

IMPLEMENTATION, PAYMENT AND REPORTING REQUIREMENTS OF GOODS MOVEMENT PROJECTS*

When paying for projects using Good Movement Program funds, the Bay Area Air Quality Management District (Air District) must enter into a Grant Agreement with the applicant. The Grant Agreement must be signed and the project milestones (i.e. engine delivery, engine installation, final inspection, and acceptance) shown in the Grant Agreement must be met before Good Movement Program funds are paid to the grantee or their vendor. The equipment must be operating before the final payment is issued.

Grant Agreement Term

All Grant Agreements shall provide the term of the Grant Agreement. The term of the Grant Agreement must extend to the end of the project life and shall include both the project completion and project implementation time frames. The Grant Agreement term shall include both the project completion and project implementation/life periods to ensure that the District and ARB can fully enforce the Grant Agreement terms during the life of the Good Movement Program-funded project.

1. Project Completion

Project completion is the time frame starting with the date of execution of the Grant Agreement to when the project is complete i.e., becomes operational. This includes the time period when an engine or vehicle is ordered, delivered and installed. The Air District may require periodic reporting during this time frame. The Grant Agreement shall include a specified time frame in which project completion shall occur, so that the funds are expended within the two-year required timeframe. The Grant Agreement shall also require that no work may begin on the project until the Grant Agreement is fully executed.

- The Grantee shall implement the Project, which consists of truck retrofit or replacement using specified equipment, as described more fully in the Attachment A, "Project Specific Information." The Grantee shall implement the Project in accordance with the terms and conditions of the Grant Agreement including all attachments. Failure to do so will be deemed a breach of the Grant Agreement, and the Air District may terminate the Grant Agreement pursuant to the termination provisions.
- A pre-inspection shall be conducted by the Air District or its designee on all vehicles to be replaced or retrofitted pursuant to the Grant Agreement. The Air District will verify that all requirements of the GMERP Program regarding eligibility of existing vehicles are met. This includes but is not limited to the year of the vehicle to be replaced or retrofitted, operational conditions or usage, or vehicle and engine identification. The Project shall not be eligible for grant funds if the pre-inspection reveals a discrepancy with the application submitted by the Grantee that would affect the Project's ranking or eligibility status with respect to the Program Guidelines.
- The Grantee hereby agrees that no work will be done on the Project including equipment ordered, and no costs will be incurred in reliance on the Grant Agreement until the Grantee is notified by the Air District in writing of the satisfactory completion of the pre-inspection by the Air District or its designee, that funding is available, the Grant Agreement has been executed, and that the Grantee may proceed with the Project.
- The California Air Resources Board (ARB) is an intended third party beneficiary of the Grant Agreement. The Grantee understands and agrees that ARB, as a third party beneficiary, has the right to audit and enforce this Agreement throughout the Term of this Agreement and until the second anniversary of the last day of the Project Term (i.e., two years after the contract ends).
- The Grantee understands and agrees that the Air District will only reimburse the Grantee for eligible Project costs. Eligible Project Costs are those costs that the Grantee expends that the Air District

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determines are verified by invoices and are allowable under the 2010 Guidelines and the executed Grant Agreement.

2. Project Implementation/Life

The project implementation time frame equals the project life. Project life is the number of years that a Goods Movement Program project obtains or is claimed to obtain surplus emission reductions while operating in California. Surplus emission reductions are reductions that are early or extra. That is, the reductions occur prior to a rule compliance date or the reductions exceed the requirements of a rule or regulation.

The Grant Agreement shall specify that the project implementation equals the period of time during which the owner is required to operate and maintain their Goods Movement Program-funded engine/vehicle according to the terms of the Grant Agreement. The Grant Agreement shall specify that by executing the Grant Agreement, the owner understands and agrees to operate the engine/vehicle according to the terms of the Grant Agreement and to cooperate with the Air District and ARB in implementation, monitoring, enforcement and other efforts to assure the emissions benefits are real, quantifiable, surplus and enforceable. For the 2010 Guidelines, the project life for retrofit projects is two years and for replacement projects is five years. Auditing can take place for a period up to three years after the project life ends. The project implementation time frame includes the district monitoring and ARB auditing phases which may run concurrently or sequentially:

The Grantee shall maintain the Project Equipment and infrastructure, as defined and listed in Attachment A, in good working order and according to manufacturer's recommendations throughout the Project Term. Sufficient insurance to cover the costs of the project must be maintained. The 2010 Guidelines specify that repower and replacement projects must obtain a minimum one-year and/or 100,000 mile warranty on new equipment.

The Grantee shall complete the Project in accordance with the following payment and reporting conditions:

- The Air District's funding obligation under the Grant Agreement is limited to the Total Grant Funds Awarded, specified and limited by the conditions set forth in Attachment A. Any Project cost in excess of the Total Grant Funds Awarded is the sole responsibility of the Grantee.

