

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 VOLVO CONSTRUCTION EQUIPMENT, AB (hereinafter "VCE") with its principal place of business in Gothenburg, Sweden.

I. RECITALS

1. VCE manufactures nonroad diesel engines for sale in California, elsewhere in the United States, and in other countries.
2. The United States and VCE are parties to a 1999 Consent Decree entered by the United States District Court for the District of Columbia in *United States v. Volvo Powertrain Corp.*, Civil Action 98-02547 ("Consent Decree"). On October 21, 1998, ARB and Volvo Truck Corporation entered into a Settlement Agreement with terms essentially identical to the Consent Decree ("VTC Settlement Agreement").
3. On August 24, 2012, the United States of America, acting at the request of the Administrator of the United States Environmental Protection Agency ("EPA"), commenced a Civil Action against VCE by filing a Complaint ("Complaint"), alleging violations by VCE of the Clean Air Act (the "Act"), 42 U.S.C. §§ 7522, 7524, 7547 arising out the sale, offering for sale, introduction into commerce and importation into the United States of non-road compression ignition engines ("the Subject Engines") in violation of Sections 203 and 213 of the Act, 42 U.S.C. §§7522 and 7547;
4. On October 15, 2012, the United States served on VCE a demand for stipulated penalties under the Consent Decree (the "Stipulated Penalties Demand"), asserting that VCE had violated the requirements of Paragraph 60 of the Consent Decree with respect to certain engines including some also identified in the Complaint;
5. ARB asserts that the same engines and associated conduct by VCE that give rise to the Complaint and Stipulated Penalties Demand also constitute violations of the VTC Settlement Agreement, and that ARB is therefore entitled to stipulated penalties pursuant to the VTC Settlement Agreement.
6. VCE and ARB agree that it is in the public interest to resolve this matter without litigation and have negotiated this Stipulation in good faith to avoid expensive and

protracted litigation. Therefore VCE and ARB agree to resolve this matter completely by means of this Agreement, without the need for formal litigation or dispute resolution under the VTC Settlement Agreement;

7. VCE does not admit any issue of law or fact, and denies liability to ARB arising out of the transactions or occurrences alleged in the underlying Complaint and Stipulated Penalties Demand;
8. This Agreement addresses ARB's claims under the VTC Settlement Agreement related to the Engines listed on Appendix A hereto (which are also listed in Appendix A to the Complaint); as well as any claims relating to such engines under California law.

II. TERMS AND RELEASE

ARB and VCE agree as follows:

1. VCE shall pay the total sum of \$23,600 as a penalty to the California Air Pollution Control Fund, subject to the following terms.

Payment shall be made by check payable as described above and addressed to:


Jeremiah Bearden
Air Resources Board, Enforcement Division
PO Box 2815
Sacramento, CA 95812

2. In the event that the Defendant does not comply with the payment obligations of Paragraph II.1 above, it shall be in violation of this Agreement and shall pay a stipulated penalty to ARB in the amount of two hundred and fifty dollars (\$250) per day for each day that the civil penalty remains unpaid. Stipulated penalties shall accrue regardless of whether VCE has been notified of a violation or demand for payment by ARB. Stipulated penalties shall be paid in the same manner as that provided for in Paragraph II.1 above for payment of the civil penalty.
3. VCE's payment of the civil penalty identified in Paragraph II.1 above and any stipulated penalties and interest required by Paragraph II.2 above shall resolve any and all liability of VCE to ARB with regard to the engines listed in Appendix A to this Agreement, arising under the VTC Settlement Agreement as alleged in the Stipulated Penalties Demand.

4. This Agreement shall not be construed as any admission by VCE as to the applicability of the VTC Settlement Agreement to VCE, nor does VCE waive or otherwise forego its right to challenge the applicability of the VTC Settlement Agreement in any future proceeding.
5. This Agreement shall be the final resolution of ARB claims regarding the alleged violation of the VTC Settlement Agreement as described above, and shall have the same res judicata effect as a judgment in terms of acting as bar to any civil action by ARB against VCE, its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations. This Agreement shall be deemed the recovery of civil penalties for purposes of precluding subsequent criminal action as provided in Health and Safety Code section 42400.7(a).
6. This Agreement shall apply to and be binding upon VCE and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, dealers, distributors, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
7. This Agreement constitutes the entire agreement and understanding between ARB and VCE 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 VCE concerning these claims.
8. 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.
9. 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.
10. 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.
11. 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.

12. 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.
13. 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.

