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 Arrow Highway Truck Parts (hereinafter "AHTP"), 14846 Arrow Highway, Baldwin Park, California 91706.

I.RECITALS

(1) The Verification Procedure for In-Use Strategies to Control Emissions from Diesel Engines ("Verification Procedure," California Code of Regulations (CCR), title 13, sections 2700-2711) provides at section 2702 that if the Executive Officer of the ARB grants verification of a diesel emission control strategy, he or she will issue an Executive Order (EO) to the strategy's applicant identifying the verified emission reduction level and any conditions that must be met for the diesel emission control strategy to function properly. The Verification Procedure itself also places conditions on applicants and diesel emissions control strategies.

(2) The Verification Procedure provides at section 2706 that no party shall advertise, sell, lease, or offer for sale or lease, a used verified diesel emission control strategy.

(3) CCR, title 13, section 2711 states that no person shall sell, offer to sell, or introduce into commerce any ARB verified diesel emission control strategy unless all of the conditions of the governing EO and this chapter are met.

(4) If a diesel emission control strategy or the application it is used in does not meet the conditions specified in the Verification Procedure or the applicable EO, it is a violation of the Verification Procedure, and the diesel emission control strategy is not verified for that application.

(5) The ARB Enforcement Division staff, with the cooperation of AHTP, has alleged certain violations of the Verification Procedure with respect to diesel emission control strategies that do not conform to the conditions specified in the Verification Procedure. In particular, these alleged violations involve sales and sales offers of used verified diesel emission control strategies.

(6) Health and Safety Code (HSC), 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) or not to exceed ten thousand dollars ($10,000) respectively, for each day in which the violation occurs.

(7) In order to resolve the violations described herein, AHTP has taken, or agreed to take, the actions enumerated below under "TERMS AND CONDITIONS." Further, the ARB 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, the ARB and AHTP agree as follows:

II.TERMS AND CONDITIONS

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

(1) Upon execution of this Agreement, the sum of two thousand two hundred and fifty dollars ($2,250.00) shall be paid on behalf of AHTP as follows:

- $1,687.50 to the **Air Pollution Control Fund.**
- $562.50 to the **Peralta Colleges Foundation**.
- Checks with the signed settlement agreement shall be sent to:

Mr. Tajinder Gill
Air Resources Engineer
Air Resources Board, Enforcement Division
9480 Telstar Ave., Suite 4
El Monte, CA 91731

(2) If the Attorney General files a civil action to enforce this settlement agreement, AHTP shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

(3) AHTP shall not violate any provision of the California Vehicle Code section 27156.

(4) AHTP shall not violate Aftermarket parts exemption procedures established in CCR, title13, sections 1900 et seq., 2030-2031, 2047-2048, 2200-2207 and 2220-2225.

(5) AHTP shall not violate the Verification Procedure (CCR, title 13, sections 2700-2711) or any EOs issued by ARB.

(6) AHTP shall not advertise, sell, lease, or offer for sale or lease, a used verified diesel emission control strategy pursuant to CCR, title 13, section 2706.

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

(8) 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.

(9) 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.

(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) 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.

(12) 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 HSC 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.

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 section 43024.

The per violation penalty in this case is a maximum of $1,000 per day for strict liability violations and $10,000 per day for negligent or intentional violations. The penalty of $2,250.00 over an unspecified number of days of violation is $1,125.00 for selling two used non-compliant verified diesel emission control strategies and $1,125.00 for offering for sales three used non-compliant verified diesel emission control strategies. In this case, the per violation penalty is $562.50 for selling a used verified diesel emission control strategy and $375.00 for offering for sale a used verified diesel emission control strategy. This penalty was calculated by considering all factors specified in HSC sections 42403 and 43024, including the fact that this is an innocent, first time violation, AHTP has cooperated with the investigation, and has developed a comprehensive compliance plan.

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 HSC section 39674 because AHTP failed to comply with the Air Toxic Control Measure for In-Use Strategies

to Control Emissions from Diesel Engines, title 13, CCR, sections 2700-2711, which was adopted under authority of HSC section 39600, et seq.

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 level. However, since the non-compliant units involved were not installed, it is not applicable in this case.

(13) AHTP 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 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 non-compliant units involved were not installed, it is not applicable in this case.

(14) 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. Penalties in future cases might be smaller or larger on a per unit basis.

(15) The penalty in this case was based in part on confidential business information provided by AHTP 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 AHTP 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 AHTP, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that AHTP may have secured from its actions.

(16) Now therefore, in consideration of the payment on behalf of AHTP to the Air Pollution Control Fund and the Peralta Colleges Foundation, the ARB hereby releases AHTP and their principals, officers, agents, predecessors and successors from any and all claims for past violations of the Verification Procedure alleged in recital paragraph 5. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

By: _____

Name: James R. Ryden, Chief
Title: Enforcement Division
Date: 3/5/14

Arrow Highway Truck Parts

By: _____

Name: JOE SEAY
Title: VICE PRESIDENT
Date: 2-24-2014