SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (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 95814 and Doosan Infracore Co., Ltd. (hereinafter "DOOSAN") with its registered address at 489 Injungro, Dong-gu, Incheon, Korea, collectively, "the Parties."

RECITALS

1. Health and Safety Code section 43152 provides, "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."

2. Health and Safety Code section 43153 provides, "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."

3. California Code of Regulations, title 13, section 1956.8(d) provides: "The test procedures for determining compliance with standards applicable to 1987 and subsequent model heavy-duty Otto-cycle engines and vehicles are set forth in ... the "California Exhaust Emission Standards and Test Procedures for 2004 and Subsequent Model Heavy-Duty Otto-Cycle Engines," adopted December 27, 2000, as last amended April 18, 2013 [Test Procedures]..., which are incorporated by reference herein."

4. The Test Procedures provide "This document is incorporated by reference in section 1956.8(d), title 13, California Code of Regulations ("CCR") and also incorporates by reference various sections of Title 40, Part 86 of the Code of Federal Regulations, with some modifications."

5. The Test Procedures, section I.33., provides: "Changes to a vehicle or engine covered by certification. [§86.079-33]. September 8, 1977. [No change.]"

6. Code of Federal Regulations, title 40, section 86.079-33 requires the manufacturer to

provide ARB with advance notification and a full description of any change in the production vehicles or production engines.

7. Health and Safety Code section 43154(a) states, in pertinent part, "Any person who violates any provision of this article shall be liable for a civil penalty not to exceed five thousand dollars ($5,000) per vehicle."

8. On June 30, 2010, DOOSAN obtained Executive Order A-376-0003 for Engine Family ADICH11.1EEA and model year 2010. That Executive Order provides: "Production engines shall be in all material respects the same as those for which certification is granted." The application for certification and the Executive Order identified the following emission control systems: engine control module, oxidizing catalyst, throttle body fuel injection, turbo charger, charge air cooler, air-fuel ratio sensor, and selective catalytic reduction.

9. On August 4, 2010, DOOSAN obtained Executive Order A-376-0003-1, which superseded Executive Order A-376-0003. That Executive Order also provides: "Production engines shall be in all material respects the same as those for which certification is granted." The application for certification and the Executive Order identified the same emission control systems as in the superseded Executive Order.

10. On March 4, 2011, DOOSAN obtained Executive Order A-376-0006, which was a carry-over of Engine Family ADICH11.1EEA, for Engine Family BDICH11.1EEA and model year 2011. That Executive Order provides: "Production engines shall be in all material respects the same as those for which certification is granted." The application for certification and the Executive Order identified the following emission control systems: engine control module, oxidizing catalyst, throttle body fuel injection, turbo charger, charge air cooler, air-fuel ratio sensor, and selective catalytic reduction - urea.

11. On February 6, 2012, DOOSAN obtained Executive Order A-376-0007, which was a carry-over of Engine Family BDICH11.1EEA, for Engine Family CDICH11.1EEA and model year 2012. That Executive Order provides: "Production engines shall be in all material respects the same as those for which certification is granted." The application for certification and the Executive Order identified the following emission control systems: engine control module, oxidizing catalyst, throttle body fuel injection, turbo charger, charge air cooler, air-fuel ratio sensor, selective catalytic reduction- urea, and oxygen sensor.

12. ARB alleges that between 2010 and 2012, DOOSAN imported, delivered, received, acquired, sold, and/or offered for sale new motor vehicle engines for use in California, to purchasers in California, or for registration in California that, although originally certified, were not certified by ARB (hereinafter "Subject Engines") because DOOSAN took the production engines out of their original certified configuration by removing the inducements, and did so without advance notification to ARB. Therefore, the

production engines were not in all material respects the same as those for which certification was granted.

13. ARB alleges that the importation, delivery, receipt, acquisition, sale, and/or offer for sale of the Subject Engines were in violation of Health and Safety Code sections 43152 and 43153.

14. DOOSAN is a Korean company doing business in California.

15. DOOSAN promptly and fully cooperated with ARB throughout its investigation.

16. DOOSAN self-reported the violations.

17. DOOSAN is implementing a field repair (see attached) to ensure that all of its engines are restored to their certified configuration and meet California emission standards.

18. ARB alleges that if the allegations described in recital paragraphs 1-13 were proven, civil penalties could be imposed against DOOSAN as provided in Health and Safety Code section 43154.

