SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into by and between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB"), with its principal office at 1001 I Street, Sacramento, California 95814 and KEY DISPOSAL, INC. (hereinafter "KEY") with its principal place of business at 1141 South Taylor Avenue, Montebello, California, 90640, collectively, "The Parties."

RECITALS

1. Health and Safety Code section 44011.6(a) provides, "The use of a heavy-duty motor vehicle that emits excessive smoke is prohibited."

2. Health and Safety Code section 44011.6(e), in pertinent part, provides, "The state board shall enforce the prohibition against the use of heavy-duty motor vehicles that are determined to have excessive smoke emissions..."

3. Health and Safety Code section 44011.6(h), in pertinent part, provides, "In addition to the corrective action required by this section, the owner of a motor vehicle in violation of this section is subject to a civil penalty of not more than one thousand five hundred dollars ($1,500) per day for each day that the vehicle is in violation. The state board may adopt a schedule of reduced civil penalties to be applied in cases where violations are corrected in an expeditious manner."

4. California Code of Regulations, title 13, section 2182(a)(1) provides, "No heavy-duty vehicle powered by a 1991 or subsequent model-year diesel engine operating on the highways within the State of California shall exceed 40 percent smoke opacity when tested in accordance with this section unless its engine is exempted under subsection (c) or (d) below."

5. California Code of Regulations, title 13, section 2182 (a)(2) provides, "No heavy-duty vehicle powered by a pre-1991 model-year diesel engine, operating on the highways within the State of California, shall exceed 55 percent smoke opacity when tested in accordance with this section unless its engine is exempted under subsection (c) or (d) below."

6. California Code of Regulations, title 13, section 2182(d) provides, "A heavy-duty vehicle has excessive smoke if it fails to comply with the smoke opacity standard applicable under this section 2182."

7. California Code of Regulations, title 13, section 2185(a)(1)(A), in pertinent part, provides, "the owner of a heavy-duty vehicle, that is cited for the first time pursuant to section 2182 or 2183 (a) and (b), other than for a tampered ECL, and for which demonstration of correction is provided and payment is made within 45 days from personal or certified mail receipt of the Citation, shall pay the minimum penalty of $300. An owner who fails to correct the vehicle or pay the minimum penalty within 45 days of

receipt of the Citation shall be assessed a penalty of $800."

8. California Code of Regulations, title 13, section 2185(a)(1)(C) provides, "The owner of a vehicle that is cited pursuant to section 2182 or 2183(a) and (b), other than for a tampered ECL, for a second time within a 12 month period for the same vehicle shall within 45 days from personal or certified mail receipt of the current Citation provide demonstration of correction and pay the penalty of $1,500 and the minimum penalty of $300 for a total of $1,800, notwithstanding section 2185(c)."

9. On September 23, 2014, ARB investigators inspected KEY's facilities and measured the smoke opacity from the majority of KEY's solid waste collection vehicles, some of which are summarized in the following table.

Unit #	Vehicle Identification Number (VIN)	License Plate Number	Engine Model Year	Opacity (%)
4	1WXDCHBD9BN050324	2B27278	1983	70.9
8	1WXDCCBD96U099670	8E14128	1994	59
9	1WXDAHAC2CN054358	4G82143	1994	57
17	NWXDCHMD8HN115928	67876N1	1990	79

10. On December 9, 2014, KEY'S employee, Steve Katangian, re-tested the smoke opacity from the majority of KEY's solid waste collection vehicles and measured the opacity from unit #17 at 67.5%.

11. On December 31, 2014, Steve Katangian re-tested unit #17 and measured its opacity at 76.8%.

12. ARB alleges that on September 23, 2014, KEY's units # 4, 8, 9, and 17 were in violation of the opacity standards set forth in California Code of Regulations, title 13, sections 2182(a)(1) and (2).

13. ARB further alleges that on December 9, 2014 and December 31, 2014, KEY's unit #17 was still in violation of the opacity standard set forth in California Code of Regulations, title 13, section 2182(a)(2).

14. KEY promptly and fully cooperated with ARB throughout its investigation.

15. ARB alleges that if the allegations described in recital paragraphs 1-13 were proven, civil penalties could be imposed against KEY as provided in California Code of Regulations, title 13, sections 2185(a)(1)(A) and (C).

16. KEY admits the facts in recital paragraphs 1 through 13.

17. KEY is willing to enter into this Agreement solely for the purpose of settlement and

resolution of this matter with ARB. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

TERMS AND RELEASE

In settlement of any and all claims that ARB has against KEY for the violations alleged above, and in consideration of ARB not filing a legal action as well as the other terms set out below, ARB and KEY agree as follows:

1. As a condition of this Settlement Agreement, KEY shall pay the total sum of five thousand dollars ($5,000.00) as a penalty upon execution of this Settlement Agreement. Payments shall be made by cashier's check payable to the **California Air Resources Board** and addressed to:

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

   Stephen Binning
   Air Resources Board, Enforcement Division
   1001 I Street
   Sacramento, California 95814

   Please send the signed Settlement Agreement and payment using 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. This Agreement shall apply to and be binding upon KEY and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

3. Now, therefore, in consideration of the payment by KEY to the California Air Resources Board in the amount specified above, ARB hereby releases KEY and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and predecessors from any and all claims that ARB may have relating to the facts and allegations described in recital paragraphs 1-13 above. The undersigned represent that they

have the authority to enter this Agreement.

4. This Agreement constitutes the entire agreement and understanding between ARB and KEY concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between ARB and KEY concerning these claims.

5. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to this Agreement.

6. Advice of Counsel. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

7. 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.

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 to the extent necessary to fulfill the Agreement's purpose and the intent of the parties.

9. 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.

10. Waiver. The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

11. The parties agree that this Settlement Agreement may be executed by facsimile and in counterparts by the Parties and their representatives, and the counterparts shall collectively constitute a single, original document, notwithstanding the fact that the signatures may not appear on the same page.

12. SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code

section 39617) requires the ARB to provide information on the basis for the penalties it seeks. This required 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 Health and Safety Code section 43024.

The penalty in this case is a maximum of $800 per vehicle per strict liability violation under California Code of Regulations, title 13, section 2185(a)(1)(A) and an additional maximum of $1,500 per vehicle per strict liability violation under California Code of Regulations, title 13, section 2185(a)(1)(C). The penalty obtained in this case is, on average, $1,250 per vehicle for 4 vehicles.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

ARB alleges that the penalty provisions being applied in this case, California Code of Regulations title 13, sections 2185(a)(1)(A) and (C), are appropriate because KEY's heavy duty diesel vehicles were in violation of the opacity standards, with one vehicle failing a second time within a 12 month period.

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. It is not practicable to quantify these emissions over time, because the information necessary to do so, such as time of use, is not available. In the interests of settlement and because of the time and expense involved, the parties elected not to quantify the excess emissions over time.

13. KEY acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health and Safety Code 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.

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 case negotiation, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain period of time, 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 KEY 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 KEY 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 KEY, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that KEY may have secured from its alleged actions.

California Air Resources Board

By: _____

Name: James Ryden

Title: Chief, Enforcement Division

Date: 3/23/15

Key Disposal, Inc.

By: _____

Name: John Katangian

Title: President

Date: 3.19.15