

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and SGL Carbon Fibers LLC (SGL), 1375 Union Road, Evanston, WY 82930, enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 4987-12 (NOV). The NOV alleged that SGL failed to meet hydrogen cyanide emission limits from the Line 1 Re-Therm RL and timely submit those stack test results for the Evanston Plant facility (Facility) located in Uinta County, Wyoming, thereby violating the Wyoming Environmental Quality Act (Act), applicable Wyoming Air Quality Standards and Regulations (WAQSR), and Conditions 10 and 27 of Permit MD-7421A.

Wyo. Stat. Ann. § 35-11-901(a)(ii) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, SGL and DEQ/AQD hereby stipulate and agree as follows:

1. SGL Carbon Fibers LLC is a Delaware limited liability company.
2. DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Act, the WAQSR, and Permit MD-7421A.
3. Wyo. Stat. Ann. § 35-11-201 states, “[n]o person shall cause, threaten or allow the discharge or emission of any air contaminant in any form so as to cause pollution which violates rules, regulations and standards adopted by the council.”
4. Wyo. Stat. Ann. § 35-11-801(a) states, “[i]n granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards.”
5. Chapter 6, Section 2 of the WAQSR prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
6. On February 3, 2011, DEQ/AQD issued Permit MD-7421A to SGL. Condition No. 27 of Permit MD-7421A limited emissions of hydrogen cyanide from the Line 1 Re-Therm RL (Line 1 RTO) to 0.3 pounds/hour (lb/hr) and 1.4 tons per year (TPY).
7. SGL conducted stack testing for the Line 1 RTO on June 30, 2011. The results of this stack testing showed that the Line 1 RTO was emitting hydrogen cyanide at

the rate of 0.466 lb/hr. SGL has not retested the Line 1 RTO because it stopped operating the Line 1 RTO on July 28, 2011.

8. DEQ/AQD issued the NOV to SGL on April 19, 2012. DEQ/AQD alleged, in part, that SGL's failure to limit hydrogen cyanide emissions from the Line 1 RTO to 0.3 lb/hr for the time period from June 30, 2011 through July 28, 2011, violated the Act, the WAQSR and Condition No. 27 of Permit MD-7421A.

9. Condition No. 10 of Permit MD-7421A requires SGL to submit a written report of the stack test results within forty-five (45) days. SGL conducted the stack test on June 30, 2011. DEQ/AQD received the stack test results on January 20, 2012.

10. DEQ/AQD also alleged in the NOV that SGL's failure to submit the stack test results within 45 days violated the Act, the WAQSR, and Condition No. 10 of Permit MD-7421.

11. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), SGL agrees to resolve the alleged violations described above and set forth in the associated NOV for the total amount of seven thousand dollars and no cents (\$7,000.00), payable as follows:

A. SGL shall pay to the DEQ/AQD three thousand five hundred dollars and no cents (\$3,500.00) as a stipulated cash penalty. SGL shall make full payment by check within thirty (30) days after SGL has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. SGL shall mail the payment to Nancy Vehr, Sr. Asst. Attorney General, 123 Capitol Building, Cheyenne, Wyoming 82002.

B. In lieu of paying the remaining amount of three thousand five hundred dollars and no cents (\$3,500.00) (Remaining Amount), SGL agrees to complete the following BEAR Project Supplemental Environmental Project (SEP):

i. A SEP is a project that is beneficial for the environment and is otherwise not required by applicable statutes, regulations, permits or orders. SGL's BEAR Project SEP will benefit the environment by providing funds to be used by BEAR Project Inc. for activities related to conserving and managing portions of the Bear River, including, in part, bank stabilization, and enhanced wildlife and fishery habitat.

ii. SGL agrees to complete the Bear Project SEP by submitting a check made payable to BEAR Project Inc. in the amount of seven thousand dollars and no cents (\$7,000.00). SGL shall make full payment of the BEAR Project SEP within thirty (30) days after SGL has been notified by

DEQ/AQD that the final signature has been affixed to this Agreement. SGL shall submit the payment to Evanston Parks & Recreation, Attn: Marilee Jackson, 275 Saddle Ridge Road, Evanston, WY 82930.

iii. Within thirty (30) days after completing the BEAR Project SEP, SGL agrees to submit evidence of payment to DEQ/AQD, Attention: Karen Godman, 122 West 25th Street, Herschler Building 2-E, Cheyenne, WY 82002

12. SGL represents that the Line 1 RTO has been in locked out condition and not operational since July 28, 2011. SGL understands and agrees that it must review the Line 1 RTO for performance considerations before returning the Line 1 RTO to operational status. SGL also understands and agrees that it must retest the Line 1 RTO within forty-five (45) days after re-energizing the equipment and submit these test results to DEQ/AQD, Attn: Ms. Karen J. Godman, Compliance Program Principal, 122 West 25th Street, Herschler Building 2-E, Cheyenne, WY 82002.

13. SGL, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of liability or fault.

14. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by DEQ/AQD against SGL based on the NOV and, solely in reliance on this Agreement, DEQ/AQD will refrain from taking further enforcement action against SGL for these particular violations.

15. In the event that SGL fails to fulfill its obligations under this Agreement, SGL waives any statute of limitations claims which may apply in an enforcement action by DEQ/AQD involving the specific matters described in the NOV.

16. This Agreement shall be admissible by either SGL or DEQ/AQD (hereinafter SGL and DEQ/AQD may be referred to individually as Party and collectively as Parties) without objection of the other Party to this Agreement only in an action between these Parties relating to the violations alleged herein; provided, however, that nothing herein constitutes an admission by SGL of liability or fault.

17. Neither Party to this Agreement shall have any claim against the other for attorney fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of this Agreement. Each Party shall bear its own attorney fees and costs, if any, incurred through the date this Agreement is signed by the Parties. Each Party assumes the risk of any liability arising from its own conduct. Neither Party agrees to insure, defend, or indemnify the other.

18. Any changes, modifications, revisions, or amendments to this Agreement that are mutually agreed upon by the Parties shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

19. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and venue shall be the First Judicial District, Laramie County, Wyoming.

20. This Agreement, consisting of five (5) pages, represents the entire and integrated Agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

21. The State of Wyoming and DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

22. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the Parties to this Agreement, and shall inure solely to the benefit of the Parties to this Agreement. The Parties to this Agreement intend and expressly agree that only Parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

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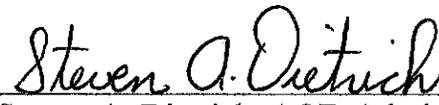
23. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all Parties.

IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

SGL CARBON FIBERS LLC:

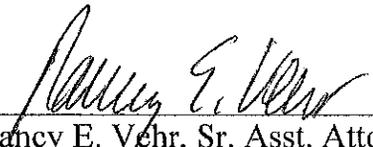
By:  6.18.2012
Name: Scott Carlton Date
Title: President

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

By:  6-21-12
Steven A. Dietrich, AQD Administrator Date

By:  6/22/12
John V. Corra, DEQ Director Date

APPROVAL AS TO FORM:

 6/12/2012
Nancy E. Vehr, Sr. Asst. Attorney General Date
Attorney for DEQ/AQD