

SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "CARB") 1001 I Street, Sacramento, California 95814, and GARDNER TRUCKING, INC., P.O. Box 747, Chino, California 91708.

I. RECITALS

- (1) California Health and Safety Code section 44011.6 (HSC § 44011.6) established the Heavy-Duty Vehicle Inspection Program (HDVIP). It authorizes CARB to inspect on-road heavy-duty vehicles for excessive smoke emissions and engine tampering and to issue citations accordingly. The program also requires the vehicle owner to repair its engines that exceed the prescribed CARB smoke opacity standards, perform a post-repair opacity test, and submit proof of repairs and any assessed penalties under the regulations of the HDVIP, chapter 3.5, California Code of Regulations, title 13, sections 2180-2188 (13 CCR §§ 2180-2188).
- (2) HSC § 43701 provides that CARB shall adopt regulations that require owners or operators of heavy-duty diesel motor vehicles to perform regular inspections of their vehicles for excessive smoke emissions.
- (3) 13 CCR § 2190 *et seq.* were adopted under the authority of HSC § 43701 and, with limited exceptions, which are not applicable here, apply to all heavy-duty diesel powered vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California.
- (4) 13 CCR § 2190 *et seq.* authorize the Periodic Smoke Inspection Program (PSIP) which requires the owners and operators of California based vehicle fleets of two or more heavy-duty diesel motor vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California to conduct annual smoke opacity inspections of their vehicles equipped with engines that are four years old or older.
- (5) 13 CCR § 2192(a) requires *inter alia* that the owner of the vehicle "[t]est the vehicle for excessive smoke emissions periodically according to the inspection intervals specified in section 2193(a), (b), and (c)", "[m]easure the smoke emissions for each test...", "[r]ecord the smoke test opacity levels and other required test information as specified in section 2194..." and "[k]eep the records specified in section 2194 for two years after the date of inspection."
- (6) HSC § 43016 states, "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 there is not provided in this part any other specific civil penalty or

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fine, shall be subject to a civil penalty of not to exceed five hundred dollars (\$500.00) per vehicle.”

- (7) CARB considers testing, measuring, recording, and recordkeeping to be critical components in reducing excessive smoke emissions from these heavy-duty vehicles.
- (8) CARB contends GARDNER TRUCKING, INC. failed to test, measure, record, and maintain records of smoke emissions for its fleet of heavy-duty diesel vehicles for year 2017 in violation of 13 CCR § 2190 *et seq.*
- (9) HSC §§ 39650-39675 mandate the reduction of the emissions of substances that have been determined to be toxic air contaminants. In 1998, following an exhaustive ten-year scientific assessment process, CARB identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. In-use on-road diesel vehicles are powered by diesel fueled engines that emit toxic PM. On-road vehicles are controlled under the Truck and Bus regulation, as codified in 13 CCR § 2025.
- (10) 13 CCR § 2025(e)(1)(B) states: “Starting January 1, 2012, for all vehicles with GVWR greater than 26,000 lbs., excluding school buses, fleets must meet the requirements of 13 CCR § 2025(g) or fleets that report may instead comply with the phase-in option of 13 CCR § 2025(i).”
- (11) Failure to comply with the requirements of 13 CCR § 2025 is a violation of state law resulting in penalties. HSC §§ 39674(a) and (b) authorize civil penalties for the violation of the programs for the regulation of toxic air contaminants not to exceed one thousand dollars (\$1,000) or ten thousand dollars (\$10,000), respectively, for each day in which the violation occurs.
- (12) GARDNER TRUCKING, INC. has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in 13 CCR § 2025(g).
- (13) 13 CCR § 2025(g) requires that owners of diesel vehicles with a GVWR greater than 26,000 lbs. (heavier vehicles) meet PM Best Available Control Technology (BACT) requirements for all 1996 through 1999 model year engines by January 1, 2012, all 2000 through 2004 model year engines by January 1, 2013, and all 2005 and 2006 model year engines by January 1, 2014.
- (14) CARB has documented that GARDNER TRUCKING, INC. failed to meet PM BACT requirements for all 1996 through 1999 model year engines by January 1, 2012, all 2000 through 2004 model year engines by January 1, 2013, and all 2005 and 2006 model year engines by January 1, 2014.

