

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 South Bound Express Company, (hereinafter "SBX"), 10551 Limonite Avenue, Mira Loma, California 91752.

I. RECITALS

- (1) Health and Safety Code, Section 39650-39675 mandates the reduction of the emissions of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. Transport Refrigeration Units (TRUs) are powered by diesel fueled engines that emit toxic particulate matter. TRUs are controlled under section 2477 within chapter 9, division 3, Title 13 of the California Code of Regulations (CCR).
- (2) CCR, Title 13, section 2477 (e) (1) (E) 1 states "On or before January 31, 2009 (extended to July 31, 2009), owner/operators of all California based TRUs and TRU gen sets subject to this regulation (TRU ATCM) shall apply for an ARB identification number for all California-based TRUs or TRU gen sets operated by the operator..."
- (3) CCR, Title 13, Section 2477 (e) (1) (A) requires TRU owner/operators comply with the in-use emission category performance standards on or before the in-use compliance dates set forth in section 2477 (e) (1) (B)
- (4) The ARB has documented violations of the in-use performance standard.
- (5) Health and Safety Code, Sections 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 (\$1,000.00) or not to exceed ten thousand dollars (\$10,000.00) respectively, for each day in which the violation occurs.
- (6) ARB contends that if the facts described in recital paragraphs (1) – (5) were proven civil penalties could be imposed against SBX, as provided in H&SC sections 39674.

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- (7) SBX is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation, and therefore agree as follows:

II. TERMS & RELEASE

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

- (1) Upon execution of this Agreement, the sum of nine thousand dollars (\$9,000.00) shall be paid on behalf of SBX, as follows:

- \$6,750.00 to the **California Air Pollution Control Fund**.
- \$2,250.00 to the **Peralta Community College District**.

ARB to receive by:

02/8/2011	First Payment
06/8/2011	Second Payment
10/8/2011	Third Payment
02/8/2012	Fourth Payment

- First payment shall be made in the form of a check payable to the **Peralta Community College District** in the amount of \$2,250.00.
- Second payment shall be made in the form of a check payable to the **California Air Pollution Control Fund** in the amount of \$2,250.00.
- Third payment shall be made in the form of a check payable to the **California Air Pollution Control Fund** in the amount of \$2,250.00.
- Fourth payment shall be made in the form of a check payable to the **California Air Pollution Control Fund** in the amount of \$2,250.00.

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- Checks with the signed settlement agreement shall be sent to:

Mr. Aldo Chaney, Air Pollution Specialist
Air Resources Board, Enforcement Division
9480 Telstar Ave., Suite 4
El Monte, CA 91731

- (2) Effect of Untimely Payment or Performance. If any payment is more than 15 days late, the entire remaining balance becomes immediately due and payable. In addition, if the Attorney General files a civil action to enforce this settlement agreement, SBX shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.
- (3) It is agreed that if SBX, including its subsidiary or parent company, at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving SBX, its subsidiary, or parent company, or a proceeding or petition under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, or receivership law or statute is filed by or against SBX, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of SBX, its subsidiary, or parent company's properties, or if any deposit account or other property of SBX, its subsidiary, or parent company be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or SBX, its subsidiary, or parent company takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.
- (4) 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 SBX for violations of state environmental statutes, and these penalties are payable to and for the benefit of ARB, a governmental unit. Therefore, it is agreed that these penalties imposed on SBX by ARB arising from the facts described in recital paragraphs 1 – 5 are non-dischargeable under 11 U.S.C § 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.

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- (5) If the Attorney General files a civil action to enforce this settlement agreement, SBX shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees and costs.
- (6) SBX shall have all staff responsible for compliance with the Periodic Smoke Inspection Program (PSIP) and the Heavy Duty Vehicle Inspection Program (HDVIP) attend the California Council on Diesel Education and Technology (CCDET) class, as described on the ARB's webpage at www.arb.ca.gov/msprog/hdvp/hdvp.htm. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP and the HDVIP. Proof of CCDET completion shall be provided to ARB within one year of the date of this Agreement and shall also be maintained in each applicable employee's file for the term of his or her employment. In case SBX uses a contractor to perform the annual smoke opacity testing required under the PSIP, SBX shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET course within the last four years. This proof of the CCDET completion shall be provided by SBX to the ARB within one year of the date of this settlement and shall also be maintained with the annual PSIP records.
- (7) SBX shall complete Low NOx Software Upgrades (reflash) on all applicable heavy duty diesel engines operating in California and report back to the ARB, within 45 days of this Agreement.
- (8) Each 1974 or newer diesel powered heavy-duty commercial vehicle in the SBX fleet shall comply with the emission control label (ECL) requirements set forth in the CCR, Title 13, Section 2183 (c).
- (9) SBX shall instruct all employees who operate diesel fueled commercial vehicles to comply with the idling regulations set forth in CCR, Title 13, Section 2485, within 45 days of the execution of this agreement.
- (10) SBX shall not violate the TRU ATCM, as codified in CCR, Title 13, Section 2477.
- (11) SBX shall comply with the TRU in-use performance standards set forth in Title 13, CCR, Section 2477 (e) (1) (A). Within 90 days of the execution of this Agreement, SBX shall submit the proof of the compliance with the TRU ATCM to Mr. Aldo Chaney, Air Pollution Specialist, ARB Enforcement Division, 9480 Telstar Avenue, Suite 4, El Monte, CA 91731.

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- (12) This Agreement constitutes the entire agreement and understanding between ARB and SBX concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and SBX concerning the subject matter hereof.
- (13) This Agreement shall apply to and be binding upon SBX, and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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.
- (18) **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code section 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.

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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 section 42403 and 43024.

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 unit per day for negligent or intentional violations pursuant to H&SC section 39674. The penalty obtained for the TRU violations involved in this case is \$750.00 per unit for 12 non-compliant units for a penalty of \$9,000.00 after considering all factors specified in 43024. The penalty reflects the fact that these were unintentional first time violations and that SBX 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 for the TRU ATCM (Title 13, CCR, section 2477) violations in this case is H&SC section 39674 because the TRU ATCM is a Toxic Air Contaminant Control Measure adopted pursuant to authority contained in H&SC section 39002, et seq., 39650–39675 and because SBX failed to bring TRUs in its fleet into compliance by the deadlines set forth in the TRU ATCM.

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.

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

- (19) SBX acknowledges that ARB has complied with SB 1402 in prosecuting or settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC section 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

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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. However, since the hours of operation of the non-compliant TRUs involved and their individual emission rates are not known, it is not practicable for ARB to quantify the excess emissions.

- (20) 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 negotiation, 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 was discounted in this matter based on the fact that this was a first time violation and the violator made unusually diligent efforts to comply and to cooperate with the investigation. Penalties in future cases might be smaller or larger on a per unit basis.
- (21) The penalty in this case was based in part on confidential business information provided by SBX that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and SBX that ARB does not retain in the ordinary course of business either. The penalty also reflects ARB's assessment of the relative strength of its case against SBX, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that SBX may have secured from its actions.
- (22) Now therefore, in consideration of the payment by SBX, in the amount of nine thousand dollars (\$9,000.00), ARB hereby releases SBX and its principals, officers, agents, predecessors and successors from any and all claims that ARB may have based on the facts and allegations described in recital paragraphs (1) – (5) above. The undersigned represent that they have the authority to enter into this Agreement.

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California Air Resources Board

By: 

Name: James Ryden
Title: Chief Enforcement Division
Date: 10/3/11

South Bound Express Company

By: 

Name: ERNESTO SANCHEZ
Title: OWNER
Date: 09/12/11