

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 TORRES TRANSPORTATION, LLC (hereinafter "TORRES"), 2475 Paseo De Las Americas #2608 San Diego, CA 92154.

I. RECITALS

- (1) California Health and Safety Code section 44011.6 (HSC § 44011.6) established the Heavy Duty Vehicle Inspection Program (HDVIP). It authorizes ARB to inspect on-road heavy-duty vehicles for excessive smoke emissions and engine tampering and to issue citations, accordingly. The program also requires the vehicle owner to repair its engines that exceed the prescribed ARB smoke opacity standards, perform a post-repair opacity test, and submit proof of repairs and any assessed penalties under the Regulations of the Heavy-Duty Smoke Inspection Program, chapter 3.5, California Code of Regulations, title 13, sections 2180-2188 (13 CCR §§ 2180-2188).
- (2) HSC § 43701 provides that ARB shall adopt regulations that require owners or operators of heavy-duty diesel motor vehicles to perform regular inspections of their vehicles for excessive smoke emissions.
- (3) 13 CCR § 2190 *et seq.* were adopted under the authority of HSC § 43701 and, with limited exceptions, which are not applicable here, apply to all heavy-duty diesel powered vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California.
- (4) 13 CCR § 2190 *et seq.* authorize the Periodic Smoke Inspection Program (PSIP) which requires the owners and operators of California based vehicle fleets of two or more heavy duty diesel motor vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California to conduct annual smoke opacity inspections of their vehicles equipped with engines that are four years and older.
- (5) 13 CCR § 2192(a) requires *inter alia* that the owner of the vehicle "[t]est the vehicle for excessive smoke emissions periodically according to the inspection intervals specified in section 2193(a), (b), and (c)", "[m]easure the smoke emissions for each test...", "[r]ecord the smoke test opacity levels and other required test information as specified in section 2194..." and "[k]eep the records specified in section 2194 for two years after the date of inspection."
- (6) HSC § 43016 states, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which there is not provided in this part any other specific civil penalty or fine, shall

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be subject to a civil penalty of not to exceed five hundred dollars (\$500.00) per vehicle.”

- (7) ARB considers testing, measuring, recording, and recordkeeping to be critical components in reducing excessive smoke emissions from these heavy-duty vehicles.
- (8) ARB contends TORRES failed to test, measure, record, and maintain records of smoke emissions from its fleet of heavy-duty diesel vehicles for years 2011 and 2012 in violation of 13 CCR § 2190 *et seq.*
- (9) 13 CCR § 2183(c) states that “No 1974 or newer diesel powered heavy-duty commercial vehicle shall operate in California without evidence that, at the time of manufacture, the installed engine met emission standards at least as stringent as applicable federal emission standards for the model year of the engine. ARB shall base its determination on whether an engine meets the above requirements by inspecting the Emission Control Label (ECL) affixed to the vehicle’s engine.
- (10) ARB contends TORRES failed to provide evidence that their vehicles have emission control labels (ECL) attached to the engines of heavy-duty diesel vehicles in its fleet in violation of CCR, title 13, section 2183, *et seq.* Civil penalties for violation of the regulation covering emission control labels have been set per title 13 CCR, section 2185(a)(2)(B) at \$300 per vehicle per violation.
- (11) HSC section 39650-39675 mandates the reduction of the emission of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the ARB identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. Drayage trucks are controlled under the Drayage Truck Regulation as codified in title 13 California Code of Regulations (CCR), section 2027. In addition, on-road vehicles other than drayage trucks are controlled under section 2025 within title 13 of the California Code of Regulations (CCR).
- (12) Title 13 CCR, section 2027(d)(3)(A) requires drayage truck owners meet all applicable emission requirements and deadlines set forth in Phases 1 and 2 detailed in Section 2027(d).
- (13) Title 13 CCR, section 2027(d)(5)(A)(2) requires drayage truck motor carriers only dispatch drayage trucks that meet emission standards and compliance deadlines set forth in Phases 1 and 2 in Section 2027(d). Section 2027(d)(5)(A)(3) requires motor carriers only dispatch drayage trucks that are registered and in good standing with the Drayage Truck Registry (DTR).