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- (15) Transport Refrigeration Units (TRU) are powered by diesel fueled engines that emit this toxic PM. TRUs are regulated under the Airborne Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Units and TRU Generator Sets, and Facilities Where TRUs Operate (TRU ATCM) as codified in 13 CCR § 2477.1 through 2477.21.
- (16) 13 CCR § 2477.5(a) provides that no owner/operator shall operate a TRU or TRU generator (gen) set in California unless it meets in-use performance standards established in § 2477.5.
- (17) CARB Enforcement Division has documented that GARDNER TRUCKING, INC. failed to bring the TRUs it operates in California into compliance with the in-use performance standards before the deadlines set forth in the regulation.
- (18) Failure to bring the TRU fleet in compliance with applicable in-use performance standards, failure to apply for and affix ARB IDNs and failure to submit an operator report are violations of state law resulting in penalties. HSC § 39674 authorizes civil penalties of up to ten thousand dollars (\$10,000) for each day that the violation occurs
- (19) GARDNER TRUCKING, INC. has four outstanding citations, as noted in the table below:

Citation Number	Violation Type	Issue Date
GHG050417001BOP	GHG	05/04/2017
GHG032018003CK	GHG	03/20/2018
GHG120617002BOP	GHG	12/06/2017
STB072116003CCY	T&B	07/21/2016

- (20) In order to resolve these alleged violations, GARDNER TRUCKING, INC. has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, CARB accepts this Agreement in termination and settlement of this matter.
- (21) 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 violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, CARB and GARDNER TRUCKING, INC. agree as follows:

II. TERMS AND RELEASE

In consideration of CARB not filing a legal action against GARDNER TRUCKING, INC. for the alleged violations referred to above, and GARDNER TRUCKING, INC.'s payment of the penalties set forth in Section 1 below, CARB and GARDNER TRUCKING, INC. agree as follows:

- (1) Upon execution of this Agreement, the sum of twenty-seven thousand two hundred dollars (\$27,200.00) shall be paid on behalf of GARDNER TRUCKING, INC. no later than August 5, 2019, as follows:

- \$27,200.00 payable to the **Air Pollution Control Fund**

The Parties shall exchange signed copies of this Agreement. This Agreement may be executed in counterparts. 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. **Please send the original signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:**

**Mr. Brad Penick
Air Pollution Specialist
California Air Resources Board
Enforcement Division
P.O. Box 2815
Sacramento, California 95812**

Please send the payment along with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

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

- (2) If the Attorney General files a civil action to enforce this settlement agreement, GARDNER TRUCKING, INC. shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's costs, and costs.
- (3) It is further agreed that the penalties described in "Terms and Release", paragraph 1 are punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish GARDNER TRUCKING, INC. for violations of state environmental statutes, and these penalties are payable to

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and for the benefit of CARB, a governmental unit. Therefore, it is agreed that these penalties imposed on GARDNER TRUCKING, INC. by CARB arising from the facts described in recital paragraphs (1) through (19) are non-dischargeable under 11 United States Code § 523 (a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty or forfeiture payable to and for benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

- (4) GARDNER TRUCKING, INC. shall not violate HSC §§ 43701 *et seq.*, 44011.6 *et seq.*, and 13 CCR §§ 2180 *et seq.*, 2190 *et seq.*, and 2485 *et seq.*
- (5) GARDNER TRUCKING, INC. shall comply with one or both of the following options to attend the California Council on Diesel Education and Technology (CCDET I) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for Heavy-Duty Diesel Powered Vehicles) as described on the CCDET webpage, ccdet.org. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP, the ECL regulation and the HDVIP.
 - (a) GARDNER TRUCKING, INC. shall have the fleet maintenance manager (or equivalent) and all staff performing opacity tests for compliance with PSIP and the HDVIP attend the CCDET I class. Proof of CCDET I completion shall be provided to CARB within six months of the date of this Agreement and be maintained in each applicable employee's file for the term of his or her employment.
 - (b) If GARDNER TRUCKING, INC. uses a contractor to perform the annual smoke opacity testing required under the PSIP, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET I course, GARDNER TRUCKING, INC. shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET I course within the past four years. This proof of CCDET I completion shall be provided to CARB with PSIP records as required by this Agreement and be maintained with the annual PSIP records.
- (6) GARDNER TRUCKING, INC. shall comply with the following options to attend the CCDET II class (Diesel Exhaust After Treatment and Maintenance), described on the CCDET webpage, ccdet.org. This class is conducted by various California Community Colleges and instructs attendees on California's emission regulations and the proper care and maintenance of diesel exhaust after-treatment systems (DEATS).
 - (a) GARDNER TRUCKING, INC. shall have the fleet maintenance manager (or equivalent) and all staff responsible for maintenance of DEATS attend the CCDET II class. Proof of CCDET II completion shall be provided to CARB

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within six months of the date of this Agreement and also be maintained in each applicable employee's file for the term of his or her employment.

