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 SOUTHWICK & SON TRUCKING (hereinafter "SOUTHWICK"), 27261 LODGE ROAD, PIONEER, CA 95666.

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 Statewide 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 GVWR greater than 26,000 lbs, excluding school buses, fleets must meet the requirements of § 2025(g) or fleets that report may instead comply with the phase-in option of § 2025(i)." 13 CCR § 2025(e)(1)(C) states: "Fleets with one to three vehicles with a GVWR greater than 14,000 lbs may utilize the small fleet compliance option of § 2025(h) for vehicles with a GVWR greater than 26,000 lbs."

(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) SOUTHWICK has elected to meet the requirements of the Small Fleet Compliance Option provided for in 13 CCR § 2025(h).

(5) 13 CCR § 2025(h) states that in lieu of initially complying with the schedule set forth in § 2025(g), a fleet with a fleet size of one to three vehicles with a GVWR greater than 14,000 lbs may alternatively comply with the phase-in schedule to meet PM BACT. Vehicles within the fleet shall meet PM BACT pursuant to the following schedule: one vehicle by January 1, 2014, two vehicles by January 1, 2017, and three vehicles by January 1, 2018.

(6) ARB has documented that SOUTHWICK failed to meet PM BACT requirements in accordance to the Small Fleet Compliance Option.

(7) 13 CCR § 2025(r) sets forth the requirements for reporting all vehicles with engines subject to the regulation if the owner of a fleet has elected to utilize the compliance options of 13 CCR §§ 2025(f)(4), 2025(g)(3), 2025(g)(4), 2025(h), 2025(i), the credits of 13 CCR § 2025(j), and the agricultural provisions of 13 CCR § 2025(m), single-engine and two-engine street sweeper provisions of 13 CCR § 2025(n), extension or exemptions for vehicles used exclusively in NOx exempt areas of 13 CCR § 2025(p)(1), and the extension for low-mileage construction trucks of 13 CCR § 2025(p)(2).

(8) 13 CCR § 2025(e)(8) states: "All information specified in 13 CCR § 2025(r) must be reported to the Executive Officer."

(9) ARB has documented that SOUTHWICK failed to timely report all vehicles with engines subject to the regulation for which the fleet owner has elected to utilize the compliance options of 13 CCR § 2025 (h).

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

(11) 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 SOUTHWICK agree as follows:

II. TERMS AND RELEASE

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

(1) Upon execution of this Agreement, SOUTHWICK shall pay a civil penalty of four thousand two hundred fifty dollars. Payment shall be made in twelve monthly payments as described below, beginning on **July 10, 2015.**

Payment Due Date:	In the Amount of and Payable to:	
July 10, 2015	**$354.00**	**the Peralta Colleges Foundation**
August 10, 2015	**$354.00**	**the Peralta Colleges Foundation**
September 10, 2015	**$354.00**	**the Peralta Colleges Foundation**
October 10, 2015	**$356.00**	**the Air Pollution Control Fund**
November 10, 2015	**$354.00**	**the Air Pollution Control Fund**
December 10, 2015	**$354.00**	**the Air Pollution Control Fund**
January 10, 2016	**$354.00**	**the Air Pollution Control Fund**

February 10, 2016	**$354.00**	**the Air Pollution Control Fund**
March 10, 2016	**$354.00**	**the Air Pollution Control Fund**
April 10, 2016	**$354.00**	**the Air Pollution Control Fund**
May 10, 2016	**$354.00**	**the Air Pollution Control Fund**
June 10, 2016	**$354.00**	**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. Nelson Van
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

(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, SOUTHWICK 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 SOUTHWICK, 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 SOUTHWICK, 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 SOUTHWICK, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of SOUTHWICK's, its subsidiary, or parent company's properties, or if any deposit account or other property of SOUTHWICK, 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 SOUTHWICK, 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 SOUTHWICK 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 SOUTHWICK by ARB arising from the facts described in recital paragraphs (1) through (9) 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) SOUTHWICK 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) SOUTHWICK 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).

(a) SOUTHWICK 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 SOUTHWICK uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, SOUTHWICK 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 SOUTHWICK to ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.

(7) SOUTHWICK 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) SOUTHWICK shall remain in compliance with the Emission Control Label (ECL) regulation as codified in 13 CCR § 2183.

(9) SOUTHWICK 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) SOUTHWICK shall not violate the Truck and Bus regulation as codified in 13 CCR § 2025.

(11) SOUTHWICK shall submit proof of compliance with the Truck and Bus regulation (as codified in 13 CCR § 2025), within 45 days of the execution of this Agreement, to **Mr. Nelson Van, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.**

(12) This Agreement shall apply to and be binding upon SOUTHWICK, 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.

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

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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 Small Fleet Compliance Schedule is $3,875 or approximately $227.94 per month of violation for one vehicle (17 months in violation).

The penalty obtained for the Truck and Bus violations involved in this case for failure to timely report all required information for all vehicles in the fleet for which the fleet owner has elected to utilize *Small Fleet Compliance Option* is $375.00 for 3 vehicles reported after the deadline, or $125.00 per vehicle, per violation.

The penalty was discounted due to extreme 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 Airborne Toxic Control Measure adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and because SOUTHWICK failed to meet PM BACT requirements in accordance to the Small Fleet Compliance Option and failed to timely report all required information for all vehicles in the fleet for which they have elected to utilize compliance options/credits/provisions as required in 13 CCR § 2025(r).

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 vehicle involved and its individual emission rate is not known, it is not practicable to quantify the excess emissions.

(19) SOUTHWICK 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.

(20) 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.

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

(22) Now therefore, in consideration of the payment on behalf of SOUTHWICK to the Air Pollution Control Fund and the Peralta Colleges Foundation, ARB hereby releases SOUTHWICK 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 (9) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board		**SOUTHWICK & SON TRUCKING**	
Signature:		Signature:	
Print Name:	Dr. Todd P. Sax	Print Name:	Kevin Southwick
Title:	Chief, Enforcement Division	Title:	general partner
Date:	7/17/15	Date:	7-8-2015