

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement (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, and Just Gas Tanks/North Coast Motor Sports (North Coast) with its principal place of business at 4040 Calle Platino #109, Oceanside, California, 92056.

RECITALS

1. WHEREAS, ARB alleges that between May 2010 to December 2011, North Coast sold, supplied, or offered for sale in California 9 **JAX Collapsible Jerry Can Bladders and JAX Collapsible Utility Bladders** which, at the time of sale or manufacture, did not meet all of the performance standards or administrative requirements for portable fuel containers and spouts specified in title 13, California Code of Regulations section 2467.2 and 2467.5;
2. WHEREAS, ARB alleges North Coast's actions described in recital paragraph 1 were unlawful and in violation of the Portable Fuel Containers and Spouts requirements of title 13, California Code of Regulations, section 2467 et seq.;
3. WHEREAS, ARB further alleges that if the allegations described in recital paragraph 1 hereinabove were proven, civil penalties could be imposed against North Coast pursuant to Health and Safety Code section 43016 for each and every portable fuel container involved in said violations;
4. WHEREAS, North Coast admits the allegations described in recital paragraph 1, if proven, would result in liability resulting from said allegations;
5. NOW THEREFORE, in settlement of any and all claims that the ARB has against North Coast arising from the sale, supply, offer for sale, or manufacture for sale in California of the above-described portable fuel containers in violation of title 13, California Code of Regulations section 2467.5, ARB and North Coast agree as follows:

TERMS AND CONDITIONS

1. North Coast will pay the sum of \$3,000 dollars to ARB either upon execution of the agreement or in accordance with the following schedule:
 - a. First payment of \$1000 will be paid concurrent with the execution of this Agreement.
 - b. Second Payment of \$1000 will be paid on or before August 15, 2012.
 - c. Third and final payment of \$1000 will be paid on or before September 15, 2012.
 - d. If any payment is more than 15 days late, the entire balance becomes due and payable.

2. North Coast and ARB stipulate that this Agreement shall be the final resolution by ARB of any claims it has or may have against North Coast based on or arising from the events described in recital paragraph 1 herein above, and that this Agreement shall bar re-litigation of these claims by ARB against North Coast and its current and former (a) officers, (b) employees, (c) parents, (d) subsidiaries, (e) affiliated companies, (f) shareholders and owners, and (g) successors and assigns. ARB covenants not to sue or prosecute such parties with respect to such claims.
3. 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.
4. This Agreement constitutes the entire agreement and understanding between ARB and North Coast concerning the subject matter hereof, and fully supersedes and replaces any and all prior negotiations and agreements of any kind or nature, whether written or oral, between ARB and North Coast concerning the subject matter hereof.
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 hereto.
6. **SB1402 Statement.** California Health and Safety Code (HSC) section 39619.7 Senate Bill 1402 - Dutton, Chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code section 399619.7). This information, which is provided throughout this settlement agreement, is summarized here.

The provision of law under which 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 section 43016 because North Coast introduced portable fuel containers or spouts, or both portable fuel containers and spouts into commerce in California after July 1, 2007, in violation of title 13, California Code of Regulations section 2467 *et seq.* Those regulations establish certification requirements, performance standards and administrative requirements applicable to portable fuel containers or spouts, or both portable fuel containers and spouts that are manufactured for sale, advertised for sale, sold, or offered for sale in California or that are otherwise introduced into commerce in California.

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. Under H&S Section 43016, the penalties for violations for portable fuel containers are a maximum of \$500 per unit. The penalty obtained in this case is approximately \$333 per unit for 9 units including investigation costs. The penalty was reduced because North Coast is a first time violator, demonstrated financial hardship, and was cooperative with the investigation.

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 require portable fuel containers or spouts or both portable fuel containers and spouts to demonstrate compliance with specified performance criteria in order to obtain Executive Orders. However, since the portable fuel containers or spouts, or both portable fuel containers and spouts were not certified for sale in California, emissions attributable to them are illegal. 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.

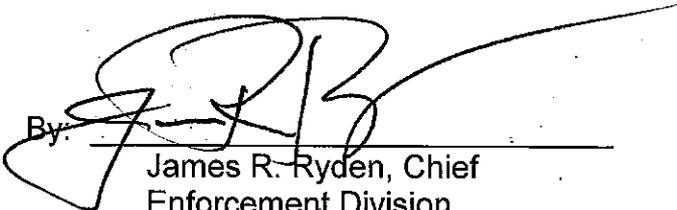
7. North Coast acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC section 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of 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.
8. 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 was reduced in this matter based on the factors listed above. Penalties in future cases might be smaller or larger on a per unit basis.
9. The penalty was based in part on confidential financial information or confidential business information provided by North Coast that is not retained by ARB in the ordinary course of business. The penalty was also based on confidential settlement communications between ARB and North Coast that ARB does not retain in the ordinary course of business. The penalty is the product of an arms-length negotiation between ARB and North Coast and reflects ARB's assessment of the relative strength of its case against North Coast, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance

with the law and remove any unfair advantage that North Coast may have secured from its actions.

10. The undersigned represent that they are authorized to enter this Agreement.

CALIFORNIA AIR RESOURCES BOARD

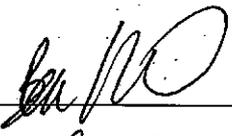
Dated: 7/23/12

By: 

James R. Ryden, Chief
Enforcement Division

NORTH COAST MOTORSPORTS/JUST GAS TANKS

Date: 7/12/12

By: 

Name: Ben Rosenthal

Title: Owner