- (b) In case GARDNER TRUCKING, INC. uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, GARDNER TRUCKING, INC. shall obtain proof that the contractor's staff maintaining the DEATS device(s) completed the CCDET II course within the last four years. This proof of the CCDET II completion shall be provided by GARDNER TRUCKING, INC. to CARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
 - (c) In case GARDNER TRUCKING, INC. is unable to find a CCDET II certified contractor within a radius of 25 miles from its yard for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, GARDNER TRUCKING, INC. shall contract only with the authorized verified diesel emission control strategy installer(s) or original equipment manufacturer distributor(s) for the maintenance of DEATS. The proof of the CCDET II completion for the fleet maintenance manager (or equivalent) shall be provided by GARDNER TRUCKING, INC. to CARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
- (7) GARDNER TRUCKING, INC. shall submit copies of all PSIP compliance records for the years 2019 and 2020 to CARB by January 31 of the following year. **Copies shall be addressed to the attention of Mr. Brad Penick, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.** CARB reserves the right to visit any GARDNER TRUCKING, INC. fleet location at any time to conduct compliance audits for the HDVIP and PSIP, or any other applicable CARB program.
 - (8) GARDNER TRUCKING, INC. shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to CARB within 45 days of this agreement.
 - (9) GARDNER TRUCKING, INC. shall remain in compliance with the ECL regulation as codified in 13 CCR § 2183.
 - (10) GARDNER TRUCKING, INC. shall instruct all employees who operate diesel-fueled vehicles to comply with the idling regulations set forth in 13 CCR § 2485, within 45 days of this Agreement.
 - (11) GARDNER TRUCKING, INC. has four outstanding citations (citation numbers GHG050417001BOP, GHG032018003CK, GHG120617002BOP and

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STB072116003CCY, dated 05/04/2017, 03/20/2018, 12/06/2017 and 07/21/2016), for not meeting the requirements of the Tractor-Trailer Greenhouse Gas Regulation and the Truck and Bus Regulation. These citations will be cleared through this Agreement.

- (12) GARDNER TRUCKING, INC. shall not violate the Truck and Bus regulation as codified in 13 CCR § 2025.
- (13) GARDNER TRUCKING, INC. shall submit proof of compliance with the Truck and Bus regulation (as codified in 13 CCR § 2025), within 45 days of the execution of this Agreement, to **Mr. Brad Penick, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.**
- (14) Within 45 days of the execution of this Agreement, GARDNER TRUCKING, INC. shall bring its fleet of TRUs operating in California in compliance with the applicable in-use performance standards as required by 13 CCR § 2477.5(a) and apply for an ARB IDN for each of the California-based TRUs or TRU gen sets that it owns and/or operates as required by 13 CCR § 2477.5(e) and affix the IDN to both sides of each TRU or TRU gen set within 30 days of receiving the IDN from CARB as required by 13 CCR § 2477.5(e)(1)(F). GARDNER TRUCKING, INC. shall submit the proof of reporting in ARBER to Mr. Brad Penick, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California.
- (15) GARDNER TRUCKING, INC. shall submit a TRU Operator Report as required by 13 CCR § 2477.6(a) within 45 days of execution of this Agreement to Mr. Brad Penick, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.
- (16) GARDNER TRUCKING, INC. shall not violate TRU ATCM as codified in 13 CCR § 2477.
- (17) This Agreement shall apply to and be binding upon GARDNER TRUCKING, INC. and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (18) This Agreement constitutes the entire agreement and understanding between CARB and GARDNER TRUCKING, INC. concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between CARB and GARDNER TRUCKING, INC. concerning the subject matter hereof.

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- (19) No agreement to modify, amend, extend, 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.
- (20) 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.
- (21) 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.
- (22) 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.
- (23) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires CARB to provide information on the basis for the penalties it seeks (HSC § 39619.7). This 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 HSC §§ 42403 and 43024.

