

SETTLEMENT AGREEMENT

This Settlement Agreement and Release (Agreement) is entered into between the State of California Air Resources Board (CARB), principally located at 1001 I Street, Sacramento, California 95814, and LBCT LLC ("LBCT") principally located at 201 South Pico Avenue, Long Beach, California 90802 (hereinafter referred to individually as a Party or collectively as the Parties).

I. RECITALS

- (1) Health and Safety Code sections 39650-39675 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 (PM) from diesel-fueled engines as a TAC. Mobile cargo handling equipment (CHE) is powered by diesel-fueled engines that emit toxic PM.
- (2) CHE diesel PM emissions are regulated under chapter 9, division 3, California Code of Regulations, title 13, section 2479 (13 CCR § 2479).
- (3) The purpose of the CHE Regulation is to reduce diesel PM and criteria pollutant emissions from compression ignition (CI) mobile CHE that operates at ports and intermodal rail yards in the State of California.
- (4) The CHE Regulation applies to any person who conducts business in California who sells, offers for sale, leases, rents, purchases, owns, or operates any CI mobile CHE that operates at any California port or intermodal rail yard.
- (5) The CHE Regulation authorizes a smoke inspection program which requires the owners and operators of California based CHE that operate within port terminals and intermodal railyards within the State of California to conduct annual smoke opacity inspections of their CHE equipped with diesel CI engines that are four years or older.
- (6) The CHE Regulation requires inter alia that the owner of the equipment "test the equipment for excessive smoke emissions periodically according to the inspection intervals specified in section 2479 (e) (2) 5a-c," "measure the smoke emissions for each test...," "record the smoke test opacity levels and other required test information as specified in section 2479 (i)...," and, "repair and keep the records specified in section 2479 (i)."
- (7) Failure to comply with the requirements of the CHE Regulation is a violation of state law resulting in penalties. Health and Safety Code

sections 39674, 39675, 42400 et seq., 42400 et seq., and 42410 authorize civil penalties up to ten thousand dollars (\$10,000.00), respectively per engine or piece of CHE for each day in which the violations occurs.

- (8) CARB considers testing, measuring, recording, and recordkeeping to be critical components in reducing excessive smoke emissions from CHE engines.
- (9) Any mobile CHE that operates at any California port or intermodal rail yard must meet the performance requirements outlined in the CHE Regulation.
- (10) CARB Enforcement Division staff, with the cooperation of LBCT, has alleged certain violations of the CHE Regulation with respect to LBCT's CHE in California, with 28 non-yard trucks, and 100-yard trucks that failed to conform to the requirements of the CHE Regulation during 2018 and 2019. In particular, these alleged violations involve the failure to test, measure, record, and maintain records of smoke emissions for its fleet of CI mobile CHE that operates at LBCT's California Port of Long Beach Terminal facility.
- (11) CARB alleges that if the allegations described in recitals 1 through 10 were proven, civil penalties could be imposed against LBCT, as provided in Health and Safety Code sections 39674, 39675, 42400 et seq., 42402 et seq., and 42410, for each and every piece of equipment involved in the violations on a per day basis.
- (12) LBCT admits the allegations described in recital paragraphs 1 through 10, but denies any liability resulting from said allegations.
- (13) 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 in their entirety and voluntarily agree to resolve this matter by means of this Agreement. In order to resolve the violations described herein, LBCT has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Agreement in settlement of this matter.

II. TERMS AND CONDITIONS

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

- (1) LBCT shall mail the Agreement by June 22, 2020. 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. LBCT shall send the original signed Agreements and any future mailings or documents required per the terms of this Agreement to:

H. Cuauhtémoc Pelayo
Air Pollution Specialist
Enforcement Division
Air Resources Board
9480 Telstar Avenue, Suite 4
El Monte, California 91731

(2) Upon execution of this Agreement, LBCT shall pay the sum of thirty five thousand two hundred dollars (\$35,200.00) no later than June 22, 2020, as follows:

- \$17,600.00 to the California Air Resources Board
- \$17,600.00 to the South Coast Air Quality Management District (SCAQMD) "Installation of Air Filtration Systems in Schools Phase 2"

(3) LBCT shall submit payment to the California Air Resources Board for deposit into the Air Pollution Control Fund in the amount of seventeen thousand six hundred dollars (\$17,600.00 USD) by June 22, 2020, along with the attached Settlement Agreement Payment Transmittal Form to:

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

(4) LBCT has agreed to undertake a Supplemental Environmental Project (SEP) to fund the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2" as described in the "Supplemental Environmental Project Agreement" (Attachment B) (SEP Agreement), to offset a portion of the penalty, consistent with CARB's SEP Policy. LBCT shall enter into the SEP Agreement with SCAQMD "Installation of Air Filtration Systems in Schools Phase 2" by June 22, 2020.

