violations of Vehicle Code Section 27156.

H. WHEREAS, aftermarket, non-original equipment "emissions-related" parts (e.g. exhaust parts or systems) can be legally advertised and sold under California emissions laws, including VC section 27156(c), if either (a) the part is a "replacement part"; (b) the part is an "add-on" or "modified" part that has received an exemption from the Executive Officer ("EO") of CARB, (c) the part is sold or installed for use on a vehicle that did not come originally equipped with a catalytic converter, or (d) the part is sold for use on a racing vehicle which is never used upon a highway and the advertisement contains a legally adequate disclaimer. See 13 CCR § 1900(b)(1),(3), (14), (20); 13 CCR §§ 2221(a); Cal. Veh. Code § 27156(h); Cal Health & Saf. Code § 39048; Cal. Health & Saf. Code § 43001; 13 CCR § 2222(b)(2); see also CARB's "Replacement Parts

Guidelines – Aftermarket, Performance and Add-On Parts Regulations." http://www.arb.ca.gov/msprog/aftermkt/replace.htm

I. WHEREAS, "emissions-related part" is defined to mean "any automotive part, which affects any regulated emissions from a motor vehicle which is subject to California or federal emissions standards." 13 CCR § 1900(b)(3).

J. WHEREAS, a "replacement part" is defined to mean "any aftermarket part intended to replace an original equipment emission-related part and which is functionally identical to the original equipment part in all respects which in any way affect emissions." 13 CCR § 1900(b)(20). Replacement parts are presumed to be legal for use on pollution controlled vehicles and do not require CARB exemptions unless the Executive Officer makes a finding to the contrary. See 13 CCR § 2221(a); *see also* CARB's "Replacement Parts Guidelines – Aftermarket, Performance and Add-On Parts Regulations." http://www.arb.ca.gov/msprog/aftermkt/replace.htm. CARB states that it requires that the manufacturer of any replacement part shall maintain sufficient records for four years from the year of manufacture to substantiate that the part is in compliance with CARB's regulations.

K. WHEREAS, a "modified part" is defined to mean "any aftermarket part intended to replace an original equipment emissions-related part and which is not functionally identical to the original equipment part in all respects which in any way affect emissions, excluding a consolidated part." 13 CCR § 1900(b)(14).

L. WHEREAS, an "add-on" part is defined to mean "any aftermarket part which is not a modified part or a replacement part." 13 CCR § 1900(b)(1).

M. WHEREAS, a "racing vehicle" is defined to mean "a competition vehicle not used on public highways." Cal. Health & Saf. Code § 39048.

N. WHEREAS, "highway" is defined to mean "a way or place of whatever nature, publicly maintained and open to the use of the public for purposes of vehicular travel. Highway includes street." Cal. Veh. Code § 360.

O. WHEREAS, California Health and Safety Code section 43001 provides, in pertinent part: "The provisions of this part shall not apply to: (a) Racing vehicles. . . ."

P. WHEREAS, Title 13, CCR section 2222(b)(2) states:

> (2) Except for publishers as provided in subsection 3, 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 in type size adequate to give reasonable

notice of any limitation on the sale or use of the device, apparatus, or mechanism.

Q. WHEREAS, in December 2011, CARB issued a "Subpoena" to Custom Chrome, requesting documentation concerning the advertising and sale of "new aftermarket non-original equipment catalyst exhaust systems" for motorcycles sold to dealers in California from January 22, 2009 to the date of the Subpoena.

R. WHEREAS, on March 2, 2012, September 18, 2012, and October 4, 2013, Custom Chrome provided requested documents.

S. WHEREAS, based on its review of the documents Custom Chrome provided, CARB alleges that between January 22, 2009 and December 14, 2012, in violation of California emissions laws, including VC section 27156(c), VC section 38391, and 13 CCR § 2222 *et seq.*, Custom Chrome sold to dealers in California new aftermarket non-original equipment emissions related parts that were not exempted pursuant to Title 13, CCR section 2222, under the following parts numbers: 1000200, 1000201, 1000202, 1000300, 1000302, 1000313, 2000100, 2000104, 2000106, 2000202, 3000201, 8000100, 8000101, 8000434, 18000100, 18000242, 18000434, 18010100.

T. WHEREAS, if CARB's allegations described in Recital S hereinabove were proven in a court of law, penalties could be imposed against Custom Chrome pursuant to California Health and Safety Code section 43016 for each and every violation alleged.

