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 Ardwin Inc. (hereinafter "Ardwin"), 2940 North Hollywood Way, Burbank, California 91505.

I. RECITALS

(1) California Health and Safety Code (HSC) §§ 39650-39675 mandate the reduction of emissions of 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, as codified in California Code of Regulations, title 13, section 93000 (17 CCR § 93000). In 2009, the ARB adopted the Truck and Bus Regulation (13 CCR § 2025) to reduce emissions of toxic PM from in-use on-road diesel-powered vehicles.

(2) Title 13 CCR § 2025(x)(2) of the Truck and Bus Regulation provides that "Any in-state or out-of-state motor carrier, California broker, or any California resident who operates or directs the operation of any vehicle subject to this regulation shall verify that each hired or dispatched vehicle is in compliance with the regulation and comply with the record keeping requirements of section 2025(s)(4)".

(3) Title 13 CCR § 2025(s)(4) of the Truck and Bus Regulation establishes the following recordkeeping requirements: "Bills of lading and other documentation identifying the motor carrier or broker who hired or dispatched the vehicle and the vehicle dispatched. The documentation shall include the name and contact information of the hiring business entity and vehicle information including license plate number, and other information." Title 13 CCR § 2025(x)(3) also provides "[c]ompliance may be accomplished by keeping at the business location, a copy of the Certificate of Reported Compliance with the In-Use On-Road Diesel Vehicle Regulation for each fleet."

(4) 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.

(5) ARB audited Ardwin for compliance with the broker-shipper provisions of the Truck and Bus rule and determined that in 2013, 2014 and 2015 Ardwin failed to keep records that it documented the compliance status of 26 fleets it hired or dispatched, 14 of which were ultimately determined to be in violation of the Truck

and Bus Regulation. Ardwin cooperated fully with the audit and does not dispute these basic facts.

(6) In order to resolve these alleged violations, Ardwin has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, ARB accepts this Agreement in termination and settlement of this matter.

(7) 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, the ARB and Ardwin agree as follows:

II. TERMS AND RELEASE

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

(1) Upon execution of this Agreement, the sum of twenty thousand dollars **($20,000.00)** shall be paid on behalf of Ardwin no later than **July 30, 2016**, as follows:

- $15,000.00 payable to the **Air Pollution Control Fund**
- $5,000.00 payable to the **Peralta Colleges Foundation**

Please send the signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:

Mr. Femi Olaluwoye
Air Pollution Specialist
California Air Resources Board
Enforcement Division
9480 Telstar Avenue Suite 4
El Monte, California 91731

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, Ardwin 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 Ardwin 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 Ardwin by ARB arising from the facts described in recital paragraphs (1) through (7) 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.

(3) Ardwin shall not violate the Truck and Bus Regulation as codified in 13 CCR § 2025.

(4) Ardwin shall verify that each hired or dispatched vehicle is in compliance with the Truck and Bus Regulation as codified in 13 CCR § 2025.

(5) This Agreement shall apply to and be binding upon Ardwin, 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.

(6) This Agreement constitutes the entire agreement and understanding between ARB and Ardwin concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and Ardwin concerning the subject matter hereof.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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 in this case for failure to verify that each fleet hired or dispatched was in compliance with the Truck and Bus Regulation and to maintain required records is $1,000.00 for each year any of the 14 fleets ultimately determined to be in compliance with the Truck and Bus Regulation.

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 Ardwin failed to verify compliance for each vehicle hired or dispatched and to maintain records as required by 13 CCR §§ 2025(x)(2), (x)(3) and (s).

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.

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

(13) 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.

(14) The penalty was based on confidential settlement communications between ARB and Ardwin that ARB does not retain in the ordinary course of business. The penalty is the product of an arm's length negotiation between ARB and Ardwin and reflects ARB's assessment of the relative strength of its case against Ardwin, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Ardwin may have secured from its actions.

(15) Now therefore, in consideration of the payment on behalf of Ardwin to the Air Pollution Control Fund and the San Joaquin Valley Air Pollution Control District, ARB hereby releases Ardwin 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 (2) through (5) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board		**ARDWIN INC**	
Signature:		Signature:	
Print Name:	Dr. Todd P. Sax	Print Name:	EDWIN GAHAKIAN
Title:	Chief, Enforcement Division	Title:	PRESIDENT
Date:	7/1/16	Date:	6-14-2016