SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (hereinafter "Agreement") is entered into between the State of California Air Resources Board (hereinafter "ARB"), with its principal office at 1001 "I" Street, Sacramento, California, and Midland International USA, (hereinafter "MIDLAND") with its principal place of business at 6025-B Boat Rock Boulevard, Atlanta, Georgia 30336.

RECITALS

1. California Code of Regulations, title 13, section 2400(a)(2) states, in pertinent part "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 Code of Regulations, title 13, section 2401(a)(39) defines "small off-road engine" as "any engine that produces a gross horsepower less than 25 horsepower (at or below 19 kilowatts for 2005 and later model year), or is designed (e.g., through fuel feed, valve timing, etc.) to produce less than 25 horsepower (at or below 19 kilowatts for 2005 and later model year), that is not used to propel a licensed on-road motor vehicle, an off-road motorcycle, an all-terrain vehicle, a marine vessel, a snowmobile, a model airplane, a model car, or a model boat... Uses for small off-road engines include, but are not limited to, applications such as lawn mowers, weed trimmers, chain saws, golf carts, specialty vehicles, generators and pumps."

3. California Code of Regulations, title 13, section 2404(e) requires a supplemental engine label when the engine label is obscured (i.e., not readily visible). The supplemental engine label must contain the full corporate name or trademark of the engine manufacturer (Cal. Code Regs., tit. 13, §§ 2404(c)(4)(B) and 2404(e)(4)); the maintenance specifications and adjustments recommended by the engine manufacturer (Cal. Code Regs., tit. 13, §§ 2404(c)(4)(E) and 2404(e)(4)); and an unconditional statement of compliance with the appropriate calendar year or model year(s) (Cal. Code Regs., tit. 13, §§ 2404(c)(4)(H) and 2404(e)(4)).

4. California Code of Regulations, title 13, section 2404(l) requires an air index label be noticeably displayed on each and every engine.

5. 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."

6. On May 30, 2013, ARB found twelve (12) Hyundai model HY3000 generators that were being offered for sale in the Costco Wholesale Corporation (COSTCO) store in Lodi, California.

7. On September 30, 2013, ARB also found seven (7) of these generators that were being offered for sale in the COSTCO store in San Juan Capistrano, California.

8. On October 1, 2013, ARB also found seven (7) of these generators that were being offered for sale in the COSTCO store in Montebello, California.

9. These generators, which contained small off-road engines, were not certified by ARB. COSTCO was contacted and the product was immediately pulled from the shelves.

10. MIDLAND subsequently reported the sales of forty-one (41) of these generators in California. The total number of uncertified generators at issue is sixty-seven (67)("subject units").

11. MIDLAND alleges that the generators were manufactured by Yongkang Xingguang Electrical Manufacture Co., Ltd., licensed by Hyundai, and imported by MIDLAND. MIDLAND further alleges that it believed the subject units to be CARB approved and that they were represented as such.

12. MIDLAND alleges that the engine label is located inside the engine cover and is not visible unless the engine cover is removed.

13. ARB alleges that the manufacture for sale, sales, or offers for sale in California, or the introduction, delivery, or import into California for introduction into commerce were unlawful and in violation of California Code of Regulations, title 13, section 2400(a)(2).

14. ARB further alleges that each and every supplemental engine label on the subject units fails to comply with the regulations.

15. ARB further alleges that MIDLAND failed to affix an air index label on the subject units.

16. MIDLAND promptly and fully cooperated with ARB in the investigation of this matter.

17. MIDLAND has no prior enforcement record with ARB.

18. ARB alleges that if the facts described in recital paragraphs 1-13 were proven, civil penalties could be imposed against MIDLAND as provided in Health and Safety Code section 43016.

