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 Shahriyor Aslemand doing business as Royal Hangers with its principal office at 10744 Ashton Avenue, Los Angeles, California 90024, collectively, "The Parties."

RECITALS

1. In 1991, ARB identified Perchloroethylene ("Perc") as a toxic air contaminant. Thereafter, ARB adopted the Airborne Toxic Control Measure for Emissions of Perchloroethylene Associated with Dry Cleaning Operations and Requirements for Manufacturers and Distributors of Perchloroethylene (Dry Cleaning ATCM). (Cal. Code Regs., tit. 17, § 93109, et seq.)

2. The Dry Cleaning ATCM defines a "Perc distributor" as "any person who, directly or indirectly, sells Perc or recycled Perc to California dry cleaners." (Cal. Code Regs., tit. 17, § 93109(d)(33)) Royal Hangers sells Perc to California dry cleaners, and is therefore a "Perc distributor," subject to the requirements of the Dry Cleaning ATCM.

3. The Dry Cleaning ATCM requires Perc distributors to maintain monthly purchase and sales records (with invoices) of the gallons of Perc and recycled Perc purchased and sold for use in dry cleaning in California for at least 5 years and to make the records available to the ARB or the district upon request (Cal. Code Regs., tit. 17, § 93109.2(a)).

4. The Dry Cleaning ATCM requires that, by January 31 of each year, Perc distributors shall report to ARB the annual gallons of Perc and recycled Perc sold to California dry cleaners from January 1 through December 31 of the previous year (Cal. Code Regs., tit. 17, § 93109.2(b)(3)) and requires Perc distributors to pay a per-gallon fee to ARB in accordance with a fee schedule, no later than 30 days after the issuance of an invoice from ARB (Cal. Code Regs., tit. 17, § 93109.2(c)). The per-gallon fee for 2013 sales is $12. (Cal. Code Regs., tit. 17, § 93109.2, Table 2.)

5. Health and Safety Code section 39674(b)(1) provides in pertinent part, "Any person who violates any rule or regulation... which is implemented and enforced as authorized by subdivision (b) of Section 39658 is strictly liable for a civil penalty not to exceed ten thousand dollars ($10,000) for each day in which the violation occurs."

6. On February 3, 2014, Royal Hangers reported 417 gallons of Perc sold to California dry cleaners from January 1, 2013 through December 31, 2013. Of the 417 gallons of Perc reported, Royal Hangers submitted sales invoices for only 365 gallons. Royal Hangers did not submit fees for the 417 gallons.

7. On March 3, 2013, ARB issued Notice of Violation (NOV) number ATCM-2014-18 alleging that Royal Hangers violated the Dry Cleaning ATCM by failing to maintain required records, failing to submit complete and accurate report of 417 gallons of Perc sold to California dry cleaners in 2013, and for failing to remit fees, totaling $5,004, on 2013 sales as required by the Dry Cleaning ATCM.

8. Royal Hangers promptly and fully cooperated with ARB throughout its investigation.

9. Royal Hangers has no prior enforcement record with ARB.

10. ARB alleges that if the facts described in recital paragraphs 1 – 6 were proven, civil penalties could be imposed against Royal Hangers as provided in Health and Safety Code section 39674(b)(1).

11. Royal Hangers admits the facts described in recital paragraphs 1 – 6.

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

1. As a condition of this Settlement Agreement, Royal Hangers shall pay the sum of ten thousand dollars ($10,000.00) as a penalty to the California Air Resources Board for deposit into the California Air Pollution Control Fund, payable as follows: two thousand dollars ($2,000.00) due on the 5th of the month for five consecutive months starting with the first payment on July 5, 2014 and ending with the last payment on November 5, 2014.

