SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and APL Co Pte Ltd. (hereinafter "APL"), 456 Alexandra Road, Singapore 119962

I. RECITALS

(1) Health and Safety Code (*H&SC*) Section 39650-39675 mandates the reduction of the emission of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board (ARB) identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant.

(2) Title13 CCR section 2299.2 (b) provides that the regulation applies to any person who own, operates, charters, rents, or leases any ocean-going vessel that operates in Regulated California Waters (RCW).

(3) Title13 CCR section 2299.2 (e) (1), sets forth the operational requirements for fuel sulfur content limits for Auxiliary Diesel Engines, Main Engines and Auxiliary Boilers.

(4) Title13 CCR, section 2299.2 (e) (2) sets forth the recordkeeping, reporting, and monitoring requirements.

(5) The ARB, with the cooperation of APL, has documented that APL failed to properly complete the operational requirements of the regulation. On February 9, 2010, for approximately 2 hours the APL Sardonyx operated within RCW on heavy fuel oil in violation of this regulation.

(6) Failure to properly complete the operational requirements of the regulation is a violation of state law resulting in penalties. *H&SC*, Sections 39674, 39675, 42400 et seq., 42402 et seq., and 42410, authorize civil or administrative penalties not to exceed one thousand dollars ($1,000) or ten thousand dollars ($10,000) for each day that the violation occurs.

(7) In order to resolve these violations, APL has taken, or agrees to take, the actions enumerated below under "RELEASE". Further, the ARB accepts this Agreement in termination and settlement of this matter.

(8) In consideration of the foregoing, and of the promises and facts set forth herein, the parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, the ARB and APL agree as follows:

II. TERMS AND RELEASE

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

1) Upon execution of this Agreement, the sum of two thousand dollars ($2,000.00) shall be paid on behalf of APL within seven (7) business days following the execution of this agreement as follows: **$2,000.00** to the **California Air Pollution Control Fund**. Checks shall be made payable to the "Air Pollution Control Fund". Checks with the signed agreement shall be sent to:

    Alex Barber, Air Pollution Specialist/Investigator
    Air Resources Board /Enforcement Division
    9480 Telstar Ave. No. 4
    El Monte, Ca 91731

(2) APL shall not violate CCR, Title 13, Section 2299.2 nor Title 17, Section 93118.2 (ATCM).

(3) APL shall accurately comply with fuel switchover and keep accurate records.

(4) This Agreement constitutes the entire agreement and understanding between ARB and APL concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and APL concerning the subject matter hereof.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) Now therefore, in consideration of the payment on behalf of APL to the

California Air Pollution Control Fund, the ARB hereby releases APL and their principals, officers, agents, predecessors and successors from any and all claims for past violations of *H&SC* Sections 39650-39675, 42400 et seq., 42402 et seq., 42410, and CCR, Title 13, section 2299.2 or Title 17, Section 93118.2 (ATCM), the ARB may have based on the circumstances described in paragraph (1) - (8) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

By: _____
FOR

Name: James Ryden
Title: Enforcement Division Chief
Date: 5/3/2011

RECEIVED MAY 05 2011

APL Co Pte Ltd.

By: _____

Name: Lee Chee Seong
Title: MD
Date: 22/03/2011