For Volvo Construction Equipment, AB:



Jonas Olinder
Signing Officer
Volvo Construction Equipment AB

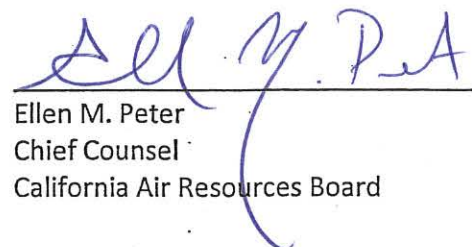
7/12/2013
Date



Jorgen Svenningsson
Managing Director
Volvo Construction Equipment AB

7/12/2013
Date

For California Air Resources Board:



Ellen M. Peter
Chief Counsel
California Air Resources Board

9/25/2013
Date



APPENDIX A TO SETTLEMENT AGREEMENT AND RELEASE

No.	Engine Serial No.
1	53352
2	53514
3	102155
4	102156
5	102157
6	102159
7	102160
8	102161
9	102163
10	102164
11	102165
12	102168
13	102312
14	102317
15	102479
16	102487
17	102496
18	102548
19	102552
20	102555
21	102559
22	102597
23	102602
24	102607
25	102612
26	102705
27	102709
28	102713
29	102788
30	102801
31	102803
32	102804
33	102808 ¹

¹ Complaint Appendix A includes multiple entries for this engine serial number.

No.	Engine Serial No.
34	102812 ²
35	102863
36	102867
37	102918 ³
38	102920
39	102921
40	102922
41	102923
42	102924 ⁴
43	103080
44	103090
45	103117
46	103121
47	103126
48	103151
49	103359
50	103385
51	103540
52	103544
53	103550
54	103554
55	103558
56	103562
57	103565
58	103665
59	103669
60	103731
61	103735

² Complaint Appendix A includes multiple entries for this engine serial number.

³ Complaint Appendix A includes multiple entries for this engine serial number.

⁴ Complaint Appendix A includes multiple entries for this engine serial number.

No.	Engine Serial No.
62	103741
63	103746
64	103747
65	103750
66	103754
67	103991
68	103992
69	103997
70	103998
71	104387
72	104388 ⁵
73	104389
74	104417
75	104418
76	104509
77	104518
78	104525
79	104526
80	104574
81	104575
82	104689
83	104690
84	104697
85	104699
86	104702
87	104707
88	104710
89	104731
90	104737
91	104740
92	104752
93	104956
94	104959

⁵ Identified in Complaint Appendix A as engine no. 104380.

No.	Engine Serial No.
95	104962
96	104965
97	104968
98	104970
99	104973
100	105164
101	105165
102	105166
103	105167
104	105168 ⁶
105	105244
106	105274
107	105346
108	105350
109	105352
110	105376
111	105416 ⁷
112	105420
113	105424
114	105428
115	105666
116	105683
117	105794
118	105797
119	105800 ⁸
120	105824
121	105828
122	105832
123	105937

⁶ Complaint Appendix A includes multiple entries for this engine serial number.

⁷ Also identified in Complaint Appendix A as engine serial number 106416.

⁸ Complaint Appendix A includes multiple entries for this engine serial number.

No.	Engine Serial No.
124	105939
125	105941
126	105943
127	105945
128	105946
129	106099
130	106116
131	106267
132	106271
133	106275
134	106279
135	106283
136	106286
137	106695
138	106708
139	106782
140	106786
141	106790
142	106793
143	106799
144	107054
145	107065
146	107072
147	107083
148	107089
149	107290
150	107472
151	107479
152	107486
153	107492 ⁹
154	107892
155	107898 ¹⁰

⁹ Complaint Appendix A includes multiple entries for this engine serial number.

No.	Engine Serial No.
156	107903
157	108400
158	108403
159	108406
160	108411
161	108414
162	108610
163	108621
164	108623
165	108627
166	109709
167	109719
168	109723 ¹¹
169	109796
170	109820
171	109823
172	109827
173	109829
174	110166
175	110191
176	110194
177	110204
178	110209
179	110318
180	110323
181	110447
182	110452
183	110457
184	110462
185	110465
186	110478

¹⁰ Complaint Appendix A includes multiple entries for this engine serial number.

¹¹ Complaint Appendix A includes multiple entries for this engine serial number.

No.	Engine Serial No.
187	110569
188	110575
189	110581
190	110782
191	110784
192	110786
193	110788
194	110789
195	110792
196	110793
197	111691
198	116130
199	116134
200	116322
201	116641 ¹²
202	474344 ¹³
203	478223 ¹⁴
204	478224
205	478225
206	478227
207	479779
208	479780
209	479781
210	479782
211	479783
212	479784
213	480807

¹² Complaint Appendix A includes multiple entries for this engine serial number.

¹³ Corresponds to engine identified in Complaint Appendix A as engine serial number 121503.

¹⁴ Corresponds to engine identified in Complaint Appendix A as engine serial number 4782223.

No.	Engine Serial No.
214	480808
215	482983
216	482984
217	482985
218	482986
219	482987
220	482988
221	482989
222	482990
223	485470
224	485473
225	485474
226	486581
227	486582
228	486583
229	489422
230	489423
231	489424 ¹⁵
232	489425
233	489426
234	489427
235	489429
236	489430 ¹⁶
237	489431 ¹⁷
238	491210
239	491211
240	491212
241	491263
242	491264

¹⁵ Corresponds to engine listed as "missing" in Appendix A to Complaint.

¹⁶ Corresponds to engine listed as "missing" in Appendix A to Complaint.

¹⁷ Corresponds to engine listed as "missing" in Appendix A to Complaint.

No.	Engine Serial No.
243	491265
244	491288
245	493726
246	495492
247	500067
248	500069
249	515036
250	573523
251	573896
252	10121264