SETTLEMENT AGREEMENT

This settlement agreement (Agreement) is entered into by and among the California Air Resources Board (ARB) with its principal office at 1001 "I" Street, Sacramento, California 95814, and Tesoro Sierra Properties, LLC (TESORO), with its principle office at 19100 Ridgewood Parkway, San Antonio, Texas 78259 and Valley Petroleum Equipment, Inc. (Valley Petroleum Equipment) with its principal office at 506 Industry Way, Imperial, California 92251.

RECITALS

1. California Health and Safety Code section 39658(b)(1) establishes the Asbestos National Emissions Standard for Hazardous Air Pollutants (Asbestos NESHAP) (Title 40, Code of Federal Regulations, section 61.140, et seq.) as an Airborne Toxic Control Measure (ATCM) enforceable by ARB.

2. The ATCM requires owner(s) or operator(s) of demolition or renovation activities to provide written notification of the intention to demolish or renovate a regulated facility ten (10) working days before work begins. (40 C.F.R. 61.145(b))

3. On February 19, 2014, ARB inspected the demolition of multiple structures (gas station canopies), located at a gas station 960 North Imperial Avenue, El Centro, California 92243. Gas stations are regulated facilities under the ATCM.

4. The ATCM defines "Owner or operator of a demolition or renovation activity" as "any person who owns, leases, operates, controls, or supervises the facility being demolished or renovated or any person who owns, leases, operates, controls, or supervises the demolition or renovation operation, or both." (40 C.F.R. 61.141)

5. Valley Petroleum Equipment and TESORO are each an "Owner or operator of a demolition or renovation activity" under the ATCM, with respect to the demolition of the gas station canopies.

6. Valley Petroleum Equipment submitted the required notification to ARB on February 21, 2014, subsequent to ARB inspection. The notification identifies the demolition "Start Date" to be January 9, 2014. Based on the identified Start Date, notification should have been submitted to ARB or U.S. EPA on or before December 26, 2013. Demolition was completed on January 10, 2014, resulting in a total of 15 operational days without notification.

7. Valley Petroleum Equipment and TESORO admit the facts identified in paragraph 1 through 6 above.

8. Based on the facts set out in the recitals above, on April 3, 2014, ARB issued a Notice of Violation, NOV# ASB-2014-19, to TESORO, and Valley Petroleum Equipment for failing to properly notify U.S. EPA and/or ARB at least 10 working days before beginning the demolition of the gas station canopies, as required by the ATCM.

9. Violation of the ATCM is a violation of State law resulting in penalties. Health and Safety Code sections 39674 authorizes strict liability penalties not to exceed ten thousand dollars ($10,000) per day, for each day that the violation occurs.

10. ARB and Valley Petroleum Equipment and TESORO desire to resolve this matter completely under the terms of this Agreement, in lieu of litigation. In order to resolve these violations, Valley Petroleum and TESORO agree to take the actions enumerated below under the "TERMS AND CONDITIONS."

TERMS AND CONDITIONS

In consideration of ARB not filing a legal action against Valley Petroleum Equipment and TESORO for the alleged violations referred to above, ARB and Valley Petroleum Equipment and TESORO agree as follows:

A. Upon execution of this Agreement, Valley Petroleum Equipment and TESORO agree to pay civil penalties in the total amount of THIRTEEN THOUSAND DOLLARS ($13,000). Payment of the penalties shall be as follows:

All checks shall be made payable to the **"California Air Resources Board"** for deposit into the California Air Pollution Control Fund and are due upon execution of this Agreement. All checks shall include "NOV# ASB-2014-19" in the memo field and shall be sent, with the executed agreement, and the attached "Settlement Agreement Payment Transmittal Form" to the address below:

Mr. Ahmad Najjar
California Air Resources Board
Enforcement Division
P.O. Box 1436
Sacramento, California 95812-1436

B. Valley Petroleum Equipment agrees to provide to at least one employee, training that meets the Asbestos Hazard Emergency Response Act requirements for Asbestos Contractor/Supervisor Initial (40-hour) training. To demonstrate compliance with this provision, Valley Petroleum Equipment must provide to ARB proof of completion, in the form of a copy of the awarded training certificate documenting the date of attainment within one year of the Effective Date of this Agreement and shall be mailed to the address identified in paragraph A of the "TERMS AND CONDITIONS."

