SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into between the State of California Air Resources Board (ARB) with its principal office at 1001 "I" Street, Sacramento, California 95814, and THUMS Long Beach Company (THUMS), 111 West Ocean Boulevard, Suite 800, Long Beach, California 90802.

RECITALS

1. The Global Warming Solutions Act of 2006 authorizes ARB to adopt regulations to reduce greenhouse gas emissions (Health & Safety Code section 38530).

2. Pursuant to that authority, ARB adopted the Regulation for Reducing Sulfur Hexafluoride Emissions from Gas Insulated Switchgear, California Code of Regulations (CCR), title 17, section 95350 et seq. (SF_6-GIS Regulation). The SF_6-GIS Regulation became fully effective on June 17, 2011, resulting in a shortened calendar year for 2011 of 198 days.

3. The SF_6-GIS Regulation sets forth a maximum annual SF_6 emission rate for 2011 of ten percent (CCR, title 17, section 95352).

4. THUMS is a "GIS Owner" as defined by the SF_6-GIS regulation and is subject to the SF_6-GIS Regulation's requirements.

5. Based on THUMS' 2011 annual report and information provided by THUMS, ARB concluded that THUMS' 2011 annual SF_6 emission rate exceeded the ten percent limit for 2011 and THUMS submitted an incomplete and/or inaccurate 2011 annual report.

6. In 2011, THUMS removed from service GIS equipment which eliminated the potential for future SF_6 emissions.

7. The SF_6-GIS Regulation provides that any exceedance of the maximum allowable SF_6 emission rate for a calendar year constitutes a single separate violation for each day of the calendar year (CCR, title 17, section 95358(c)).

8. The SF_6-GIS Regulations provides that each day or portion thereof that any report required by the SF_6-GIS Regulation remains unsubmitted, is submitted late, or contains incomplete or inaccurate information constitutes a separate violation subject to daily penalties. (CCR, title 17, section 35358(b)).

9. Violation of the SF_6-GIS Regulation is a violation of State law. Health & Safety Code sections 38580 and 42400 et seq., authorize strict liability penalties not to exceed ten thousand dollars ($10,000) per day, for each day that the violation occurs.

10. This Agreement is a settlement of contested allegations. THUMS has decided to enter into this Agreement for various reasons, including, without limitation, in order to expeditiously resolve this dispute. By entering into this Agreement,

THUMS does not admit to any alleged violations. Further, ARB accepts this Agreement in termination and settlement of this matter.

11. ARB and THUMS desire to resolve this matter completely under the terms of this Agreement, in lieu of litigation. In order to resolve these alleged violations, THUMS agrees to take the actions enumerated below under the "TERMS AND CONDITIONS."

TERMS AND CONDITIONS

12. Upon execution of this Agreement, THUMS agrees to pay civil penalties in the amount of TWO HUNDRED FIFTY-FOUR THOUSAND ONE HUNDRED DOLLARS ($254,100.00). Payment of the penalties shall be as follows:

Payment shall be made to the "Air Pollution Control Fund" on behalf of THUMS and is due upon execution of this Agreement. Payment shall be made in accordance with the instructions in Attachment A to this Agreement.

Please send the signed Settlement Agreement and any future mailings to:

Ms. Cathleen Oliver
Enforcement Division
Air Resources Board
P.O. Box 2815
Sacramento, California 95812

Please submit the payment along with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

California Air Resources Board
Accounting Office
P.O. Box 2815
Sacramento, CA 95812

13. THUMS shall not violate the SF_6-GIS Regulation.

14. It is further agreed that the penalties described in this Agreement are punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish THUMS for alleged violations of the SF_6-GIS Regulation, and these penalties are payable to a governmental unit. Therefore, it is agreed that these penalties imposed on THUMS by ARB arising from the facts described in recitals are non-dischargeable 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.

15. This Agreement shall apply to and be binding upon THUMS, 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.

16. This Agreement constitutes the entire agreement and understanding between ARB and THUMS concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and THUMS concerning the subject matter hereof.

17. 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.

18. Failure to comply with any of the terms of this Agreement shall void the agreement and ARB may take enforcement action based on the initial violation and any subsequent violations of this Agreement.

19. 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.

20. 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.

21. This Agreement is deemed to have been drafted equally by ARB and THUMS; it will not be interpreted for or against either party on the ground that said party drafted it.

22. **SB 1402 Statement**. Health & Safety Code section 39619.7 (Senate Bill 1402, Dutton, chapter 413, statutes of 2010) requires ARB to explain the basis for the penalties it seeks. This information is provided throughout this Agreement and is summarized here.

The manner in which the penalty was determined.

Penalties must be set at levels sufficient to deter violations. The penalties in this matter were determined based on all relevant circumstances, including the unique circumstances of this case, giving consideration to the eight factors specified in Health & Safety Code section 42403. Those circumstances were considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, penalties sought in other cases, and the potential costs and risk associated with litigating these particular violations. In this matter ARB concluded

there were a number of mitigating factors including: the fact that this was an innocent, first time violation; THUMS cooperated fully with the investigation; THUMS' overall compliance history; and THUMS' has eliminated the potential for future SF_6 emissions by removing all of its GIS units. Penalties in future cases might be smaller or larger. Specifically, this penalty reflects $700 per day for 198 days for exceeding the SF_6 emission rate limit and $700 per day for 165 days for each day the 2011 annual report was submitted with incomplete or inaccurate information.

The legal provisions under which the penalty was assessed.

The penalty is based on Health and Safety Code section 42402 and CCR, title 17, section 95358, the provisions intended to govern SF_6-GIS Regulation violations. Health & Safety Code sections 38580 and 42402 provide for strict liability of up to $10,000 per violation.

Whether the governing provisions prohibit emissions at a specified level, and, if so a quantification of excess emissions if it is practicable to do so.

The SF_6-GIS Regulation prohibits SF_6 emissions above a specified annual emission rate. In this case ARB concluded the emissions above what the specified annual rate would allow were 46.8 pounds of SF_6.

23. THUMS acknowledges that ARB has complied with Senate Bill 1402 in investigating, prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health & Safety Code section 42403, 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 being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

24. The penalty was based on confidential settlement communications between ARB and THUMS. The penalty is the product of an arms length negotiation between ARB and THUMS and reflects ARB's assessment of the relative strength of its case against THUMS, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that THUMS may have secured from its actions.

25. Now therefore, in consideration of the payment on behalf of THUMS to the California Air Resources Board, ARB hereby resolves with THUMS and its principals, officers, agents, predecessors and successors from any and all claims for the past violations of the SF_6-GIS Regulation that ARB may have based on the circumstances described in the Recitals, including but not limited to THUMS' 2011 SF_6 emissions.

26. The undersigned represent that they have the authority to enter into this Agreement.

SIGNATURES

California Air Resources Board	**THUMS, Long Beach Company**
By: _____ Name: Richard W. Corey Title: Executive Officer Date: 6/2/2014	By: _____ Name: F. Komin Title: General Mgr. Date: 5/7/14