SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (Agreement) is entered into by and between the STATE OF CALIFORNIA AIR RESOURCES BOARD (ARB), with its principal office at 1001 I Street, Sacramento, California 95814 and HDK PLASTIC FACTORY LTD., USA, (HDK), with its principal place of business at 77844 Las Montanas Road, Palm Desert, CA 92211.

RECITALS

1. California Health and Safety Code (H&SC) section 43151 (a) provides:

   "No person who either 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. H&SC section 43152 provides:

   "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, a 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. H&SC section 43153 provides:

   "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 or 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. H&SC section 43154(a) provides:

   "Any person who violates any provision of this article shall be liable for a civil penalty not to exceed five thousand dollars ($5,000.00) per vehicle."

5. HDK manufactured non-California certified electric vehicles and imported the vehicles into California. Between January, 2009, and November, 2011, inclusive, HDK Dealers offered for sale and/or sold new, model years 2009-2011, electric low-speed motor vehicles with under 7,500 odometer miles (the subject vehicles) for use or registration in California, that were not certified for sale or use in California, pursuant to H&SC, chapter 2 of part 5 of division 26, in that the subject vehicles were not certified by ARB as meeting California emissions standards.

6. HDK stipulates to the violations of H&SC cited in the foregoing recitals.

7. ARB alleges that if the facts described in recital paragraphs (1) through (6) were proven, civil penalties could be imposed against HDK as provided in H&SC § 43154.

8. HDK admits the facts described in Recital paragraphs (1) through (6).

9. HDK has fully cooperated throughout the investigation.

10. In total, 132 uncertified electric vehicles were sold and registered throughout California.

TERMS AND RELEASE

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

1. HDK shall pay the sum of twenty-five thousand dollars ($25,000.00) to the **California Air Pollution Control Fund** as a penalty. The penalty shall be paid in two (2) payments. An initial payment of twelve-thousand five hundred dollars ($12,500) shall be paid within 30 days of execution of this Agreement. One (1) additional payment of twelve-thousand five hundred dollars ($12,500) shall be made one year later.

Please submit payment with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

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

2. It is agreed that if HDK at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving HDK, 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 HDK, or a trustee in bankruptcy, custodian, receiver, or agent is appointed or authorized to take charge of any of HDK's properties, or if any deposit account or other property of HDK be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or HDK takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.

3. This Agreement shall apply to and be binding upon HDK 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.

4. Now, therefore, in consideration of the payment by HDK to the California Air Pollution Control Fund in the amount specified above, ARB hereby releases HDK and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, affiliates, customers, end-users, and suppliers from any and all claims that ARB may have based on the facts and allegations described in recital paragraph 10, above. The undersigned represent that they have the authority to enter this Agreement.

5. This Agreement constitutes the entire agreement and understanding between ARB and HDK 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 HDK concerning these claims.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

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. **SB 1402 Statement**

Senate Bill 1402 (Dutton, chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (see H&SC section 39619.7). This 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 H&SC section 43024 (H&SC § 43024). The per-vehicle penalty in this case is a maximum of $5,000.00 per unit per strict liability violation. The penalty obtained in this case is approximately $190.00 per vehicle for one hundred thirty two vehicles, for a total of $25,000.00. The penalty was significantly reduced because this is an innocent, first-time violation involving electric vehicles and because the violator fully cooperated with the investigation and is experiencing extreme financial hardship.

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

The penalty provision being applied in this case is HSC § 43154 because HDK brought into commerce uncertified electric vehicles into California, in violation of H&SC §§ 43151-43153.

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.

13. HDK 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 H&SC § 43024, has explained the manner in which the penalty amount was calculated, 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.

14. 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 cases, and the potential costs and risk associated with litigating these particular violations. Penalties in future cases might be smaller or larger on a per unit basis.

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

16. HDK represents that it understands the legal requirements applicable to introducing non-California certified vehicles into California. Should HDK decide to import vehicles into California, HDK will ensure that the vehicles meet all applicable ARB requirements prior to importation.

California Air Resources Board

By: Ellen M. Peter

Name: Ellen M. Peter
Title: Chief Counsel
Date: 1/24/2015

HDK Plastic Factory LTD., USA

By: Vivian Tang

Name: Vivian Tang
Title: Vice President, HDK Plastic Factory LTD., USA
Date: Jan 8th 2015