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 VANDER MEULEN, INC., located at 13282 Escalon-Bellota Road. Escalon, California 95320.

I. RECITALS

(1) California Health and Safety Code (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 Air Resources Board (ARB) identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. In-use on-road heavy-duty diesel vehicles (heavy-duty vehicles) are powered by diesel fueled engines that emit toxic particulate matter. On-road vehicles are controlled under section 2025 within chapter 1, article 4.5, Title 13 of the California Code of Regulations (CCR).

(2) Title 13, CCR section 2025(b) states the regulation applies to any person, business, federal government agency, school district or school transportation provider that owns or operates, leases, or rents, affected vehicles that operate in California. Affected vehicles are those that operate on diesel-fuel, dual-fuel, or alternative diesel-fuel that are registered to be driven on public highways, were originally designed to be driven on public highways whether or not they are registered, yard trucks with on-road engines or yard trucks with off-road engines used for agricultural operations, both engines of two-engine sweepers, school buses, and have a manufacturer's gross vehicle weight rating (GVWR) greater than 14,000 pounds (lbs).

(3) California Health and Safety Code (HSC) section 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, sections 2180-2188, title 13, California Code of Regulations (CCR).

(4) Title 13, CCR section 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. The ARB shall base its determination on whether an engine meets the above requirements by inspecting the ECL affixed to the vehicle's engine.

(5) HSC section 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 excess smoke emissions.

(6) Title 13, CCR sections 2190 *et seq.* was adopted under the authority of HSC section 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 14,000 pounds that operate on the streets or highways within the State of California.

(7) Title 13, CCR section 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."

(8) HSC section 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 violation there is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty of not to exceed five hundred dollars ($500.00) per vehicle."

(9) ARB considers testing, measuring, recording, and recordkeeping to be critical components in reducing excessive smoke emissions from these heavy-duty vehicles.

(10) ARB contends VANDER MEULEN, INC., failed to test, measure, record, and maintain records of smoke emissions from a portion of its fleet of heavy-duty diesel vehicles for the year 2011 in violation of Title 13, CCR sections 2190 *et seq.*

(11) ARB contends VANDER MEULEN, INC., failed to provide evidence that all of their vehicles have emission control labels attached to the engines of heavy-duty diesel vehicles in its fleet in violation of title 13, CCR, section 2183, et seq. Civil penalties for violation of the regulation covering emission control labels have been set per title 13, CCR, sections 2185(a)(2)(B) at $300 per vehicle per violation.

(12) VANDER MEULEN, INC., 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, and therefore agree as follows:

II. TERMS & RELEASE

In consideration of ARB not filing a legal action against VANDER MEULEN, INC., for the violations alleged above, ARB and VANDER MEULEN, INC., agree as follows:

(1) Upon execution of this Agreement, VANDER MEULEN, INC., shall pay a civil penalty of eleven thousand nine hundred dollars ($11,900.00). Payment shall be made in check form as described below and the payments will be made no later than November 22, 2012.

SETTLEMENT AGREEMENT AND RELEASE ARB AND VANDER MEULEN, INC.:

- **$ 8,925.00** made out to **California Air Pollution Control Fund**
- **$ 2,975.00** made out to **Peralta Community College District**

All payments and documents shall be sent to the attention of:

David C. Gray, Investigator
Air Resources Board, Enforcement Division
P.O. Box 2815
Sacramento, California 95812

(2) VANDER MEULEN, INC., shall not violate HSC sections 43701 *et seq.* and 44011.6 *et seq.,* and Title 13, CCR sections 2180 *et seq.*, 2190 *et seq.,* 2025, and 2485 *et seq.*

(3) VANDER MEULEN, INC., shall comply with one or both of the following options to attend the California Council on Diesel Education and Technology (CCDET) class, as described on the ARB webpage at http://www.arb.ca.gov/enf/hdvip/hdvip.htm. This class is conducted by various California Community Colleges and instructs attendees on compliance with the PSIP and the HDVIP.

(a) VANDER MEULEN, INC., shall have all staff members, mechanics and technicians responsible for compliance with the PSIP and the HDVIP attend the CCDET class. Proof of CCDET completion shall be provided to ARB within six months of the date of this Agreement and shall be maintained in each applicable employee's file for the term of his or her employment, or as provided by VANDER MEULEN, INC., rules, regulations, codes, or ordinances, whichever is longer.