U. WHEREAS, Custom Chrome admits that it advertised, offered to sell, and sold in California new aftermarket non-original equipment emissions related parts, but denies any liability and alleges that: (1) it advertised, offered to sell, and sold all of the exhaust system parts at issue under California's "competition exemption" set forth under Section 43001 of the California Health and Safety Code, and pursuant to a legally adequate disclaimer pursuant to Section 2222(b)(2) of Title 13 of the California; (2) a significant number of the parts at issue constitute "replacement parts"; (3) nearly all of the parts at issue have fitments for model year motorcycles not originally equipped with a catalytic converter; and (4) some of the parts at issue were exempt pursuant to CARB Executive Order D-368-11 for model year 2010 motorcycles or earlier.

V. WHEREAS, Custom Chrome promptly and fully cooperated with CARB throughout its investigation.

W. WHEREAS, Custom Chrome has no prior enforcement record with CARB.

X. WHEREAS, Custom Chrome has voluntarily ceased the sale of non-exempt exhaust system parts to dealers in California.

Y. WHEREAS, Custom Chrome is willing to enter into this Agreement solely for the purpose of finality, settlement, and the full and complete resolution of this matter with CARB and CARB accepts this Agreement in termination of this matter.

NOW THEREFORE, for good and valuable consideration, including the mutual covenants contained herein, and intending to be legally bound, CARB and Custom Chrome agree to resolve this matter completely as follows:

1. Settlement Payment. Custom Chrome shall pay the sum of Seventy-Thousand dollars ($70,000.00) to the Air Pollution Control Fund of the California Air Resources Board, taxpayer ID number 68-0288069, in equal monthly installments of $5,000 over fourteen (14) successive months, which shall be due on the last day of each month ("Settlement Amount"). The first payment shall be due on 30 days after this agreement becomes effective. Payments shall be made by check payable to the Air Pollution Control Fund as described above. Custom Chrome shall send the signed Settlement Agreement and send payment using the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

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

2. Effect of Nonpayment, Notice of Default, and Cure. In the event Custom Chrome fails to make any installment payment of the Settlement Amount within the time specified in this Agreement, CARB will provide Custom Chrome with written notice of its default and Custom Chrome shall have ten (10) business days to cure its default, during which no litigation may be commenced by either Party. If the installment payment is not made within this 10 day cure period, Then the entire Settlement Amount, less credit for any payments received by CARB in accordance with this Agreement, shall become immediately due and payable.

3. Notices. All notices required by this Agreement shall be sent to the following via personal delivery, overnight mail using a reputable delivery courier, or U.S. Postal Services mail, certified or registered mail, return receipt requested:

For CARB

California Air Resources Board
1001 I Street, P.O. Box 2815
Sacramento, CA 95812
Attn: Diane Kiyota, Senior Attorney
diane.kiyota@arb.ca.gov

Office of the California Attorney General
455 Golden Gate Avenue, Suite 11000
San Francisco, CA 94102
Attn: Anita E. Ruud, Kyle Nast, Deputy Attorneys General
anita.ruud@doj.ca.gov; kyle.nast@doj.ca.gov

For Custom Chrome

Richard Ruger
Lim, Ruger & Kim, LLP
1055 West Seventh Street. 28th Floor
Los Angeles, CA 90017
richard.ruger@limruger.com

4. Attorneys' fees. In the event that either Party takes action, in law or equity, for an alleged breach of the Agreement, each Party shall bear their own attorneys' fees and costs incurred in connection with such action.

5. Voluntary Plan. Custom Chrome agrees not to sell any emissions-related part to any person 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 ("Non-Exempt Emissions-Related Part").

If, at any time in the future, Custom Chrome desires to sell any Non-Exempt Emissions-Related Part exclusively for racing purposes or as a part that is otherwise exempt from regulation by CARB, Custom Chrome agrees that it shall first notify CARB and provide a compliance plan that reasonably demonstrates its compliance with applicable California law.

6. Legal Disclaimer. Commencing with the publication of its next catalogue, Custom Chrome shall include the following disclaimer, in a minimum font size 8, on each page on which any aftermarket Non-Exempt Emissions-Related Part appears:

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

7. Written Notice to Custom Chrome's Authorized California Dealers and Buyback Program.

A. Within 30 days of executing this Agreement, Custom Chrome shall send to its authorized existing dealers in California the attached written notice informing them of this Agreement, and reminding them that, under California law, they may 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 (1) it has first received an exemption from CARB, or (2) the device is used exclusively for racing vehicles that may never be used, or registered or licensed for use, upon a highway, or (3) the device is otherwise exempt from regulation by CARB.

