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 ZANOTTI S.P.A. (hereinafter "ZANOTTI"), Via Martin Luther King 30, Pegognaga, Mantova 46020, Italy.

I. RECITALS

(1) Off-Road Compression-Ignition Engines and Equipment Regulation ("Off-Road Engines Regulation") is codified in Article 4, Chapter 9, Title 13, California Code of Regulations (CCR), and California Exhaust Emission Standards and Test Procedures for New 2008 and Later Tier 4 Off-Road Compression-Ignition Engines and Equipment ("the Test Procedures") is incorporated in the Off-Road Engines Regulation as an attachment.

(2) The Test Procedures provides in § 1068.101(a)(1) that "New engines and equipment may not be sold, offered for sale, or introduced or delivered into commerce in California or imported into California unless it has a valid Executive Order for its model year and the required label or tag. The actions listed in the previous sentence may not be taken with respect to any equipment containing an engine subject to this part's provisions, unless the engine has a valid and appropriate Executive Order and the required engine label or tag. For purposes of this paragraph (a)(1), an appropriate Executive Order is one that applies for the same model year as the model year of the equipment (except as allowed by § 1068.105(a)), covers the appropriate category of engines, and conforms to all requirements specified for the equipment in the standard-setting part."

(3) The Test Procedures provides in § 1068.105(a) that "If new engine-based emission standards apply in a given model year, your equipment in that calendar year must have engines that are certified to the new standards, except that you may continue to use up normal inventories of earlier engines that were built before the date of the new or changed standards…Similarly, you may not circumvent the provisions of §1068.101(a)(1) by knowingly installing engines that were stockpiled by engine suppliers in violation of §1068.103(f)."

(4) Tier 4 Final emission standards took effect in 2008 for the <25hp engine category, and equipping a Transport Refrigeration Unit (TRU) manufactured in 2009 or later with a 2007 model year Tier 2 engine that doesn't qualify for the flexibility provision provided in § 1039.625 and is not part of normal engine inventories is a violation of § 1068.101(a)(1) and § 1068.105(a) of the Test Procedures and thus also a violation of the Off-Road Engines Regulation itself.

(5) ARB Enforcement staff has alleged certain violations of the Off-Road Engines Regulation and the accompanying Test Procedures, with respect to Zanotti TRUs. In particular, ZANOTTI equipped two TRUs that were manufactured in 2009 or later with 2007 model year Tier 2 Isuzu engines and imported them to and sold them in California in violation of the Off-Road Engines Regulation and § 1068.101(a)(1) and § 1068.105(a) of the accompanying Test Procedures. One of the TRUs was identified as Vehicle #685 (license plate 1092153, VIN 1GBJ7C1C5YJ516858, TRU IDN 073056227, TRU serial number 1045032B) of Kern High School District (KHSD).

(6) Health and Safety Code (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 be subject to a civil penalty of not to exceed five hundred dollars ($500.00) per vehicle, portable fuel container, spout, engine, or other unit subject to regulation under this part."

(7) HSC §§ 39650-39675 mandate the reduction of the emissions of substances that have been determined to be toxic air contaminants (TAC). In 1998, following an exhaustive 10-year scientific assessment process, ARB identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. Transport Refrigeration Units (TRU) are powered by diesel fueled engines that emit this toxic particulate matter. TRUs are regulated under the Airborne Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Units and TRU Generator Sets, and Facilities Where TRUs Operate (TRU ATCM) as codified in 13 CCR § 2477.1 through 2477.21.

(8) 13 CCR § 2477.13(b) requires TRU original equipment manufacturers to submit Prior Production Reports including the following information for each TRU or TRU gen set: TRU or TRU gen set model name, TRU or TRU gen set serial number, engine manufacturer, engine model, engine family, engine serial number, and tier standard met. 13 CCR § 2477.19(b) states, "Failure to keep records, report, or submittal of false information is a violation of this rule subject to penalty."

