

SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into between the State of California Air Resources Board (CARB), principally located at 1001 I Street, Sacramento, California 95814, and Unison Marine Corp. (UMC), principally located at 10F-1, No. 376, Sec. 4, Jen Ai Road, Taipei, 106 Taiwan, R.O.C.

RECITALS

- (1) Health and Safety Code sections 39650 through 39675 mandate the reduction of the emission of substances that have been determined to be toxic air contaminants (TAC). In 1998, following an exhaustive 10-year scientific assessment process, CARB identified particulate matter from diesel-powered engines as a TAC.
- (2) California Code of Regulations (CCR), title 13, section 2299.2 (13 CCR § 2299.2) and CCR, title 17, section 93118.2 (17 CCR § 93118.2) applies to any person who owns, operates, charters, rents, or leases any ocean-going vessel (OGV) that operates in Regulated California Waters (RCW).
- (3) The regulation's operational requirements for fuel sulfur content limits for auxiliary diesel engines, main engines, and auxiliary boilers are set forth in 13 CCR § 2299.2 (e) (1) and 17 CCR § 93118.2 (e) (1).
- (4) Under 13 CCR § 2299.2 (f) and 17 CCR § 93118.2 (f), any failure to meet the regulation's requirements, "including but not limited to the applicable fuel sulfur content limits; recordkeeping requirements; and Noncompliance Fee provision shall constitute a single, separate violation of this section for each hour that a person operates an OGV in RCW until such provision, criteria or requirement has been met."
- (5) Failure to properly complete the operational requirements of the regulation is a violation of State Law resulting in penalties. Health and Safety Code sections 39674, 39675, 42400 et seq., 42402 et seq., and 42410, authorize civil or administrative penalties not to exceed \$10,000.00 for each day that the violation occurs.
- (6) CARB, with the cooperation of UMC, has documented that UMC failed to properly complete the operational requirements of the regulation on voyages into California; that the vessel *Unison Medal* operated within RCW in violation of this regulation for three days from March 31, 2019 through April 2, 2019.
- (7) UMC admits the facts in Recitals 1 through 6 above, solely for purposes of this Agreement and any future enforcement action by CARB against UMC.

- (8) All admissions by UMC in this Agreement shall only be valid for use by CARB in enforcing this Agreement and in any future CARB enforcement action against UMC.
- (9) In order to resolve these violations, UMC has taken, or agrees to take, the actions enumerated below within the Terms and Release. CARB accepts this Agreement in termination and settlement of this matter.
- (10) 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 alleged violations, and voluntarily agree to resolve this matter by means of this Agreement.

TERMS AND RELEASE

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

- (11) The parties shall exchange signed copies of this Agreement by November 1, 2019. Facsimile or photocopied signatures shall be considered as valid signatures as of the date hereof, although the original signature pages shall thereafter be appended to this Agreement.

UMC shall mail the executed Agreement in an envelope marked confidential by November 1, 2019 to:

Mr. Alexander Barber
Air Pollution Specialist
California Air Resources Board
9480 Telstar Avenue, Suite 4
El Monte, California 91731

- (12) Upon execution of this Agreement, UMC shall pay the sum of twenty two thousand five hundred dollars (\$22,500.00 USD) to the California Air Pollution Control Fund.

UMC shall submit the payment along with the enclosed Settlement Agreement Payment Transmittal Form by November 1, 2019 to:

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

- (13) The effective date of this Agreement shall be the date upon which UMC executes this Agreement.
- (14) UMC shall accurately comply with fuel switchover, keep accurate records, and comply with all other requirements of 13 CCR § 2299.2 or 17 CCR § 93118.2, Air Toxic Control Measure (ATCM).
- (15) This Agreement constitutes the entire agreement and understanding between CARB and UMC concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between CARB and UMC concerning the subject matter hereof.
- (16) This Agreement shall apply to and be binding upon UMC and its officers, directors, receivers, trustees, employees, successors and assignees, parent corporation, and subsidiaries, if any, and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (17) The terms and conditions set forth in this Agreement shall remain valid and enforceable notwithstanding any future violations that may occur.
- (18) No agreement to modify, amend, extend, enlarge, 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.
- (19) Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be illegal, invalid, or unenforceable in any jurisdiction, the remainder of this Agreement shall remain 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 the parties; it will not be interpreted for or against either party on the ground that said party drafted it.
- (22) It is further agreed that the stipulated penalties described in this Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7).
- (23) **Penalty Determination**
Pursuant to Health and Safety Code section 39619.7, CARB must provide information on the basis for the penalties it seeks. This information is provided throughout this settlement agreement and summarized below:

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 sections 43024 and 43403.

The per-unit penalty in this case is a maximum of \$10,000.00 per day for strict liability violation pursuant to Health and Safety Code section 39674. The vessel *Unison Medal* operated on fuel within RCW that did not meet the sulfur limit for three days in violation of the regulation. The penalty obtained in this case is \$7,500.00 per day for a total penalty of \$22,500.00 USD after considering all factors specified in Health and Safety Code sections 43024 and 43024. In particular, the penalty reflects penalties obtained in other OGV violation cases as well as the fact that this was a first time violation, and that UMC implemented additional steps to their fuel change procedures to ensure future compliance and cooperated completely with the investigation.

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

The penalty provision being applied in this case is Health and Safety Code section 39674 because UMC failed to comply with ATCM adopted under Health and Safety Code section 39600 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.

Since CARB has alleged that the fuel used did not meet regulatory requirements, all of the emissions from it were excess and illegal. Without information on engine usage and emission rates, however, quantifying these excess emissions is not practicable.

- (24) UMC acknowledges that CARB has complied with Health and Safety Code section 39619.7 in settling this case. Specifically, CARB has considered all relevant facts, including those listed at Health and Safety Code sections 42403 and 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 being assessed under

a provision of law that prohibits the operation of any main or auxiliary diesel engine or auxiliary boiler within the RCW with distillate fuel above 0.1 percent sulfur content.

- (25) 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 negotiations, and the potential cost and risk associated with litigating these particular violations. Penalties in future cases might be smaller or larger on a per unit basis.
- (26) The penalty in this case was also based on confidential settlement communications between CARB and UMC that CARB does not retain in the ordinary course of business. Accordingly, CARB will not release any submissions by UMC that are protected under the Evidence Code to any third party unless required by law. The penalty also reflects CARB's assessment of the relative strength of its case against UMC, the desire to avoid the uncertainty, burden, and expense of litigation, to obtain swift compliance with the law, and to remove any unfair advantage that UMC may have secured from its actions.
- (27) Now therefore, in consideration of the payment on behalf of UMC to the California Air Pollution Control Fund, CARB hereby releases UMC and its principals, officers, agents, affiliates, parent companies, subsidiaries, predecessors, and successors from any and all claims identified in the recitals above.
- (28) Each of the undersigned represents and warrants that he or she has full power and authority to enter into this Agreement.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Unison Marine Corp.

By: _____ /S/
(signature)

By: _____ /S/
(signature)

Name: Todd P. Sax, D.Env.

Name: Bo-Chou, Lin

Title: Chief, Enforcement Division

Title: President

Date: 11/14/19

Date: 2019/10/23