

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is entered into by and between GKN Aerospace Transparency Systems Inc. (“GKN”), a California corporation, located at 12122 Western Ave., Garden Grove, CA 92841 (South Coast AQMD Facility ID #140961), and the South Coast Air Quality Management District (“District” or “SCAQMD”) (collectively referred to as “Parties” or individually as “Party”).

RECITALS

A. The District is a political subdivision of the State of California created by the legislature to exercise responsibility for comprehensive air pollution control within Orange County and designated portions of Los Angeles, Riverside, and San Bernardino Counties, with its headquarters located at 21865 Copley Drive, Diamond Bar, California 91765-0940.

B. GKN is an aerospace-manufacturing facility within the District’s jurisdiction and subject to the District’s regulations (hereinafter referred to as the “Facility”).

C. The District contends that GKN has on multiple occasions violated District Rules 109, 203, 1146 and 1147. GKN neither admits nor denies these allegations.

D. The alleged violations and matters which are the subject of this Agreement are limited to the following alleged violations and items:

1. Civil penalties arising from or relating to the violations alleged in NOV P68777.
2. Any and all claims or penalties arising from the incidents referred to in NOV P68777, as well as all self-reported information and allegations included in Attachment A.
3. Nothing in this Agreement shall be construed to limit or excuse GKN’s duty to comply with its permits, plans, and with all applicable laws and regulations with regard to its operation of the Facility.

E. Without admitting liability or that it has violated any District rules or State statutes, GKN enters into this Agreement to avoid the risks and costs of litigation with the District over the civil penalties and alleged matters which are the subject of this Agreement.

F. The Parties enter into this Agreement with the intention of settling any civil penalties authorized by California Health and Safety Code Section 42400 *et seq.*, for violations of the above-specified rules for the cited dates of violations or identified in the self-reporting information by GKN on the terms and conditions set forth herein. This Agreement does not settle any other violations or alleged or potential violations and does not waive or limit any fees owed pursuant to District Regulation III, except to the extent such fees are reflected in the civil penalty set forth in Section 2. As of the date of this Agreement, the District is not aware of any other pending investigations or contingent claims that it has against GKN.

AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants, agreements, and releases set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following:

1. **EFFECTIVE DATE.** The effective date of this Agreement shall be the date upon which the last Party executes it.

2. **CIVIL PENALTY.** In full and final settlement of the District's claims for civil penalties for the alleged violations described in Recital D of this Agreement, GKN agrees to pay a stipulated penalty by January 6, 2025. The full and final settlement provided in this Agreement as to the matters described in Recital D will be final upon the District's timely receipt or acceptance from GKN of the stipulated sum of \$909,935.95. The payment shall be in the form of a check made payable to the South Coast Air Quality Management District and shall be mailed to:

Erika Chavez
Senior Deputy District Counsel
South Coast Air Quality Management District
Office of the General Counsel
21865 Copley Drive
Diamond Bar, CA 91765-0940

3. **SCOPE OF AGREEMENT AND RELEASE.** Subject to the full, complete, and timely performance of the obligations agreed to by GKN in this Agreement, the Parties do hereby mutually release the other and its officers, directors, agents, employees, servants, contractors, attorneys, shareholders, affiliates, successors-in-interest, predecessors-in interest, direct and indirect parents and subsidiary companies, successors, and assigns, from any and all causes of actions, claims action, rights, judgements, obligations, damages, demands, accountings or liabilities of touching upon or concerning any of the matters, acts, or omissions relating to or arising out of the violation/claims identified in the alleged violations in Recitals, and including any costs, damages, expenses, civil penalties, or attorney's fees.

4. **COMPLIANCE WITH EXISTING LAWS AND REGULATIONS.** Nothing in this Agreement shall be construed to limit or excuse GKN's duty to comply with its permits and with all applicable laws and regulations with regard to the operation of the Facility.

5. **REMEDIES FOR BREACH.** In the event that GKN fails to timely make the payment required by Paragraph 2 above, or fails to comply with any other material obligation required by this Agreement, the District has the right to elect to deem this Agreement null and void and commence and prosecute litigation based on the alleged violations, and the District shall be entitled to seek all appropriate relief, including civil penalties and other remedies such as injunctions to the maximum extent allowable under the law.