C. TESORO agrees to provide to at least one employee, training that meets the Asbestos Hazard Emergency Response Act requirements for Asbestos Contractor/Supervisor Initial (40-hour) training. To demonstrate compliance with this provision, TESORO must provide to ARB proof of completion, in the form of a copy of the awarded training certificate documenting the date of attainment within one year of the Effective Date of this Agreement and shall be mailed to the address identified in paragraph A of the "TERMS AND CONDITIONS."

D. This Agreement shall apply to and be binding upon Valley Petroleum Equipment and TESORO, and their 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.

E. This Agreement constitutes the entire agreement and understanding between ARB and Valley Petroleum Equipment and TESORO concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and Valley Petroleum Equipment and TESORO concerning the subject matter.

F. Failure to comply with any of the terms of this Agreement shall void the agreement and ARB may take enforcement action based on the initial violation and any subsequent violations of this Agreement. Any failure to comply with this Agreement will be determined individually, such that a failure by one party does not otherwise impact compliance by the remaining parties.

G. 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.

H. 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.

I. This Agreement is deemed to have been drafted jointly by ARB and Valley Petroleum Equipment and Tesoro; it will not be interpreted for or against either party on the ground that said party drafted it.

J. **SB1402 Statement.**

Senate Bill 1401 (Dutton, Chapter 413, Statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (Health and Saf. Code 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 Health and Safety Code section 42403.

The per unit penalty in this case is a maximum of ten thousand dollars ($10,000) per violation per day for strict liability violations pursuant to Health and Safety Code section 39674. After considering all factors specified in Health and Safety Code section 42403, the penalty obtained in this case is a total of THIRTEEN THOUSAND DOLLARS ($13,000), or $866.67 per day of violation. Asbestos is a toxic air contaminant and violations of the Asbestos ATCM, including violations of this nature, could result in immediate and localized exposure. The notification requirement allows ARB to inspect the project for regulated asbestos containing materials (RACM) not identified or disclosed in the pre-project asbestos inspection and not properly abated prior to demolition. In not seeking the maximum penalty allowed under State law, ARB recognizes that, subsequent to ARB inspection, Valley Petroleum Equipment and TESORO expeditiously returned to compliance. Furthermore, the penalty reflects that ARB has not previously issued Asbestos ATCM notices of violation to Valley Petroleum Equipment and TESORO.

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

The penalty provision is being applied in this case is Health and Safety Code section 39674, because Valley Petroleum Equipment and TESORO failed to comply with the Asbestos ATCM established under Health and Safety Code section 39658(b).

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 practical to do so.

The notification requirement does not reflect an emission limit.

K. Valley Petroleum Equipment and TESORO acknowledge 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 42403, 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 not being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

L. 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 risks associated with litigating these particular violations. Penalties in future cases might be smaller or larger on a per unit basis.

M. The penalty reflects ARB's assessment of the relative strength of its case against Valley Petroleum Equipment and TESORO, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Tesoro and Valley Petroleum Equipment may have secured from their actions.

N. Now therefore, in consideration of the payment on behalf of Valley Petroleum Equipment and TESORO to the California Air Resource Board, ARB hereby resolves with Valley Petroleum Equipment and TESORO and their principals, officers, agents, predecessors and successors from any and all claims for the past violations of the ATCM ARB may have based on the circumstances described in the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

SIGNATURES

Californian Air Resources Board

By: _____

Name: James Ryden
Title: Enforcement Division Chief

Date: 07/09/14

TESORO Sierra Properties, LLC.

By: _____

Name: Robert Donovan
Title: Director
Environmental-Marketing & Remediation

Date: _____

Valley Petroleum Equipment, Inc.

By: _____

Name: Cesar Llamas
Title: Vice President

Date: 6/17/2014

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Californian Air Resources Board

By: _____

Name: James Ryden
Title: Enforcement Division Chief

Date: 07/09/14

TESORO Sierra Properties, LLC.

By: Robert Donovan

Name: Robert Donovan
Title: Director
Environmental-Marketing & Remediation

Date: 6/19/14

Valley Petroleum Equipment, Inc.

By: _____

Name: Cesar Llamas
Title: Vice President

Date: _____