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 LS Mtron, Ltd. (hereinafter "LS MTRON") with its address at 127, LS-ro, Dongan-gu, Anyang-si, Gyeonggi-do, Korea, collectively, "the Parties."

RECITALS

1. California Code of Regulations, title 13, section 2420(a)(3) provides, "Every new off-road compression-ignition engine that is manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California and that is subject to any of the standards prescribed in this article and documents incorporated by reference therein, is required to be certified for use and sale by the manufacturer through the Air Resources Board and covered by an Executive Order, issued pursuant to Chapter 9, Article 4, Section 2423."

2. Health and Safety Code section 43016 provides in pertinent part, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty not to exceed five hundred dollars ($500) per ... engine, or other unit subject to regulation under this part, as these terms are defined in this division or state board regulations. Any penalty collected pursuant to this section shall be payable to the State Treasurer for deposit in the Air Pollution Control Fund."

3. The ARB issued Executive Order (EO) number U-R-059-0011 (Model Year 2014) and Executive Order U-R- 059-0015 (Model Year 2015) for LS MTRON Engine Family CLGCL02.0L.3L, off-road compression ignition engines. The EO provides, "Production engines shall be in all material respects the same as those for which certification is granted."

4. On April 10, 2015, LS MTRON self-reported to ARB that some of LS MTRON's 2014 and 2015 new, off-road heavy duty compression ignition engines were mis-built with the pistons positioned 180 degrees off from the certified position in the cylinder block.

5. ARB alleges that between May 2014 and April 2015, LS MTRON manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California certain new, off-road heavy duty compression ignition engines that, although originally certified, had lost their certification (hereinafter "Subject Engines") because the pistons were installed 180 degrees off from the certified position in the cylinder block, without advance notification to ARB. Therefore, the Subject Engines were not in all material respects the same as those for which certification was granted.

6. ARB alleges that manufacture for sale, sale, offer for sale, introduction or delivery for introduction into commerce, or importation into California of the Subject Engines was in violation of California Code of Regulations, title 13, section 2420 et seq.

7. LS MTRON is a Korean company doing business in California.

8. LS MTRON promptly and fully cooperated with ARB throughout its investigation.

9. LS MTRON promptly and timely self-reported the piston misalignment following a regularly scheduled internal audit conducted by LS MTRON pursuant to its audit policy.

10. LS MTRON immediately corrected the piston alignment in all engines still in stock at LS MTRON's facility and in engines that had not been delivered to its distributors.

11. LS MTRON is implementing a field repair to ensure that all of its engines are restored to their certified configuration and meet California emission standards.

12. ARB alleges that if the allegations described in recital paragraphs 1-7 were proven, civil penalties could be imposed against LS MTRON as provided in Health and Safety Code section 43016.

13. LS MTRON admits the facts in recital paragraphs 1 through 7, but denies any liability arising thereunder.

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

1. As a condition of this Agreement, LS MTRON shall pay the total sum of twenty one thousand three hundred and seventy five dollars ($21,375) as a penalty to the California Air Pollution Control Fund upon execution of this Agreement. Payment shall be made by cashier's check payable to the **California Air Pollution Control Fund**.

Please send a copy of the signed Agreement and payment using the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

With notification to:

Dean Hermano, Staff Air Pollution Specialist
Air Resources Board, Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, CA 91731

2. LS MTRON shall not manufacture for sale, sell, offer for sale, introduce or deliver for introduction into commerce, or import into California new, off-road heavy duty compression ignition engines in violation of California Code of Regulations, title 13, section 2420 et seq.

3. This Agreement shall apply to and be binding upon LS MTRON 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.

4. Now, therefore, in consideration of the payment by LS MTRON to the California Air Pollution Control Fund in the amount specified above, ARB hereby releases LS MTRON and its principals, officers, shareholders, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors distributors or resellers from any and all claims that ARB may have based on the facts and allegations described in recital paragraphs 1-7, above. The undersigned represent that they have the authority to enter this Agreement.

5. This Agreement constitutes the entire agreement and understanding between ARB and LS MTRON 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 LS MTRON concerning these claims.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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 $500 per unit per strict liability

violation. The penalty obtained in this case is $375 per unit for 57 units. This reflects the facts that this was a first time violation and LS MTRON'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 43016, is appropriate because LS MTRON allegedly manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California new, off-road heavy duty compression ignition engines in violation of California Code of Regulations, title 13, section 2420 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 Subject Engines. However, as explained above, 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.

14. LS MTRON 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.

15. 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, LS MTRON's self-disclosure, and because LS MTRON 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.

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

CALIFORNIA AIR RESOURCES BOARD

By: _____ For

Name: Ellen M. Peter

Title: Chief Counsel

Date: 12/3/15

LS MTRON, LTD.

By: _____

Name: Kyung-Nyung Woo

Title: Executive Vice President

Date: November 19th, 2015.