(9) ARB Enforcement staff has documented that ZANOTTI failed to report complete information and submitted false information in the Prior Production Reports. In particular, ZANOTTI failed to report a TRU equipped with a 2007 model year Isuzu engine (engine serial number 001684), and ZANOTTI misreported a TRU equipped with a 2007 model year Isuzu engine (engine serial number 001452) as having a 2010 model

year engine with an incorrect engine family name and incorrect tier standard met.

(10) Failure to report or submittal of false information is a violation of state law resulting in penalties. HSC § 39674 authorizes civil penalties of up to ten thousand dollars ($10,000) for each day that the violation occurs.

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

(12) 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 ZANOTTI agree as follows:

II. TERMS AND RELEASE

In consideration of ARB not filing a legal action against ZANOTTI for the alleged violations referred to above, ZANOTTI's payment of the penalty of $3,000.00 and the reimbursement of $13,000.00 to the San Joaquin Valley Air Pollution Control District (SJVAPCD) set forth in Section 1 below, ARB and ZANOTTI agree as follows:

(1) Upon execution of this Agreement, ZANOTTI shall pay $16,000.00. Payment shall be made in four payments as described below, beginning on **February 22, 2016**.

Payment Due Date:	**In the Amount of and Payable to:**	
February 22, 2016	**$3,000.00**	**Air Pollution Control Fund**
	$1,000.00	**San Joaquin Valley Air Pollution Control District**, with the following notation in the memo line of the check: "**For the School Bus and Diesel Emission Reduction SEP**"
June 22, 2016	**$4,000.00**	**San Joaquin Valley Air Pollution Control District**, with the following notation in the memo line of the check: "**For the School Bus and Diesel Emission Reduction SEP**"
October 22, 2016	**$4,000.00**	**San Joaquin Valley Air Pollution Control District**, with the following notation in the memo line of the check: "**For the School Bus and Diesel Emission Reduction SEP**"

Payment Due Date:	In the Amount of and Payable to:	
February 22, 2017	**$4,000.00**	**San Joaquin Valley Air Pollution Control District**, with the following notation in the memo line of the check: "**For the School Bus and Diesel Emission Reduction SEP**"

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

Dr. Xiangyi Li, Ph.D., P.E.
Air Resources Engineer
California Air Resources Board
Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, California 91731

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, ZANOTTI 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 ZANOTTI, 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 ZANOTTI, 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 ZANOTTI, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of ZANOTTI's, its subsidiary, or parent company's properties, or if any deposit account or other property of ZANOTTI, 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

ZANOTTI, 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 ZANOTTI 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 ZANOTTI by ARB arising from the facts described in recital paragraphs (1) through (5) 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) ZANOTTI shall not violate Off-Road Engines Regulation (13 CCR §§ 2420-2427) and the accompanying Test Procedures.

(6) ZANOTTI shall not violate any provision of California Vehicle Code § 27156.

(7) ZANOTTI shall not violate Aftermarket Parts Exemption Procedures established in 13 CCR §§ 1900 et seq., 2030-2031, 2047-2048, 2200-2207 and 2220-2225.

(8) ZANOTTI shall not violate TRU ATCM as codified in 13 CCR § 2477.

(9) Approved by ARB, SJVAPCD allocated funds under the School Bus and Diesel Emission Reduction Supplemental Environmental Project to pay for TRU replacement on Vehicle #685 to remediate the economic cost to KHSD caused by ZANOTTI's violation. ZANOTTI shall reimburse SJVAPCD for the replacement TRU, which is included in paragraph (1) of the Terms and Release.

(10) Within 90 days of execution of this Agreement, ZANOTTI shall take action from one of the following two options. (1) Remove the Tier 2 engine equipped in the second Zanotti TRU (other than KHSD's) described in paragraph (5) of the Recitals, and replace it with a 2010 or newer model year Tier 4 engine. The replacement engine shall comply with U.S. EPA and California emission standards for Tier 4 off-road engines. The removed 2007 model year engine shall not be equipped in a TRU with a model year 2009 or later, if the TRU will be imported to and sold in California. (2) Remove the second Zanotti TRU (other than KHSD's)

described in paragraph (5) of the Recitals, and replace it with a 2011 or newer model year TRU or pay for the cost of the replacement 2011 or newer model year TRU. The removed Zanotti TRU shall not be imported to or sold in California.