19. DOOSAN admits the facts in recital paragraphs 1 through 13, but denies any liability arising thereunder.

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

1. As a condition of this Agreement, DOOSAN shall pay the total sum of six hundred forty-seven thousand five hundred dollars ($647,500). Of this total amount, four hundred eighty-five thousand six hundred twenty-five dollars ($485,625) shall be paid as a penalty by wire transfers to the **California Air Pollution Control Fund** in accordance with the following schedule.

   a. One hundred twenty-one thousand four hundred six dollars and twenty-five cents ($121,406.25) shall be paid within five (5) business days of execution of this Agreement (the term "business days" as used in this Agreement shall mean a

day a bank is open for business in the State of California and Seoul, Korea).

b. One hundred twenty-one thousand four hundred six dollars and twenty-five cents ($121,406.25) shall be paid no later than December 1, 2014.

c. One hundred twenty-one thousand four hundred six dollars and twenty-five cents ($121,406.25) shall be paid no later than March 2, 2015.

d. One hundred twenty-one thousand four hundred six dollars and twenty-five cents ($121,406.25) shall be paid no later than June 1, 2015.

2. As a further condition of this Agreement, DOOSAN shall pay an additional amount of one hundred sixty-one thousand eight hundred and seventy-five dollars ($161,875) to the School Bus and Diesel Emission Reduction Supplemental Environmental Project (SEP). Upon execution of this Agreement, payment shall be made by wire transfer.

3. All wire transfers shall be sent to:

State of California Air Resources Board
c/o Bank of America, Inter Branch to 0148
Routing No. 0260-0959-3 Account No. 01482-80005
Notice of Transfer: Yogeeta Sharma Fax: (916)322-9612
Reference: ARB Case # MSES-14-007

Wire Transfer Fee: Vendor is responsible for any bank charges incurred for processing wire transfers.

The attached Settlement Agreement Payment Transmittal Form shall be mailed to the following address when each wire transfer is made:

Air Resources Board
Accounting Branch
P.O. Box 1436
Sacramento, CA 95812-1436

With notification to:

Jeremiah Bearden
California Air Resources Board
Enforcement Division
jbearden@arb.ca.gov
(916) 323-0168

4. Effect of Untimely Payment. If a payment or payment installment is not made

within ten (10) business days of the date specified above, the entire remaining balance, plus a penalty interest rate of 10% per annum on the entire remaining balance from the date initially due shall become immediately due and payable without notice or demand.

5. As a further condition of this Agreement, DOOSAN shall fully and timely implement the attached Field Repair, which is incorporated by reference as though fully set forth herein.

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

7. 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 DOOSAN 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 the benefit of a governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

8. DOOSAN shall not import, deliver, receive, acquire, sale, or offer for sale any new motor vehicle engine in violation of Health and Safety Code section 43152 or 43153.

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

10. Now, therefore, in consideration of the payment by DOOSAN to the California Air Pollution Control Fund and the San Joaquin Valley Air Pollution Control District in the amounts specified above, ARB hereby releases DOOSAN and its principals, officers, shareholders, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and predecessors 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.

11. This Agreement constitutes the entire agreement and understanding between ARB and DOOSAN 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 DOOSAN concerning these claims.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. The parties agree that this Settlement Agreement may be executed by facsimile and in counterparts by the Parties and their representatives, and the counterparts shall collectively constitute a single, original document, notwithstanding the fact that the signatures may not appear on the same page. True and correct copies of signed counterparts shall be deemed effective as originals for all purposes.

19. 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 per unit penalty in this case is a maximum of $5000 per unit per strict liability violation. The penalty obtained in this case is $2,500 per unit for 259 units. This reflects the facts that this was a first time violation and DOOSAN's diligent efforts to comply and to 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 43154, is appropriate because DOOSAN allegedly imported, delivered, received, acquired, sold, and/or offered for sale new motor vehicle engines in violation of Health and Safety Code section 43152 and 43153.

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 Subject Engines. However, since the aforementioned engines were not certified for sale in California, emissions attributable to them are illegal. In the interests of settlement and because of the time and expense involved, the parties elected not to do such testing.

20. DOOSAN 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.

21. 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, DOOSAN's self-disclosure, and because DOOSAN 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.

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

California Air Resources Board	**Doosan Infracore Co., Ltd.**
By: _____	By: _____
Name: Richard W. Corey	Name: Joon Ho Yoo
Title: Executive Officer	Title: Executive Vice President
Date: 10/22/2014	Date: Oct. 13, 2014