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- (14) 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 13 CCR § 2025(g) or fleets that report may instead comply with the phase-in option of 13 CCR § 2025(i)."
- (15) 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 TACs not to exceed one thousand dollars (\$1,000) or ten thousand dollars (\$10,000), respectively, for each day in which the violation occurs.
- (16) TORRES has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in 13 CCR § 2025(g).
- (17) 13 CCR § 2025(g) requires that owners of diesel vehicles with a GVWR greater than 26,000 lbs. meet PM BACT requirements for all 1996 through 1999 engine model years by January 1, 2012.
- (18) ARB has documented that TORRES failed to meet PM BACT requirements for one 1996 through 1999 engine model years by January 1, 2012.
- (19) TORRES has 4 outstanding citations, as noted in the table below, dating from May 10, 2012 to June 18, 2013, for violation of these regulations.

Citation #	LP #	VIN#	Violation Type	Total Penalties	Date of Citation	Company Name
ECL051012003PL	9B28289	1XKWD29X7ES318932	ECL	\$300	5/10/2012	Torres Transportation
S1071912001JA	9D04771	1XP5D29X9KD279674	HDVIP (SL)	\$500	7/19/12	Torres Transportation
ECL071912001VA	9D04771	1XP5D29X9KD279674	ECL	\$800	7/19/12	Torres Transportation
DTR061813001JW	9B28289	1XKWD29X1ES318932	DTR	\$1800	6/18/13	Torres Transportation

- (20) In order to resolve these alleged violations, TORRES has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, ARB accepts this Agreement in termination and settlement of this matter.
- (21) 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 TORRES agree as follows:

II. TERMS AND RELEASE

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

- (1) Upon execution of this Agreement, TORRES shall pay a civil penalty of \$12,000.00. Payment shall be made in 12 monthly payments as described below, beginning on October 1, 2015.

Payment Due Date:	In the Amount of and Payable to:	
October 1, 2015	\$1,000.00	to the Peralta Colleges Foundation
November 1, 2015	\$1,000.00	to the Peralta Colleges Foundation
December 1, 2015	\$1,000.00	to the Peralta Colleges Foundation
January 1, 2016	\$1,000.00	to the Air Pollution Control Fund
February 1, 2016	\$1,000.00	to the Air Pollution Control Fund
March 1, 2016	\$1,000.00	to the Air Pollution Control Fund
April 1, 2016	\$1,000.00	to the Air Pollution Control Fund
May 1, 2016	\$1,000.00	to the Air Pollution Control Fund
June 1, 2016	\$1,000.00	to the Air Pollution Control Fund
July 1, 2016	\$1,000.00	to the Air Pollution Control Fund
August 1, 2016	\$1,000.00	to the Air Pollution Control Fund
September 1, 2016	\$1,000.00	to 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. Ryman Simangan
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

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- (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, TORRES 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 TORRES, 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 TORRES, 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 TORRES, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of TORRES, its subsidiary, or parent company's properties, or if any deposit account or other property of TORRES, 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 TORRES, 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 TORRES 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 TORRES through by ARB arising from the facts described in recital paragraphs (1) through (20) 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) TORRES 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) TORRES shall comply with one or both of the following options to attend the California Council on Diesel Education and Technology (CCDET I) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for Heavy-Duty Diesel Powered Vehicles) as described on the ARB webpage at <http://www.arb.ca.gov/enf/hdvp/ccdet/ccdet.htm>. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP, ECL and the HDVIP.

- (a) TORRES shall have the fleet maintenance manager (or equivalent) and all staff performing opacity tests for compliance with PSIP and the HDVIP attend the CCDET I class. Proof of CCDET I completion shall be provided to ARB within six months of the date of this Agreement and be maintained in each applicable employee's file for the term of his or her employment.
 - (b) If TORRES uses a contractor to perform the annual smoke opacity testing required under the PSIP, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET I course, TORRES shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET I course within the past four years. This proof of CCDET I completion shall be provided to ARB with PSIP records as required by this Agreement and be maintained with the annual PSIP records.

