SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (Agreement) is entered into between the State of California Air Resources Board (ARB), with principal location at 1001 I Street, Sacramento, California 95814, and International Transportation Service, Inc. (ITS), with principal location at 1281 Pier G Way, Long Beach, California 90802.

I. RECITALS

(1) Health and Safety Code (H&SC), sections 39650-39675 (H&SC §§ 39650-39675) mandate the reduction of the emission of substances that have been determined to be toxic air contaminants (TAC). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board (ARB) identified particulate matter (PM) from diesel-fueled engines as a TAC. Mobile cargo handling equipment (CHE) is powered by diesel-fueled engines that emit toxic PM. Chapter 9, division 3, California Code of Regulations (CCR), title 13, section 2479 (13 CCR § 2479) regulates emissions of diesel PM from CHEs.

(2) The purpose of the CHE regulation is to reduce diesel PM and criteria pollutant emissions from compression ignition (CI) mobile CHE that operates at ports and intermodal rail yards in the state of California.

(3) The CHE regulation applies to any person who conducts business in California, who sells, offers for sale, leases, rents, purchases, owns, or operates any CI mobile CHE that operates at any California port or intermodal rail yard.

(4) Any CI mobile CHE that operates at any California port or intermodal rail yard must meet the performance requirements outlined in 13 CCR § 2479.

(5) Failure to comply with 13 CCR § 2479 (e) (3) is a violation of state law resulting in penalties. H&SC §§ 39674, 39675, 42400 et seq., 42402 et seq., and 42410 authorize civil penalties for the violation of the programs for the regulation of TACs 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 Enforcement Division staff, with the cooperation of ITS, has alleged certain violations of the CHE regulation with respect to ITS's CHE in California, which does not conform to the requirements of 13 CCR § 2479. In particular, these alleged violations involve the lease, rental, purchase, and ownership of CI mobile CHE that operates at ITS's California port facility.

(7) In order to resolve the violations described herein, ITS has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, ARB accepts this Agreement in termination and settlement of this matter.

II. TERMS AND CONDITIONS

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 ITS agree as follows:

(1) Upon execution of this Agreement, the sum of seventy five thousand and twenty five dollars ($75,025.00) shall be paid on behalf of ITS to the California Air Pollution Control Fund. Please submit the signed Settlement Agreement and the check to:

Ms. Michelle Shultz Wood
Staff Air Pollution Specialist
Enforcement Division
Air Resources Board
9480 Telstar Avenue, Suite 4
El Monte, California 91731

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

(3) ITS shall not violate 13 CCR § 2479.

(4) ITS has corrected, prior to the execution of this Agreement, all equipment known to have been in violation and cited in the Notice of Violation #071912-HCP-01 issued April 3, 2013, by selling, retiring, retrofitting, and replacing the noncompliant equipment in compliance with all requirements as set forth in 13 CCR § 2479.

(5) ITS has provided documentation that proves that the violations have been corrected.

(6) This Agreement constitutes the entire agreement and understanding between ARB and ITS concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and ITS 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) SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (see H&SC § 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 H&SC section 43024 (H&SC § 43024).

The per unit or per vehicle penalty in this case is a maximum of $1,000.00 per unit per day for strict liability violations, and $10,000.00 per unit per day for negligent or intentional violations. The penalty of

$75,025.00 over an unspecified number of days of violation is for 5 noncompliant units. The per unit penalty in this case is $15,005.00, which is approximately 100 percent of the price to retrofit each unit and bring it into compliance with the CHE regulation. This penalty was calculated by considering all factors specified in H&SC §§ 42403 and 43024, including the fact that this is an innocent, first time violation and that ITS has 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 in this case is H&SC § 39674 because ITS failed to comply with the Air Toxic Control Measure for In-Use Strategies to Control Emissions from Diesel Engines, CCR, title 13, sections 2700-2711, which was adopted under authority of H&SC § 39674, 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 hours of operation of the noncompliant units involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

(12) ITS 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 H&SC § 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 hours of operation of the noncompliant units involved and their individual emission rates are not known, it is not practical for ARB to quantify the excess emissions.

(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 case negotiations, 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.

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

(15) Now therefore, in consideration of the payment on behalf of ITS to the California Air Pollution Control Fund, ARB hereby releases ITS and their principals, officers, agents, predecessors, and successors from any and all claims for past violations of the CHE regulation alleged in recital paragraph 6. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

By: _____

Name: Ellen M. Peter
Title: Chief Counsel
Date: 3/27/2014

International Transportation Service, Inc.

By: _____

Name: Naoki Kawamura
Title: President
Date: 3/13/2014