(5) LBCT shall submit payment in the amount of seventeen thousand six hundred dollars (\$17,600.00) to the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2" by sending the payment along with the attached "Supplemental Environmental Project Payment Transmittal Form" (A-2) to:

South Coast Air Quality Management District
Installation of Air Filtration Systems in Schools Phase 2
21865 Copley Drive
Diamond Bar, California 91765

- (6) LBCT has agreed that by funding the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2, it will not receive any direct or indirect financial benefit.
- (7) Upon agreeing to the terms set forth in the SEP Agreement, and funding the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2", LBCT is released of all liabilities as they relate to the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2," as reflected in this underlying Settlement Agreement.
- (8) In the event the SCAQMD "Installation of Air Filtration Systems in Schools Phase 2," is not fully implemented in accordance with the terms of the SEP Agreement, CARB (as the third party beneficiary) shall be entitled to recover the full amount from the SEP implementer, less any amount waived based on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, LBCT assigns any and all rights against the SEP implementer to CARB.
- (9) LBCT shall not violate any provision of the CHE Regulation.
- (10) LBCT has provided CARB with documentation showing it corrected, prior to the execution of this Agreement, all equipment known to have been in violation and cited in the Notice of Violation # CHE030420_LBCT, issued April 10, 2020, by performing opacity tests in 2020 and complying with all requirements of the CHE Regulation.
- (11) LBCT shall submit an annual report for 2021 and 2022 in excel spreadsheet format of all current CHE equipment, including new and retired CHE owned or operated by LBCT at the LBCT facility at the Port of Long Beach. The report shall include copies of all smoke opacity tests for CHE requiring smoke tests, and maintenance and repair records for CHE that failed the required smoke test. The report shall be delivered electronically to H. Cuauhtémoc Pelayo annually no later than October 1, 2021 and October 1, 2022, to the following email address:

Hector.Pelayo@arb.ca.gov
- (12) LBCT shall attend the California Council on Diesel Education and Technology (CCDET III) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for

Cargo Handling Equipment) as described on the CCDET webpage, ccdet.org. This class is conducted by various California Community Colleges and instructs attendees on compliance with the CHE smoke inspection program.

- a) LBCT shall have the maintenance manager (or equivalent) and all staff performing opacity tests for compliance with the CHE smoke opacity testing attend the CCDET III class. Proof of CCDET III 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 LBCT uses a contractor to perform the annual smoke opacity testing required under the CHE, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET III course, LBCT shall obtain proof that the contractors conducting the smoke opacity tests completed the CCDET III course within the past four years. This proof of CCDET III completion shall be provided to CARB with smoke opacity test records as required by this Agreement and be maintained with the annual smoke opacity test and maintenance records.
- (13) Now therefore, in consideration of the payment on behalf of LBCT to CARB, for deposit into the California Air Pollution Control Fund, CARB hereby releases LBCT and their principals, officers, agents, predecessors, and successors from claims for violations of the CHE Regulation alleged in recital paragraphs 1 through 10.

III. GENERAL PROVISIONS

- (1) This Agreement constitutes the entire agreement and understanding between CARB and LBCT concerning the subject matter hereof, and supersedes and replaces any and all prior negotiations and agreements of any kind or nature, whether written or oral, between CARB and LBCT concerning the subject matter hereof.
- (2) This Agreement shall apply to and be binding upon LBCT and their officers, directors, receivers, trustees, employees, successors and assignees, subsidiaries, and parent corporations, and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (3) The terms and conditions set forth in this Agreement shall remain valid and enforceable notwithstanding any future violations that may occur.
- (4) The effective date of this Agreement shall be the date upon which LBCT executes this Agreement.

- (5) 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.
- (6) This Agreement shall further serve to toll any statute of limitation until all terms and conditions of this Agreement have been fulfilled.
- (7) LBCT agrees not to assert laches as a defense.
- (8) 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 remains in full force and effect.
- (9) The headings in this Agreement are not binding and are for reference only and do not limit, expand, or otherwise affect the contents of 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) 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).
- (12) 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.
- (13) Each of the undersigned represents and warrants that he or she has full authority to enter into this Agreement.

IV. PENALTY DETERMINATION

- (1) 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 is 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 42403 and 43024.

The per unit or per vehicle penalty in this case is a maximum of \$10,000.00 per unit per day. The penalty of \$35,200.00 over an unspecified number of days of violation is for 128 noncompliant units. The per unit penalty in this case is \$275.00 per CHE violation.

This penalty was calculated by considering all factors specified in Health and Safety Code sections 42403 and 43024, including the fact that LBCT came into compliance quickly, is a first time violator, and has cooperated 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 LBCT failed to comply with section 2479 of the CHE Regulation, which was adopted under the authority of Health and Safety Code section 39658, et seq.

Whether the penalty is 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.

The provisions cited above do prohibit emissions above a specified level however, since the hours of operation of the noncompliant units involved and their individual emission rates are unknown, it is not practicable to quantify the excess emissions.

- (2) LBCT acknowledges that CARB has complied with Health and Safety Code section 39619.7 in prosecuting or 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 emission of pollutants at a specified level.
- (3) 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 costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a number of days considered together with the complete circumstances of this case. The penalty also reflects

CARB's assessment of the relative strength of its case against LBCT, 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 LBCT may have secured from its actions. Penalties in future cases might be smaller or larger on a per unit basis.

- (4) The penalty in this case was based in part on confidential business information provided by LBCT that is not retained by CARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between CARB and LBCT that CARB does not retain in the ordinary course of business.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

LBCT LLC

By: _____ /S/

By: _____ /S/

Name: Ellen M. Peter

Name: Anthony Otto

Title: Chief Counsel

Title: CEO

Date: 7/23/2020

Date: 6/9/2020