19. MIDLAND admits the facts as alleged in recital paragraphs 1-13, but denies any liability arising therefrom.

20. MIDLAND 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 MIDLAND for the violations alleged above, and in consideration of the other terms set out below, ARB and MIDLAND agree as follows:

1. As a condition of this Settlement Agreement, MIDLAND shall pay the total sum of thirty-three thousand five hundred dollars ($33,500) to the California Air Pollution Control Fund in accordance with the following schedule.

    a. Sixteen thousand seven hundred fifty dollars ($16,750) shall be paid upon execution of this Settlement Agreement.

    b. Eight thousand three hundred seventy-five dollars ($8,375) shall be paid no later than September 1, 2014.

    c. Eight thousand three hundred seventy-five dollars ($8,375) shall be paid no later than November 1, 2014.

    Payment shall be made by certified checks payable to the **California Air Pollution Control Fund** and addressed to:

    Gregory Honzay
    Air Resources Board
    Enforcement Division
    1325 J Street
    Sacramento, California 95814

2. Effect of Untimely Payment. If a payment installment is not made within 5 days of the date specified above, the entire remaining balance, plus an additional late fee of $15,000 as liquidated damages, shall become immediately due and payable without notice or demand. MIDLAND agrees to pay any fees or charges, including administrative late fees, charges, and assessments. The charges for late payment and nonpayment are liquidated damages intended to be a reasonable advance estimate of ARB's costs resulting from late payments or non-payments by MIDLAND, which costs will not be readily ascertainable, and will be difficult to predict or calculate, at the time that such administrative late fee(s) and related charges are set because it would be difficult to know in advance: (a) whether MIDLAND will pay on a timely basis, (b) if MIDLAND does pay late, when it will actually pay, if ever, and (c) what costs ARB will incur because of MIDLAND's late payment or non-payment. MIDLAND agrees that this

additional late fee is a genuine pre-estimate of the loss, excluding the costs in Release paragraph (3), likely to be suffered as a result of any breach of contract.

3. If the Attorney General files a civil action to enforce this settlement agreement, MIDLAND shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

4. It is agreed that the penalty described in terms and release paragraph 1 is punitive in nature, rather than compensatory. Furthermore, this penalty is payable to and for the benefit of ARB, a governmental unit. Therefore, it is agreed that this penalty imposed on MIDLAND by ARB arising from the facts described in recital paragraphs 1 through 13 are nondischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty or forfeiture payable to and for benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

5. MIDLAND represents that it understands the legal requirements applicable to selling small off-road engines in California and agrees that it will not manufacture for sale, sell, or offer for sale in California, or introduce, deliver, or import into California for introduction into commerce any small off-road engine unless ARB certification has first been obtained.

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

7. Now, therefore, in consideration of the payment by MIDLAND to the California Air Pollution Control Fund in the amount specified above, ARB hereby releases MIDLAND and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, and retail customer (COSTCO) from any and all claims that ARB may have based on the facts and allegations described in recital paragraphs 1-13, above. The undersigned represent that they have the authority to enter this Agreement.

8. This Agreement constitutes the entire agreement and understanding between ARB and MIDLAND 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 MIDLAND concerning these claims.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. This Agreement may be signed in counterparts, and its validity shall not be challenged on that basis. True and correct copies of signed counterparts shall be deemed effective as originals for all purposes.

16. SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) 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 maximum per unit penalty in this case is $500 per unit per strict liability violation. The penalty obtained in this case is $500.00 per unit for 67 units. This reflects the facts that this was an unintentional, first time violation of this type; and MIDLAND's diligent efforts to comply and to promptly and fully cooperate with the investigation.

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 MIDLAND allegedly imported and sold small off-road engines in California that were not certified by ARB and not properly labeled.

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 small off-road engines. However, since the small off-road engines were not certified for sale in California, emissions attributable to them 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.

17. MIDLAND 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. Penalties in future cases might be smaller or larger on a per unit basis.

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

20. This Agreement consists of seven pages, twenty recitals, and nineteen terms and release provisions.

California Air Resources Board

By: _____

Name: Ellen M. Peter

Title: Chief Counsel

Date: 6/27/2014

Midland International USA

By: _____

Name: HEECHUL KIM

Title: President

Date: June 6. 2014.