

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 TRAFFICANDA EGG RANCHES, INC. (hereinafter "TRAFFICANDA"), 8019 Haskell Avenue, Van Nuys, California 91406.

I. RECITALS

- (1) California Health and Safety Code sections 39650-39675 (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, ARB 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 California Code of Regulations, title 13, section 2025 (13 CCR § 2025).
- (2) 13 CCR § 2025(e)(1)(B) states: "Starting January 1, 2012, for all vehicles with gross vehicle weight rating (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) TRAFFICANDA 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 engine model years by January 1, 2012, all 2000 through 2004 engine model years 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) ARB has documented that TRAFFICANDA failed to meet PM BACT requirements for all 1996 through 1999 engine model years by January 1, 2012, all 2000 through 2004 engine model years by January 1, 2013, and failed to upgrade all heavier vehicles with a 1993 and older model year engine to a 2010 model year emissions equivalent engine by January 1, 2015.

SETTLEMENT AGREEMENT AND RELEASE

ARB and TRAFFICANDA

Page 2 of 9

- (7) 13 CCR § 2025(f) requires that owners of diesel vehicles with a GVWR greater than 14,000 lbs. and less than or equal to 26,000 lbs. (lighter vehicles) upgrade to a 2010 model year emissions equivalent engine for all 1995 and older model year engines by January 1, 2015.
- (8) ARB has documented that TRAFFICANDA failed to upgrade all lighter vehicles with a 1995 and older model year engine to a 2010 model year emissions equivalent engine by January 1, 2015.
- (9) ARB field enforcement staff issued TRAFFICANDA a citation for violating the in-use performance standards of the Truck and Bus regulation on August 20, 2015 (STB082015003CK)
- (10) Transport Refrigeration Units (TRUs) are powered by diesel fueled engines that emit 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.
- (11) 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.
- (12) ARB Enforcement Division has documented that TRAFFICANDA 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.
- (13) Failure to bring the TRU fleet in compliance with applicable in-use performance standards is a violation 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.
- (14) In order to resolve these alleged violations, TRAFFICANDA has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, ARB accepts this Agreement in termination and settlement of this matter.
- (15) 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, ARB and TRAFFICANDA agree as follows:

II. TERMS AND RELEASE

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

- (1) Upon execution of this Agreement, TRAFFICANDA shall pay a civil penalty of forty-five thousand six hundred ninety-eight dollars (\$45,698.00). Payment shall be made in 12 monthly payments as described below, beginning on **February 15, 2016**.

Payment Due Date:	In the Amount of and Payable to:	
February 15, 2016	\$3,808.00	the Peralta Colleges Foundation
March 15, 2016	\$3,808.00	the Peralta Colleges Foundation
April 15, 2016	\$3,808.00	the Peralta Colleges Foundation
May 16, 2016	\$3,808.00	the Air Pollution Control Fund
June 15, 2016	\$3,808.00	the Air Pollution Control Fund
July 15, 2016	\$3,808.00	the Air Pollution Control Fund
August 15, 2016	\$3,808.00	the Air Pollution Control Fund
September 15, 2016	\$3,808.00	the Air Pollution Control Fund
October 16, 2106	\$3,808.00	the Air Pollution Control Fund
November 15, 2016	\$3,808.00	the Air Pollution Control Fund
December 15, 2016	\$3,809.00	the Air Pollution Control Fund
January 16, 2017	\$3,809.00	the Air Pollution Control Fund

Please send the 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 submit each payment by the applicable payment due date along with the corresponding "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

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

SETTLEMENT AGREEMENT AND RELEASE

ARB and TRAFFICANDA

Page 4 of 9

- (2) Effect of Untimely Payment. 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, TRAFFICANDA 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 TRAFFICANDA, 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 TRAFFICANDA, 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 TRAFFICANDA, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of TRAFFICANDA's, its subsidiary, or parent company's properties, or if any deposit account or other property of TRAFFICANDA, 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 TRAFFICANDA, 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 TRAFFICANDA 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 TRAFFICANDA by ARB arising from the facts described in recital paragraphs (1) through (13) 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.
- (5) TRAFFICANDA shall not violate HSC §§ 43701 *et seq.*, 44011.6 *et seq.*, and 13 CCR §§ 2180 *et seq.*, 2190 *et seq.*, and 2485 *et seq.*
- (6) TRAFFICANDA shall comply with one or both of the following options to attend the CCDET II class (Diesel Exhaust After Treatment and Maintenance), described on the ARB's webpage <http://www.arb.ca.gov/enf/hdvip/ccdet/ccdet.htm>. 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).