(11) Within 120 days of execution of this Agreement, ZANOTTI shall provide a written report to ARB, addressed to Mr. Xiangyi Li, Ph.D., P.E., Air Resources Engineer, California Air Resources Board, Enforcement Division, El Monte, California 91731, documenting ZANOTTI's effort pursuant to paragraph (10) above. ZANOTTI must track engines, TRUs and corrective actions involved in this enforcement case, and correlate them to one another.

(12) Within 30 days of execution of this Agreement, ZANOTTI shall update the Prior Production Reports with complete and accurate information. The updated reports shall be submitted on CD or DVD to: California Air Resources Board, Transportation and Toxics Division (TRU), 1001 I Street, Sacramento, California 95814, or by email to arber@arb.ca.gov.

(13) This Agreement shall apply to and be binding upon ZANOTTI, 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.

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

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks (see 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.

Off-Road Engines Violations

The per unit penalty for the Off-Road Engines Regulation violations involved in this case is a maximum of $500 per unit per violation. The penalty obtained for the Off-Road Engines Regulation violations involved in this case is $1,000.00 for two units, or $500.00 per unit. In addition to the penalty, the amount ZANOTTI shall reimburse SJVAPCD for the replacement TRU of KHSD is $13,000.00.

TRU Violations

The per unit penalty for the TRU violations involved in this case is a maximum of $1,000 per unit per day for strict liability violations or $10,000 per vehicle per day for negligent or intentional violations pursuant to HSC § 39674. The penalty obtained for the TRU violations involved in this case is $2,000.00 for 2 misreporting violations by ZANOTTI or $1,000.00 for each violation.

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

Off-Road Engines Violations

The penalty provision being applied to the Off-Road Engines Regulation violations is HSC § 43016 because ZANOTTI equipped TRUs that were manufactured in 2009 or later with 2007 model year Tier 2 Isuzu engines and imported them to and sold them in California in violation of the Off-Road Engines Regulation and § 1068.101(a)(1) and § 1068.105(a) of the

accompanying Test Procedures. Since the Off-Road Engines 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 Off-Road Engines violations in Part 5, HSC § 43016 is the applicable penalty provision.

TRU Violations

The penalty provision being applied for the TRU ATCM (13 CCR § 2477) violations is HSC § 39674 because the TRU rule is an Air Toxic Control Measure adopted pursuant to authority contained in HSC §§ 39002 et seq., 39650-39675 and ZANOTTI, as a TRU original equipment manufacturer, failed to report complete information and submitted false information in the Prior Production Reports.

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.

Off-Road Engines Violations

The provisions cited above do prohibit emissions above a specified level. However, since the hours of operation of the noncompliant units involved and their individual emission rates are not known, it is not practical to quantify the excess emissions.

TRU Violations

The provisions cited above do not prohibit emissions above a specified level.

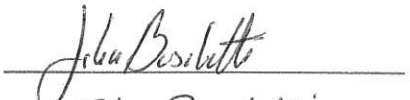
(20) ZANOTTI acknowledges that ARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC § 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of 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.

(21) 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.

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

(23) Now therefore, in consideration of the payment on behalf of ZANOTTI to the Air Pollution Control Fund and the San Joaquin Valley Air Pollution Control District, ARB hereby releases ZANOTTI 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 (10) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement

California Air Resources Board		**Zanotti, S.p.A.**	
Signature:		Signature:	
Print Name:	Dr. Todd P. Sax	Print Name:	John Boschetti
Title:	Chief, Enforcement Division	Title:	Director - USA
Date:	3/4/16	Date:	2-22-2016