

# 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 ARGONAUT CONSTRUCTORS (hereinafter "ARGONAUT"), 360 Sutton Place, Santa Rosa, California 95407.

## I. RECITALS

- (1) 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.
- (2) 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)."
- (3) 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.
- (4) ARGONAUT has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in 13 CCR § 2025(g).
- (5) 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 upgrade to a 2010 model year emissions equivalent engine for all 1993 and older model year engines by January 1, 2015,
- (6) CARB has documented that ARGONAUT 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 failed to upgrade to a 2010 model year emissions equivalent engine for all 1993 and older model year engines by January 1, 2015.

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- (7) In order to resolve these alleged violations, ARGONAUT has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, CARB accepts this Agreement in termination and settlement of this matter.
- (8) 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 ARGONAUT agree as follows:

**II. TERMS AND RELEASE**

In consideration of CARB not filing a legal action against ARGONAUT for the alleged violations referred to above, and ARGONAUT's payment of the penalties and funding of the Supplemental Environmental Project (SEP) set forth below, CARB and ARGONAUT agree as follows:

- (1) Upon execution of this Agreement, ARGONAUT shall pay a civil penalty and fund a SEP in the total amount of \$9,000. Payment shall be made in two payments as described below, due on December 8, 2017.

<b>Payment Due Date:</b>	<b>In the Amount of and Payable to:</b>
<b>December 8, 2017</b>	<b>\$4,500 Placer County Air Pollution Control District</b>
<b>December 8, 2017</b>	<b>\$4,500 the Air Pollution Control Fund</b>

The signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement shall be mailed to:

Luke Duval  
Air Pollution Specialist  
California Air Resources Board  
Enforcement Division  
P.O. Box 2815  
Sacramento, California 95812

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For payment made to the Placer County Air Pollution Control District, please submit the payment by the applicable payment due date along with the corresponding Attachment A – *“Settlement Agreement Payment Transmittal Form”* to:

Placer County Air Pollution Control District  
For the: Installation of Air Filtration Systems in Schools SEP  
110 Maple Street  
Auburn, California 95603

In addition, a copy of the payment check made to Placer County Air Pollution Control District shall be mailed to:

Luke Duval  
Air Pollution Specialist  
California Air Resources Board  
Enforcement Division  
P.O. Box 2815  
Sacramento, California 95812

For payment made to the Air Pollution Control Fund, the payment by the applicable payment due date along with the corresponding Attachment A – *“Settlement Agreement Payment Transmittal Form”* shall be submitted to:

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

- (2) ARGONAUT has agreed to undertake a SEP as described in Attachment B – *“SUPPLEMENTAL ENVIRONMENTAL PROJECT AGREEMENT – Installation of Air Filtration Systems in Schools SEP”*, (“SEP Agreement”), to offset a portion of the penalty, consistent with CARB’s SEP Policy. Pursuant to this Agreement, ARGONAUT shall make payments according to the schedule above in (1).
- (3) ARGONAUT has agreed that by funding the Installation of Air Filtration Systems in Schools SEP, they will not receive any direct or indirect financial benefit, and that whenever it publicizes a SEP or the results of the SEP, it will state in a prominent manner that the project is being undertaken as part of the settlement of an enforcement action.

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- (4) Upon agreeing to the terms set forth in the SEP Agreement, and funding the Installation of Air Filtration Systems in Schools SEP, ARGONAUT is released of all liabilities as they relate to the Installation of Air Filtration Systems in Schools SEP as reflected in this underlying Settlement Agreement.
- (5) If the Attorney General files a civil action to enforce this settlement agreement, ARGONAUT shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's costs, and costs.
- (6) 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 ARGONAUT for violations of state environmental statutes, and these penalties are payable to and for the benefit of CARB, a governmental unit. Therefore, it is agreed that these penalties imposed on ARGONAUT by ARB arising from the facts described in recital paragraphs (1) through (6) 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.
- (7) ARGONAUT shall comply with the Truck and Bus regulation as codified in 13 CCR § 2025. No later than December 31, 2017, ARGONAUT shall submit the proof of compliance to Mr. Luke Duval, Air Pollution Specialist, CARB Enforcement Division, P.O. Box 2815, Sacramento, California 95812.
- (8) ARGONAUT shall not violate the Truck and Bus regulation as codified in 13 CCR § 2025.
- (9) ARGONAUT 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.
- (10) ARGONAUT shall remain in compliance with the ECL regulation as codified in 13 CCR § 2183.
- (11) ARGONAUT 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.
- (12) This Agreement shall apply to and be binding upon ARGONAUT, 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.

- (13) This Agreement constitutes the entire agreement and understanding between CARB and ARGONAUT concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between CARB and ARGONAUT concerning the subject matter hereof.
- (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) 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.

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.

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 \$9,000 or \$1,000 per violation:

- \$2,000 for two vehicles with a 1996-1999 model year engine,
- \$3,000 for three vehicles with a 2000-2004 model year engine, and
- \$4,000 for four vehicles with a 1993 and older model year engine.

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.**

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 ARGONAUT failed to bring their diesel fleet into compliance by the deadlines set forth in 13 CCR § 2025(g).

**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.**

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.

- (19) ARGONAUT 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.
- (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, 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.

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- (21) The penalty was based on confidential settlement communications between CARB and ARGONAUT that CARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between CARB and ARGONAUT and reflects CARB's assessment of the relative strength of its case against ARGONAUT, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that ARGONAUT may have secured from its actions.
- (22) Now therefore, in consideration of the payment on behalf of ARGONAUT to the Air Pollution Control Fund and the Placer County Air Pollution Control District for the Installation of Air Filtration Systems in Schools SEP, CARB hereby releases ARGONAUT 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 (6) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

**California Air Resources Board**

Signature: 

Print Name: Dr. Todd P. Sax

Title: Chief, Enforcement Division

Date: 12/13/17

**ARGONAUT CONSTRUCTORS**

Signature: 

Print Name: MICHAEL A. SMITH

Title: VICE-PRESIDENT

Date: 11/29/17