B. The notice attached hereto shall also state that any Custom Chrome authorized dealer located within the State of California that purchased from Custom Chrome a Non-Exempt Emissions-Related Part referenced in the attached notice from January 1, 2009 to the effective date of this Agreement may return such unused, unopened part if returned in its sealed, original packaging for a full credit of the dealer's purchase price. Proof of purchase from Custom Chrome will be required.

C. In addition, in the situation where a customer (end user) returns to the dealer and wishes to return or replace a non-exempt part listed in paragraph S above, Custom Chrome agrees to work with its dealers to buy-back such non-exempted parts that were purchased and installed in California on California motorcycles in cases where (1) the subject part was not damaged and (2) the part was not legally purchased for racing use only.

D. This voluntary return program mentioned in subparagraphs (B) and (C) above will be in effect while the part is covered by the warranty for that part. Custom Chrome shall report to CARB the number of Non-Exempt Emissions-Related Parts returned under this voluntary return program one and two years, respectively, after the effective date of this Agreement.

8. Binding Effect. This Agreement shall apply to, and be binding upon, Custom Chrome and its officers, directors, employees, successors and assignees, and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

9. Effective Date. This Agreement is effective on the date of the last signatory to this Agreement.

10. Release. Now, therefore, in consideration of the payment by CUSTOM CHROME to CARB in the amount specified above, CARB hereby releases Custom Chrome and Custom Chrome's principals, directors, officers, employees, agents, attorneys, insurers, manufacturers, distributors, authorized dealers, vendors, end-users, subsidiary and parent corporations, predecessors, successors and assignee's ("Releasees") with respect to and from any and all claims, demands, liens, actions, suits, causes of action, obligations, expenses, attorneys' fees, damages, penalties and liabilities of whatever kind or nature in law, equity or otherwise, including any and all claims arising from any alleged violations as of the effective date of this agreement that CARB may or might have against any of the Releasees based upon the events described in the Recital paragraphs above or arising from Custom Chrome's marketing, advertisement, sale or offer for sale of any Non-Exempt Emissions-Related Part up to and including the date of this Agreement, including but not limited to claims or potential claims under Vehicle Code sections 27156 and 38391 and Title 13, CCR section 2222 et seq.

11. Authority of Signatories. The undersigned represent that they have the authority to enter this Agreement.

12. Entire Agreement. This Agreement constitutes the entire agreement and understanding between CARB and Custom Chrome 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 Custom Chrome concerning these claims.

13. Amendment. 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.

14. 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.

15. California law. 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.

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.

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. Interpretation of Agreement. 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.

19. Facsimile and Counterpart Signatures Permissible. 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.

20. **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) requires 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 settlement amount was determined, including a per unit or per vehicle determination.

Penalties must be set at levels sufficient to discourage violations. The alleged penalties sought 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 amount in this case is a maximum of $500 per unit per strict liability violation. The Settlement Amount obtained in this case is approximately $250 per unit for approximately 280 units. This reflects the facts that this is an unintentional, first time alleged violation, Custom Chrome's unusually diligent efforts to comply and to cooperate with the investigation, the impact of recent economic conditions on Custom Chrome, and Custom Chrome's alleged factual and legal defenses to CARB's claims.

The provision of law under which the Settlement Amount is sought and why that provision is most appropriate for the alleged violation.

CARB alleges that the penalty provision invoked in this case, Health and Safety Code section 43016, is appropriate because Custom Chrome allegedly sold, offered for sale, and/or advertised the subject emissions-related parts that were not exempted pursuant to Title 13, CCR 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 is not available. There are no testing results available that would indicate how much emissions increased as a result of the use of the aftermarket non-original equipment catalyst exhaust systems. However, since these parts were not certified for sale in California for highway use, emissions attributable to those sold and installed for highway use 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.

21. Custom Chrome acknowledges that CARB has complied with SB 1402 in investigating 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 Settlement Amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the Settlement Amount was determined, and has considered and determined that the Settlement Amount is not demanded under a provision of law that prohibits the emission of pollutants at a specified level.

22. The Settlement Amount was 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 settlement amount reflects violations extending over a certain period of time, considered together with the complete circumstances of this case. The settlement amount was discounted in this matter based on the fact that Custom Chrome made unusually diligent efforts to comply and to cooperate with the CARB's investigation. Any penalties in future cases might be small or larger on a per unit basis.