(b) If VANDER MEULEN, INC., uses a contractor to perform the annual smoke opacity testing required under the PSIP, VANDER MEULEN, INC., shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET course within the past four years. This proof of CCDET completion shall be provided to ARB with PSIP records as required by this Settlement Agreement and shall be maintained with the annual PSIP records.

(4) VANDER MEULEN, INC., 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 Compliance emission regulations and the proper care and maintenance of Verified Diesel Emission Control Strategies (VDECS).

(a) VANDER MEULEN, INC., shall have at least one staff member responsible for maintenance of VDECS 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 shall also be maintained in each applicable employee's file for the term of his or her employment, or as provided by VANDER MEULEN, INC., rules, regulations, codes, or ordinance, whichever is longer.

(b) In case VANDER MEULEN, INC., uses a contractor for the maintenance of VDECS, VANDER MEULEN, INC., shall obtain proof that the contractor's staff maintaining the VDECS completed the CCDET II course within the last four years. This proof of the CCDET II completion shall be provided by VANDER MEULEN, INC., to the ARB within six months of the date of this settlement and shall also be maintained with VDECS maintenance records.

(5) VANDER MEULEN, INC., shall submit copies of all PSIP compliance records for years 2013 and 2014 to the ARB by January 31 of the following year. Copies shall be addressed to the attention of David Gray at the California Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, CA 95812.

(6) The ARB reserves the right to visit any VANDER MEULEN, INC., fleet location at any time to conduct compliance audits for the HDVIP and PSIP, or any other applicable ARB program.

(7) VANDER MEULEN, INC., shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to the ARB within 45 days of this agreement.

(8) Each 1974 or newer diesel powered heavy-duty vehicle in the VANDER MEULEN, INC., fleet shall comply with the emission control label (ECL) requirements set forth in the Title 13, CCR section 2183(c) within 45 days of this agreement.

(9) VANDER MEULEN, INC., shall instruct all employees who operate diesel-fueled vehicles to comply with the idling regulations set forth in Title 13, CCR section 2485, within 45 days of this Agreement.

(10) This Agreement shall apply to and be binding upon VANDER MEULEN, INC., 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.

(11) This Agreement constitutes the entire agreement and understanding between ARB and VANDER MEULEN, INC., concerning the subject matter hereof, and

supersedes and replaces all prior negotiations and agreements between ARB and VANDER MEULEN, INC., concerning the subject matter hereof.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

Senate Bill 1402

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see HSC 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 HSC sections 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. The penalty obtained for the PSIP violations involved in this case is $11,000.00 for 22 vehicles, or $500.00 per vehicle per violation.

ECL Violations

The per vehicle penalty for the labeling violations involved in this case is a maximum of $300 per vehicle per violation. The penalty obtained for the ECL violations involved in this case is $900.00 or $300.00 per vehicle.

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 section 43016 because VANDER MEULEN, INC., failed to test, measure, record, and maintain records of smoke emissions from a portion of its fleet of heavy duty diesel vehicles for the year 2011 in violation of the PSIP regulation in CCR, title13, sections 2190 *et seq.*, for twenty-two vehicles. Since the PSIP regulation was adopted pursuant to authority granted in Part 5 of Division 26 of the Health and Safety Code and since there is no specific penalty or fine provided for PSIP violations in Part 5, HSC section 43016 is the applicable penalty provision.

ECL Violations

The penalty provision being applied to the Emission Control Label (ECL) requirements set forth in the Title 13, CCR section 2185(a)(2) because VANDER MEULEN, INC., failed to provide evidence that a portion of their vehicles have the ECL labels attached and legible as required.

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.

(16) VANDER MEULEN, INC., 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 HSC section 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 specific level.

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.

(17) Penalties in future cases might be smaller or larger on a per unit/vehicle basis.

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

(19) Now, therefore, in consideration of the payment by VANDER MEULEN, INC., in the amount of eleven thousand nine hundred dollars ($11,900.00), ARB hereby releases VANDER MEULEN, INC., and its principals, officers, directors, agents, subsidiaries,

predecessors, and successors from any and all claims that ARB may have based on the facts and allegations described in Recital paragraphs (1) through (11), above. The undersigned represent that they have the authority to enter into this Agreement.

California Air Resources Board		**VANDER MEULEN, INC.,**	
By:		By:	
Name:	James Ryden	Name:	Pete VanderMeulen
Title:	Chief Enforcement Division	Title:	Pres.
Date:	11/19/12	Date:	11/14/12