6. **WARRANTY OF AUTHORITY.** Each Party represents and warrants to the other Party that the signatories to the Agreement have been duly authorized to execute the Agreement on behalf of the entities identified below.

7. **SUCCESSORS AND ASSIGNS.** This Agreement shall be deemed to obligate, extend to, and inure to the benefit of the Parties to the Agreement, and the legal successors, assigns, transferees, grantees, and heirs of each such part, including those who may assume any or all of the capacities described herein.

8. **NO ADMISSION OF LIABILITY AND NO THIRD-PARTY BENEFICIARIES.** GKN does not admit any liability or that it has violated any District rules or California or federal laws and enters into this Agreement solely to avoid the risks and costs of litigation with the District over the alleged civil penalties, investigative costs, emissions fees, and other alleged matters that are the subject of this Agreement. The Parties agree that nothing in this Agreement shall be deemed to be an admission of any

facts or of liability on the part of GKN or any of its officers, directors, employees, direct or indirect parent companies, affiliates, or other persons or entities associated in any way with GKN. This Agreement is intended by GKN as an offer of compromise made in reliance on and pursuant to California Evidence Code section 1152 and Federal Rules of Evidence, Rule 408. This Agreement shall not be admissible in any administrative proceedings, civil action, or other legal proceedings except for the purpose of the District's or GKN's enforcement of this Agreement or the assertion of this Agreement by GKN as a defense to an action on any claims settled by this Agreement. By entering into this Agreement, GKN and the District do not intend to confer any benefit on any third parties or to make any other persons or entities third-party beneficiaries of this Agreement.

9. **ENTIRE AGREEMENT.** This Agreement contains the entire Agreement of the Parties with respect to specific matters covered by this Agreement, and no other agreements, statements or promises made by any Party or made to any employee, officer or agent of any Party, shall be valid or binding with respect to said matters. This Agreement supersedes all prior proposals, agreements, and understandings between the Parties and may not be changed or terminated orally, and no change, termination, or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the Party against whom the same is sought to be enforced.

10. **RECITAL INCORPORATION.** The Recitals are made a part of this Agreement as if they were fully written herein.

11. **ENFORCEABILITY.** Nothing herein shall be deemed to limit or preclude the right of the District to seek civil penalties, injunctive, or any other legal or administrative relief allowed by law for any other violations of District rules or any other applicable regulations or law.

12. **NO PARTY DEEMED DRAFTER.** The Parties acknowledge that the terms of this Agreement are contractual and are the result of negotiations between the Parties and their respective counsel. Each Party and their respective counsel cooperated in the drafting and preparation of this Agreement.

13. **GOVERNING LAW.** The validity, construction, and performance of this Agreement shall be governed by the laws of the State of California, regardless of the choice-of-law provisions of California or any other jurisdiction.

14. **SEVERABILITY.** If any provision of this Agreement is found by a court of competent jurisdiction to be illegal, invalid, unlawful, void or unenforceable, then such provision shall be enforced to the extent that it is not illegal, invalid, unlawful, void, or unenforceable, and the remainder of this Agreement shall continue in full force and effect.

15. **COUNTERPARTS.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same document.

16. **COPIES.** The Parties may execute and deliver this Agreement by transmitting an authorized signature by fax or pdf, and copies of this Agreement signed and delivered by means of faxed signatures or signatures in a pdf document shall have the same effect as copies executed and delivered with original signatures.

17. **NOTICES.** All notices, requests, and other communications which may be given under or concerning this Agreement shall be made in writing and shall be deemed to have been given when received. In each case notice shall be sent to:

For GKN AEROSPACE TRANSPARENCY SYSTEMS INC:

Olivier Theard, Esq.
Sheppard, Mullin, Richter & Hampton LLP
333 South Hope Street, 43rd Floor
Los Angeles, CA 90071-1422
Telephone No.: (213) 617-5427
Email: otheard@sheppardmullin.com

For the SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT:

Erika Chavez
Senior Deputy District Counsel
Office of the General Counsel
21865 Copley Drive
Diamond Bar, CA 91765-0940
Telephone No.: (909) 396-3400
Facsimile No.: (909) 396-2961
Email: echavez@aqmd.gov

IN WITNESS THEREOF, the Parties have executed this Agreement by their duly authorized representatives as of the date set forth below their respective signatures.

**SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT**

**GKN AEROSPACE TRANSPARENCY
SYSTEMS INC.**

By:



Erika Chavez
Senior Deputy District Counsel

By:



Stephen D Carlin

President, GKN Aerospace Transparency Systems Inc.

Dated: November 27, 2024

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ATTACHMENT A

NOV Item	PO or Equipment	Rule	Description of Violation
1	F77709 F77705 F77706 F77713 G25224 F77707 F77710 F77711 G25221 G25222 G25223	109(c)(1)	Failure to maintain VOC records for at least 2 years
2	i. Emergency Diesel ICE w/ Eq ID #124 ii. MEK Spray Booth w/ Eq ID #1034 iii. ARC Curing Oven w/ Eq ID #193 iv. ARC Flow Coating w/ Eq ID #1029 v. Thin Films Flow Coating No. C-2 w/ Eq ID #1024 vi. Thin Films Flow Coating No. C-3 w/ Eq ID #1025 vii. Thin Films Flow Coating No. C-8 w/ Eq ID #1026 viii. Thin Films Flow Coating No. C-9 w/ Eq ID #1027 ix. Thin Films Flow Coating No. C-10 w/ Eq ID #1028 x. Tooling Spray Booth w/ Eq ID #256 xi. Base Coat Oven w/ Eq ID #223 xii. Top Coat Oven w/ Eq ID #222 xiii. Vinyl Oven w/ Eq ID #224 xiv. Lear Oven w/ Eq ID #1030 xv. Glass Factory Spray Booth w/ Eq ID #170 xvi. JSF Prime Cure Oven w/ Eq ID #1021 xvii. JSF Coating Room C-2 w/ Eq ID #1040 xviii. Carbon Adsorber 2 w/ Eq ID #1010 xix. Carbon Adsorber 3 w/ Eq ID #1038 xx. 116" Autoclave w/ Eq ID #216	203(a)	Failure to obtain permit to operate prior to operation
3	i. Envent Afterburner w/ P/O F77710 ii. Forming Oven 20 w/ P/O F77721 iii. Forming Oven 4 w/P/O F77722 iv. Forming Oven 5 w/P/O F77723	203(a)	Failure to Modify Existing PTO

	v. Forming Oven 11 w/ P/O F77724 vi. Forming Oven 3 w/ P/O F77725 vii. Forming Oven 19 w/ P/O F77727 viii. Forming Oven 22 w/ P/O F77728 ix. Forming Oven 21 w/ P/O F77729 x. Forming Oven 13 w/ P/O F77730		
4	i. Cementing Spray Booth P/O F77713 ii. Building 3 Spray Booth P/O G25221	203(a)	Equipment does not match the permit description
5	F77714 F77705 F77706 F77707 F77710 F77909 F77711	203(b)	Failure to Maintain VOC records for 5 years
6	G25221 G25222 G25223 G25224	203(b)	Failure to maintain VOC records for at least 36 months
7	Cementing Spray Booth P/O F77713	203(b)	Using Material containing hexavalent chrome in the cementing spray booth
8	JSF Coating Room C-1 P/O G25223	203(b)	Using coatings containing toxic air contaminants with effective dates of Sept. 2010 or earlier.
9		203(b)	Facility-wide VOC emissions exceeded limit of 1666 lbs per month VOC excess emissions (amt over 9.996 tpy permit limit): 2021-17.175 tons 2022-19.27 tons 2023-17.928 tons
10		203(b)	Failure to maintain weekly inlet and outlet VOC readings for the activated carbon adsorber drum
11		203(b)	Failure to maintain facility wide NOx records
12	Rite Boiler Eq ID 1035 rated at 1.995 mmBTu/hr	222(d)(1)	Failure to obtain Rule 222 filing for boiler rated greater than 1 mmBtu/hr and less than or equal to 2 mmBtu/hr
13	Johnston boilers G23619 G23620	1146(d)(8)(A)	Failure to conduct portable analyzer tests
14	Afterburner F77710	1147(c)(10)	Failure to conduct source test to meet compliance limits of Rule 1147