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

California Air Resources Board	**DAE-IL USA, INC, dba Custom Chrome**
By:	By:
Name: Ellen M. Peter	Name: Louis Casarez
Title: Chief Counsel	Title CEO
Date: 6/17/2015	Date: 5-29-15

NOTICE

Please read this Notice carefully. It could affect your rights.

Dear Authorized Custom Chrome Dealer,

You are receiving this Notice as an authorized Custom Chrome dealer located in the State of California that may have purchased non-exempt, aftermarket non-original equipment emissions related parts distributed and sold by Custom Chrome after January 1, 2009.

The State of California prohibits the installation, sale, offer for sale, or advertisement of an any aftermarket, non-original equipment that alters or modifies the original design or performance of a pollution control device or system of a motor vehicle that is subject to California emissions laws ("Aftermarket Emissions Related Part"), unless the Aftermarket Emissions Related Part: (a) has received an exemption from California's anti-tampering laws and issued an Executive Order number by the California Air Resources Board ("CARB"); (b) is a replacement part; (c) is sold or installed for use on a vehicle that did not come originally equipped with a catalytic converter, or (d) is sold for use on a racing vehicle which is never used upon a highway and the advertisement contains a legally adequate disclaimer. See Cal. Veh. Code § 27156(c); Cal. Veh. Code § 38391; Cal. Veh. Code § 38395; Cal. Health & Safe. Code § 43016; 13 CCR § 2225(a)13 CCR § 1900(b)(1),(3), (14), (20); 13 CCR §§ 2221(a), (j); Cal. Veh. Code § 27156(h); Cal Health & Saf. Code § 39048; Cal. Health & Saf. Code § 43001; 13 CCR § 2222(b)(2); see also CARB's "Replacement Parts Guidelines – Aftermarket, Performance and Add-On Parts Regulations." http://www.arb.ca.gov/msprog/aftermkt/replace.htm.

In December 2012, CARB threatened legal action against Custom Chrome for allegedly selling to dealers in California new Aftermarket Emissions Related Parts that were not exempted by CARB pursuant to Title 13, CCR section 2222 in violation of California emissions laws under the following parts numbers: 1000200, 1000201, 1000202, 1000300, 1000302, 1000313, 2000100, 2000104, 2000106, 2000202, 3000201, 8000100, 8000101, 8000434, 18000100, 18000242, 18000434, 18010100.

Custom Chrome has denied any liability, alleging that it (1) it advertised, offered to sell, and sold all of the exhaust system parts at issue under California's "competition exemption" set forth under Section 43001 of the California Health and Safety Code, and pursuant to a legally adequate disclaimer pursuant to Section 2222(b)(2) of Title 13 of the California; (2) a significant number of the parts at issue constitute "replacement parts"; (3) nearly all of the parts at issue have fitments for model year motorcycles not originally equipped with a catalytic converter; and (4) some of the parts at issue were exempt pursuant to EO D-368-11 for model year 2010 motorcycles or earlier. CARB disputes these allegations.

Without admitting any liability and in an effort to avoid litigation costs, CARB and Custom Chrome reached an informal resolution of all of CARB's claims against Custom Chrome, in which settlement agreement Custom Chrome agreed, among other things, to implement a limited return program of nonexempt Aftermarket Emissions Related Parts. In return, CARB agreed, among other things, to release Custom Chrome and Custom Chrome's dealers from any and all claims arising from the sale, offer to sell or advertising of any nonexempt Aftermarket Emissions Related Parts as of the date of the Custom Chrome's settlement agreement with CARB, which is _____.

NOTICE OF LIMITED RETURN PROGRAM

Please be advised that with your proof of purchase from Custom Chrome, Custom Chrome's authorized dealers located in California may return for full credit of the dealer's purchase price any unopened, unused Aftermarket Emissions Related Part or System that is listed by part number in this notice below in its sealed, original packaging. Please contact Custom Chrome directly by mail at _____, or by phone at _____, to begin this process.

We thank you for your loyalty as an authorized Custom Chrome dealer. We trust that our efforts will provide you with the continued satisfaction that you have come to expect from your relationship with Custom Chrome.

PRODUCTS SUBJECT TO THE RETURN PROGRAM

Part No.	Description
1000200	
1000201	
1000202	
1000300	
1000302	
1000313	
2000100	
2000104	
2000106	
2000202	
3000201	
8000100	
8000101	
8000434	
18000100	
18000242	
18000434	
18010100	