SETTLEMENT AGREEMENT AND RELEASE

ARB and TRAFFICANDA

Page 5 of 9

- (a) TRAFFICANDA 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 ARB 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 TRAFFICANDA uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, TRAFFICANDA 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 TRAFFICANDA to ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.
- (7) TRAFFICANDA shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to ARB within 45 days of this agreement.
- (8) TRAFFICANDA shall remain in compliance with the Emission Control Label (ECL) regulation as codified in 13 CCR § 2183.
- (9) TRAFFICANDA 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.
- (10) TRAFFICANDA shall not violate the Truck and Bus regulation as codified in 13 CCR § 2025.
- (11) TRAFFICANDA shall comply with the Truck and Bus regulation as codified in 13 CCR § 2025. Within 45 days of the execution of this Agreement, TRAFFICANDA shall submit proof of compliance, to **Mr. BRAD PENICK, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.**
- (12) Within 45 days of the execution of this Agreement, TRAFFICANDA 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 Identification Number (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 ARB as required by 13 CCR § 2477.5(e)(1)(F). TRAFFICANDA shall submit the proof of reporting in ARB's Equipment Registration system (ARB ER) to **Mr. BRAD PENICK, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.**

SETTLEMENT AGREEMENT AND RELEASE

ARB and TRAFFICANDA

Page 6 of 9

- (13) TRAFFICANDA 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.**
- (14) TRAFFICANDA shall not violate TRU ATCM as codified in 13 CCR § 2477.
- (15) This Agreement shall apply to and be binding upon TRAFFICANDA, 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.
- (16) This Agreement constitutes the entire agreement and understanding between ARB and TRAFFICANDA concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and TRAFFICANDA concerning the subject matter hereof.
- (17) 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.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires ARB 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 \$30,576.00 or \$208.00 per month of violation:

- \$17,680.00 for two vehicles with a 1996 through 1999 model year engine (one vehicle for 41 months and one vehicle for 44 months in violation); and
- \$6,656.00 for one vehicle with a 2000 through 2004 model year engine (32 months in violation); and
- \$6,240.00 for five vehicles with a 1993 and older model year engine (one vehicle for two months, two vehicles for six months, and two vehicles for eight months in violation).

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 lighter vehicles is \$10,568.00 or \$208.00 per month of violation: \$9,568.00 for six vehicles with a 1995 or older model year engine (one vehicle for six months and five vehicles for eight months in violation) and \$1,000.00 for the penalty associated with ARB citation STB082015003CK.

The penalty was discounted due to financial hardship and 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 \$4,554.00 for six noncompliant TRUs operated by TRAFFICANDA or \$759.00.00 for each violation.

The penalty was discounted due to financial hardship and 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 ATCM adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and because TRAFFICANDA failed to bring their diesel fleet into compliance by the deadlines set forth in 13 CCR §§ 2025(f) and 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 ATCM adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and TRAFFICANDA, as an owner of TRUs, failed to bring all 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.

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.

- (22) TRAFFICANDA acknowledges that ARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, ARB 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

SETTLEMENT AGREEMENT AND RELEASE

ARB and TRAFFICANDA

Page 9 of 9

penalty is being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

- (23) 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.
- (24) The penalty was based on confidential settlement communications between ARB and TRAFFICANDA that ARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between ARB and TRAFFICANDA and reflects ARB's assessment of the relative strength of its case against TRAFFICANDA, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that TRAFFICANDA may have secured from its actions.
- (25) Now therefore, in consideration of the payment on behalf of TRAFFICANDA to the Air Pollution Control Fund and the Peralta Colleges Foundation, ARB hereby releases TRAFFICANDA and their principals, officers, agents, predecessors and successors from any and all claims, ARB may have or have in the future based on the circumstances described in paragraphs (1) through (13) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board


Signature: 

Print Name: Ellen M. Peter

Title: Chief Counsel

Date: 2/29/2016

Trafficanda Egg Ranches, Inc.

Signature: 

Print Name: PAUL TRAFFICANDA

Title: MANAGER

Date: 2/5/16