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

- (8) As is typically required, TORRES shall submit copies of all PSIP compliance records for the two years (2015 and 2016) after the close of the audit to ARB by January 31 of the following year. ARB acknowledges that TORRES has already submitted copies of all PSIP compliance records for year 2013 and has therefore complied with that requirement. TORRES must still submit copies of all PSIP compliance records for year 2015 and 2016 to ARB by January 31 of the following year. **Copies shall be addressed to the attention of Mr. Ryman Simangan at the California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, CA 95812.** ARB reserves the right to visit any

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- TORRES fleet location at any time to conduct compliance audits for the HDVIP and PSIP, or any other applicable ARB program.
- (9) TORRES 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.
 - (10) TORRES shall remain in compliance with the ECL regulation as codified in 13 CCR § 2183.
 - (11) TORRES 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.
 - (12) TORRES shall not violate the Truck & Bus regulation as codified in 13 CCR § 2025 *et seq.*
 - (13) TORRES shall not violate the Drayage Truck Regulation, as codified in 13 CCR § 2027.
 - (14) TORRES 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. Ryman Simangan, Air Pollution Specialist, California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, CA 95812.**
 - (15) This Agreement shall apply to and be binding upon TORRES, 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.
 - (16) This Agreement constitutes the entire agreement and understanding between ARB and TORRES concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and TORRES concerning the subject matter hereof.
 - (17) 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.
 - (18) **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.
 - (19) 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.

- (20) 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.
- (21) 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.

PSIP Violations

The per vehicle penalty for the PSIP violations involved in this case is a maximum of \$500 per vehicle per violation per year. The penalty obtained for the PSIP violations involved in this case is \$5,000 for 20 violations involving 10 vehicles, or \$250 per vehicle per violation. The penalty was discounted due to financial hardship and violator made diligent effort to comply and to cooperate with the investigation.

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 Engine Model Year Compliance Schedule is \$7,200 or \$100 per month of violation for (1) vehicle with a 1996 through 1999 model year engine (32 months in violation). This penalty was discounted due to extreme financial hardship and violator made diligent effort 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.

PSIP Violations

The penalty provision being applied to the PSIP violations is HSC § 43016 because TORRES failed to test, measure, record, and maintain records of smoke

emissions from its fleet of heavy duty diesel vehicles for the years 2011 and 2012 in violation of the PSIP regulation in title 13 CCR § 2190 *et seq.*, for 10 vehicles. Since the PSIP regulation was adopted pursuant to authority granted in Part 5 of Division 26 of the HSC and since there is no specific penalty or fine provided for PSIP violations in Part 5, HSC § 43016 is the applicable penalty provision.

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 a Toxic Air Contaminant Control Measure adopted pursuant to authority contained in HSC §§ 39002 *et seq.*, 39650-39675 and because TORRES failed to bring their diesel fleet into compliance by the deadlines set forth in 13 CCR § 2025(g).

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.

PSIP Violations

The PSIP provisions cited above do prohibit emissions above a specified opacity or level of g/hp-hr. However, since the hours of operation of the non-compliant units involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

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 non-compliant trucks involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

(22) Citation Violations

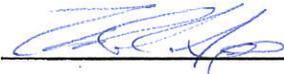
The penalty obtained for the ECL violations involved in this case is \$1,100.00 for 2 vehicles for 2 outstanding citations issued on 5/10/2012 and 7/19/2012. The penalty obtained for the drayage truck owner violations involved in this case is \$1,800 for 1 dispatch on a non-compliant vehicle or for 1 outstanding citation issued on 6/18/2013. The total penalty obtained for opacity test citation (HDVIP) is \$500 per violation for 1 outstanding citation issued by field staff on 7/19/2012.

(23) TORRES 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.

- (24) 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.
- (25) The penalty was based on confidential settlement communications between ARB and TORRES that ARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between ARB and TORRES and reflects ARB's assessment of the relative strength of its case against TORRES, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that TORRES may have secured from its actions.
- (26) Now therefore, in consideration of the payment on behalf of TORRES to the Air Pollution Control Fund and the Peralta Colleges Foundation, ARB hereby releases TORRES and their principals, officers, agents, predecessors and successors from any and all claims, the ARB may have or have in the future based on the circumstances described in paragraphs (1) through (20) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board

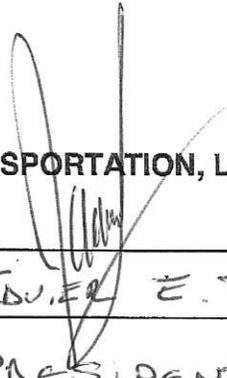
Signature: 

Print Name: Dr. Todd P. Sax

Title: Chief, Enforcement Division

Date: 10/2/15

TORRES TRANSPORTATION, LLC.

Signature: 

Print Name: JAVIER E. TORRES

Title: PRESIDENT

Date: 09-15-15