PSIP Violations

The per vehicle penalty for the PSIP violations involved in this case is a maximum of \$500.00 per vehicle per violation per year. The penalty obtained for the PSIP violations involved in this case is \$4,000.00 for eight violations involving eight vehicles, or \$500.00 per vehicle per violation.

Truck and Bus Violations

The per unit penalty for the Truck and Bus violations involved in this case is a maximum of \$1,000 per vehicle per day for strict liability violations or \$10,000 per vehicle per day for negligent or intentional violations.

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The penalty obtained for the Truck and Bus violations involved in this case for failure to meet the requirements of the Engine Model Year Compliance Schedule for heavier vehicles is \$13,500.00 or \$306.81 per year of violation:

- \$3,681.82 for two vehicles with a 1996-1999 model year engine (six years in violation),
- \$6,136.37 for four vehicles with a 2000-2004 model year engine (five years in violation), and
- \$3,681.81 for three vehicles with a 2005-2006 model year engine (four years in violation),

The penalty was discounted based on the fact that this was a first time violation and the violator made diligent efforts to comply and to cooperate with the investigation.

TRU Violations

The per unit penalty for the TRU violations involved in this case is a maximum of \$1,000 per unit per day for strict liability violations or \$10,000 per vehicle per day for negligent or intentional violations pursuant to HSC § 39674. The penalty obtained for the TRU violations involved in this case is \$2,500.00 for five noncompliant TRUs operated by GARDNER TRUCKING, INC. or \$500.00 for each violation.

The penalty was discounted based on the fact that this was a first time violation and the violator made 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.

PSIP Violations

The penalty provision being applied to the PSIP violations is HSC § 43016 because GARDNER TRUCKING, INC. failed to test, measure, record, and maintain records of smoke emissions from its fleet of heavy-duty diesel vehicles for the year 2017 in violation of the PSIP regulation in 13 CCR § 2190 *et seq.*, for eight vehicles. Since the PSIP regulation was adopted pursuant to authority granted in Part 5 of Division 26 of the HSC and since there is no specific penalty or fine provided for PSIP violations in Part 5, HSC § 43016 is the applicable penalty provision.

Truck and Bus Violations

The penalty provision being applied for the Truck and Bus regulation (13 CCR § 2025) violations in this case is HSC § 39674 because the Truck and Bus regulation is an Airborne Toxic Control Measure adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and because GARDNER TRUCKING, INC. failed to bring their diesel fleet into compliance by the deadlines set forth in 13 CCR § 2025(g).

TRU Violations

The penalty provision being applied for the TRU ATCM (13 CCR § 2477) violations (including registration and labeling) is HSC § 39674 because the TRU rule is an Air Toxic Control Measure adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and GARDNER TRUCKING, INC., as an owner of TRUs, failed to bring all TRUs in its fleet into compliance by the deadlines set forth in the TRU ATCM and failed to register the TRUs in its fleet in ARBER.

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.

PSIP Violations

The PSIP provisions cited above do prohibit emissions above a specified opacity or level of g/hp-hr. However, since the hours of operation of the noncompliant units involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

Truck and Bus Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the noncompliant trucks involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

TRU Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the noncompliant TRUs involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

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- (24) GARDNER TRUCKING, INC. acknowledges that CARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, CARB has considered all relevant facts, including those listed at HSC § 43024, has explained the manner in which the penalty amount was calculated, 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 emission of pollutants at a specified level.
- (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 cases, and the potential costs 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 was based on confidential settlement communications between CARB and GARDNER TRUCKING, INC. that CARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between CARB and GARDNER TRUCKING, INC. and reflects CARB's assessment of the relative strength of its case against GARDNER TRUCKING, INC., the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that GARDNER TRUCKING, INC. may have secured from its actions.
- (27) Now therefore, in consideration of the payment on behalf of GARDNER TRUCKING, INC. to the Air Pollution Control Fund, CARB hereby releases GARDNER TRUCKING, INC. and their principals, officers, agents, predecessors and successors from any and all claims, CARB may have or have in the future based on the circumstances described in paragraphs (1) through (19) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

Gardner Trucking, Inc.

Signature: /s/ _____

Signature: /s/ _____

Print Name: Todd P. Sax, D.Env. _____

Print Name: _____

Title: Chief, Enforcement Division _____

Title: _____

Date: _____

Date: _____