SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and Imperial Industrial Supply Co. Inc. (hereinafter "IMPERIAL") with its principal place of business at 1669 Puddingstone Drive, La Verne, California 91750.

I. RECITALS

(1) California Code of Regulations, title 13, section 2400(a)(2) states, "Every new small off-road engine that is manufactured for sale, sold, or offered for sale in California, or that is introduced, delivered or imported into California for introduction into commerce, and that is subject to any of the standards prescribed in this article must be covered by an Executive Order, issued pursuant to this article."

(2) California 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 of 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 regulations. Any penalty collected pursuant to this section shall be payable to the State Treasurer for deposit in the Air Pollution Control Fund."

(3) On November 18, 2011, ARB cited several non-California certified generators at Riebes Auto Parts store located at 1490 Bridge Street, Yuba City, CA, 95370.Riebes Auto Parts informed ARB that they purchased the generators from IMPERIAL. IMPERIAL was then asked to provide documentation on all non-certified generator sales since January 1st 2008.

(4) IMPERIAL provided documentation showing they had shipped out one shipment of ten non-certified generators to Riebes Auto Parts.

(5) IMPERIAL picked up and exchanged the generators as soon as they were notified of the non-certified generators.

(6) IMPERIAL fully cooperated with ARB in removing the non-certified generators from commerce in California and providing requested documentation.

II. TERMS AND RELEASE

In consideration of ARB not filing a legal action against IMPERIAL for the alleged violations referred to above, ARB and IMPERIAL agree as follows:

(1) Upon execution of this Agreement, the sum of five thousand dollars ($5,000.00) shall be paid on behalf of IMPERIAL, to the California Air Pollution Control Fund.

Send check to: Attn: Tony Zeng
Air Resources Board
Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, California 91731

(2) IMPERIAL shall not violate 13 California Code of Regulations section 2400(a)(2) with respect to the sale of non-certified small off-road engines.

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

(4) This Agreement constitutes the entire agreement and understanding between ARB and IMPERIAL concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreements of any kind or nature, whether written or oral, between ARB and IMPERIAL concerning these claims.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(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) **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39617) requires 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 $500.00 per unit per strict liability violation. The penalty obtained in this case is approximately $500.00 per unit for 10 units. This is due to the fact that IMPERIAL is a repeat violator.

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 in this case, Health and Safety Code section 43016, is appropriate because IMPERIAL allegedly sold, and/or offered for sale the subject small off-road engines that were not certified 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. However, since the generators involved in this case are illegal for use or sale in California, all of the emissions attributable to them are illegal as well.

(12) IMPERIAL 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.

(13) 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. 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 for the reasons stated above, including the fact that this was an innocent, first time violation and because IMPERIAL made unusually diligent efforts to comply and to cooperate with ARB's investigation. Penalties in future cases might be smaller or larger on a per unit basis.

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

California Air Resources Board

By: _____
Name: James R. Ryden
Title: Chief, Enforcement Division
Date: 7/30/12

Imperial Industrial Supply Co. Inc.

By: _____
Name: Robert Raskin
Title: President
Date: 7/17/2012