All payments shall be made by certified check payable to the **California Air Resources Board**, shall include "NOV# ATCM-2014-18" in the memo field, and shall be addressed to:

Ms. Kim Nguyen
Enforcement Division
Air Resources Board
P.O. Box 1436
Sacramento, California 95812-1436

2. Effect of Late Payment of the Penalty. If any penalty payment is more than 15 days late, the entire remaining balance becomes immediately due and payable without notice or demand. In addition, if the Attorney General files a civil action to enforce this settlement agreement, Royal Hangers shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

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

4. It is agreed that the penalty assessed herein is punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish Royal Hangers 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 the penalty imposed on Royal Hangers by ARB arising from the facts described in recital paragraphs 1 – 6 are 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 the benefit of a governmental unit, and is not compensation for actual pecuniary loss.

5. Within 30 days of execution of this Agreement, ARB will invoice Royal Hangers in the amount of FIVE THOUSAND, AND FOUR DOLLARS ($5,004.00) reflecting unpaid fees on 417 gallons of Perc sold by Royal Hangers to California dry cleaners from January 1, 2013 through December 31, 2013. Royal Hangers

shall pay this invoice within 30 days of receipt of the invoice ("Due Date"). Payment of this invoice shall be remitted to the address indicated on the invoice. Royal Hangers shall pay all further installments as provided herein without the need for additional invoicing by ARB.

6. This Agreement shall apply to and be binding upon Royal Hangers, and its 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 full and timely payment by Royal Hangers in the amount of ten thousand dollars ($10,000.00) to the California Air Resources Board for deposit into the California Air Pollution Control Fund and five thousand and four dollars ($5,004.00) to the California Air Resources Board for deposit into the Nontoxic Dry Cleaning Incentive Trust Fund, ARB hereby releases Royal Hangers and its principals, officers, agents, subsidiaries, predecessors, and successors from any and all claims ARB may have based upon the events described in recital paragraphs 1 through 6 hereinabove, including claims under California Code of Regulations, title 17, section 93109 et seq. for the unpaid Perc fees and late fees. The undersigned represent that they have the authority to enter this Agreement.

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

9. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all parties to this Agreement. This Agreement shall further serve to toll any statute of limitation until six months after all terms and conditions of this Agreement have been fulfilled.

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. 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. 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.

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 ARB and Royal Hangers; it will not be interpreted for or against either party on the ground that said party drafted it.

15. **SB 1402 Statement.**
Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health & Safety Code section 39619.7) 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 penalty.

Penalties must be set at levels sufficient to deter violations. The penalties in this matter were determined based on all relevant circumstances, including the eight factors specified in Health & Safety Code sections 42403.

The maximum per unit penalty in this case is ten thousand dollars ($10,000.00) per day per strict liability violation. The penalty obtained in this case is a total of ten thousand dollars ($10,000.00), or $357.14 per day for 28 days for submitting an inaccurate or incomplete report, and failure to pay fees. This reflects the consideration of a number of facts, including:

- That this was an unintentional, first time violation,
- Royal Hangers' diligent efforts to comply and to cooperate with the investigation, and

- Royal Hangers financial condition.

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

ARB alleges that the penalty provision being applied in this case, Health and Safety Code section 39674, is appropriate because Royal Hangers failed to comply with the Dry Cleaning ATCM established under Health and Safety Code section 39650, 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 practical to do so.

The regulations that have been alleged to have been violated do not prohibit emissions above a specified level. There are no testing results available that would indicate how much emissions increased as a result of the use of the Perc for which fees were not paid. However, since the fees for the Perc sold to California dry cleaners were not paid, 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.

16. Royal Hangers 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 sections 42403, 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.

17. 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. The penalty was discounted in this matter based on the fact that this was a first time violation, and Royal Hangers made diligent efforts to comply and to cooperate with the ARB's investigation. Penalties in future cases might be smaller or larger on a per unit basis.

18. The penalty in this case was based on confidential settlement communications between ARB and Royal Hangers that ARB does not retain in the ordinary course of business. The penalty also reflects ARB's assessment of the relative strength of its case against Royal Hangers, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Royal Hangers may have secured from its actions.

SIGNATURES

California Air Resources Board

By: _____
Name: James Ryden
Title: Chief, Enforcement Division

Date: 07/15/14

Royal Hangers

By: _____
Name: Shahriyor Aslemand
Title: Owner

Date: 7-8-2014