SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE ("Agreement") is entered into between the California Air Resources Board ("ARB"), with its principal office at 1001 I Street, Sacramento, California 95814, and Piaggio Group Americas, Inc., ("PIAGGIO") with its principal place of business at, 257 Park Ave South, 4th Floor, New York, NY 10010, "the Parties" hereinafter.

I. RECITALS

(1) California Health and Safety Code section 43151 states, "No person who 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) Health and Safety Code section 43152 states, "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, 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) Health and Safety Code section 43153 states, "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, 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) Health and Safety Code sections 39018 and 39019 define a motor vehicle as non-California certified if it does not possess an emission control system approved for use in California by ARB. Health and Safety Code sections 39042 and 43156 define a new motor vehicle as a vehicle that has an odometer reading of less than 7,500 miles.

(5) Pursuant to Health and Safety Code section 43154, any person who violates any provision of this part, shall be subject to a civil penalty not to exceed five thousand dollars ($5,000) per vehicle.

(6) ARB asserts that prior to January 1, 2011, PIAGGIO imported, offered for sale, and sold to Aprilia dealers in California thirty-seven (37) model year 2008, 2009 and 2010 motorcycles for which the adjustable parameters on the ARB application were not disclosed. ARB alleges Executive Orders, to which these motorcycles allegedly applied, were issued by ARB without ARB's knowledge or review of the adjustable parameters. Therefore, the subject vehicles, with adjustable parameters, were not certified for sale or use in California pursuant to Chapter 2 of Part 5 of Division 26 of the Health and Safety Code in that the vehicles were not certified by ARB as meeting California emissions standards. These dealers then offered for sale and/or sold the subject vehicles for use, registration, or resale in California.

(7) ARB asserts that prior to January 1, 2011, PIAGGIO permitted the modification by dealers of two (2) model year 2008 and 2009 RXV & SXV 450, 550 motorcycles to access a racing calibration without properly ensuring the modified vehicles were used exclusively for racing. These dealers then offered for sale and/or sold the subject vehicles for use, registration, or resale in California.

(8) ARB asserts that prior to January 1, 2011, and prior to the issuance of a California Executive Order, PIAGGIO imported, and offered for sale, one (1) Aprilia 2010 SXV 550 motorcycle in California.

(9) PIAGGIO fully cooperated with ARB in the investigation of this matter.

(10) PIAGGIO admits the facts in recital paragraphs (1) through (8) above, but denies liability therefor.

(11) PIAGGIO is willing to enter into this Agreement 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.

II. TERMS AND RELEASE

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

(1) As a condition of this Settlement Agreement, PIAGGIO shall pay the total sum of one hundred seventy five thousand dollars ($175,000) as a penalty to the California Air Pollution Control Fund upon execution of this agreement.

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

Dean Hermano
Air Resources Board
9480 Telstar Avenue, Suite 4
El Monte, California 91731

(2) In addition, if the Attorney General files a civil action to enforce this settlement agreement, PIAGGIO shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

(3) It is agreed that the penalty described in terms and release paragraph (1) is punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish PIAGGIO for violations of state environmental statutes, and this penalty is payable to and for the benefit of ARB, a governmental unit. Therefore, it is agreed that this penalty imposed on PIAGGIO by ARB arising from the facts described in recital paragraphs (1) – (8) is nondischargeable under 11 U.S.C § 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.

(4) PIAGGIO agrees that it will not violate Health and Safety Code section 43150 *et seq*. with respect to the delivery, rental, lease, sale, offer to sell, or introduction into commerce in California of non-California certified motor vehicles.

(5) This Agreement shall apply to and be binding upon PIAGGIO 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.

(6) Now therefore, in consideration of the payment on behalf of PIAGGIO in the amount of one hundred seventy five thousand dollars ($175,000) to the California Air Pollution Control Fund, ARB hereby releases PIAGGIO and its principals, officers, agents, employees, shareholders, subsidiaries, predecessors and successors from any and all claims for any and all violations of Health and Safety Code section 43150 *et seq*. ARB may assert based on the events described in paragraphs (1) - (8) of the Recitals. The undersigned represent that they have the authority to enter this Agreement.

(7) This Agreement constitutes the entire agreement and understanding between ARB and PIAGGIO 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 PIAGGIO concerning these claims.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) Captions. The captions by which the sections and subsections of this Agreement are identified are for convenience only, and shall have no effect whatsoever upon their interpretation.

(14) This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

(15) 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.

(16) **1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code 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 section 43024.

The per unit penalty in this case is a maximum of $5,000 per unit per strict liability violation. The penalty obtained in this case is, on average, $4,375 per unit for 40 units. The penalty was discounted based on the fact this was a first time violation and PIAGGIO made diligent efforts to comply and 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 is this case, Health and Safety Code section 43151, is appropriate because PIAGGIO allegedly sold, and/or offered for sale, and/or advertised the subject non-California certified vehicles that were not certified pursuant to Health and Safety Code section 43151 *et seq.*

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 vehicles. However, since the vehicles were not certified for sale in California, emissions attributable to them are illegal as well. 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) PIAGGIO 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 (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 negotiations, and the potential costs and risk associated with litigating these particular violations. The penalty reflects the extent of the violations together with the complete circumstances of this case. Penalties in future cases might be smaller or larger on a per unit basis.

The penalty also reflects ARB's assessment of the relative strength of its case against PIAGGIO, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that PIAGGIO may have secured from its actions.

California Air Resources Board

By: _____
Name: James Goldstene
Title: Executive Officer
Date: 3-21-2013

Piaggio Group Americas, Inc.

By: _____
Name: Miguel Martinez
Title: President & CEO
Date: 3/14/13