Retrofit	The Grantee shall retrofit the diesel trucks identified in the Grant Agreement with a ARB-verified Level 3 diesel particulate filter that reduces PM by 85% or more. Any change in engine or Equipment specifications or Project Description requires amendment of the Grant Agreement by the Air District. The Air District awards a Grant based upon the Grantee's Total Miles, Total PM Reduced and Total NOx Reduced (as applicable) identified on the Grant Agreement.
Replacement	<p>The Grantee shall replace the diesel trucks identified on the Grant Agreement with one or more Class 7 or Class 8 trucks with minimum Gross Vehicle Weight Rating (GVWR) of 26,001 lbs, with a MY2007 or newer engine that is certified by CARB Executive Order to comply with both Family Emission Level (FEL) and certification (CERT) values equal to or lower than 1.20 g/bhp-hr for NOx for the MY2007 standard, 0.5 g/bhp-hr for NOx for the MY 2007-09 standard or 0.2 g/bhp-hr for NOx for the MY2010 standard.</p> <ul style="list-style-type: none"> • The truck to be replaced shall be scrapped by a licensed dismantler certified by the Air District. Prior to destruction the Existing Truck must be in operable working condition. The Existing Truck including the frame

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	<p>and Engine shall be physically destroyed in such a manner to eliminate the possibility of future operation. The Engine block shall be punctured and the truck frame rails shall be cut to ensure that the truck shall not be used again.</p> <ul style="list-style-type: none"> Any change in Engine or Equipment specifications or Project Description requires amendment of the Grant Agreement. The Air District awards the Grant based upon the Grantee's Total Annual Miles, Total PM Reduced and Total NOx Reduced identified. If the Project consists of multiple trucks, each individual truck project is denoted as a sub-project in the Grant Agreement.
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- The Grantee shall submit, or direct a District-certified vendor to submit, an invoice to the Air District for reimbursement of eligible costs incurred to complete the Project that demonstrates compliance with the Project Description in Attachment A of the Grant Agreement. The invoice shall itemize the total funds requested for this reimbursement, which shall include an itemization of payments to vendors, consultants, and Grant Agreements. The invoice shall also include copies of invoices that document the goods and services provided by vendors, consultants, and Grant Agreements and documentation of the total hours incurred to complete the Project, the hourly rates of any labor charges, the costs of such goods, and any other eligible costs. The invoice shall be submitted with a summary sheet that specifies the Program Project Number. The invoice shall request the Air District to conduct post-inspection or shall be submitted with post-inspection documents provided by a District-Certified vendor as required by the Program.
- The Grantee shall submit the invoice to the Air District no later than ten (10) days after the deadline set forth in the Project Schedule in Attachment A.
- The Grantee shall maintain and submit records with the Annual Reports that document that Grantee has complied with all Project Specific Information, including but not limited to the Project Description, Operating Parameters, proof of current insurance and the Project Schedule, set forth in Attachment A. The Grantee shall retain all documents, invoices, and correspondence associated with the application, award, Grant Agreement, monitoring, enforcement, and reporting requirements at least two years after Project Term or three years after final payment, whichever is later, as defined in Attachment A. For the purposes of ongoing evaluations or auditing, records shall be readily available and accessible to the Air District, ARB, and their designated agents upon request.
- The Grantee shall allow the Air District, ARB, and their designated agents to inspect the Project and to conduct reasonable financial and performance audits of the Project. Performance audits by their nature may need to occur with less notice and in shorter time frames and the Air District reserves the right to determine when and how these audits will occur. The Grantee further agrees to cooperate fully with such inspections and audits, including providing copies of any Project records related to performance of the Agreement requested by the Air District, ARB and their designated agents.
- The Grantee shall acknowledge the Air District and the funding source for the Project in any related media events, articles, news releases or other publicity materials. The Air District shall approve in writing any report or other document describing the Program, this grant, or this Agreement prior to release of any such report or document.

3. Payment

In order to ensure that the Air District and ARB are paying only for the incremental cost of eligible items, paying only once for each engine, and the equipment being paid for is operating, all Grant Agreements must include the following payment terms.

- The maximum Grant Agreement amount (which is the incremental cost, partial incremental cost, or funding cap), must meet the required minimum cost-effectiveness limit. The maximum Grant Agreement amount may never exceed the incremental cost. If an Air district desires to have their maximum Grant Agreement amounts in round numbers, the Air District is only allowed to round down.
- Itemized Invoices from the engine supplier for repowers or paid invoices from the vehicle owner for new vehicles and satisfactory post-inspection by the district prior to payment of the owner's invoice. Partial payments may be made only if the payment process and requirements have been reviewed and approved by the district. Payments shall be made directly to the project applicant only if the invoice has been paid and the payment is a reimbursement. Payments may be made to the engine dealer or distributor only if such payment arrangements are specified in the Grant Agreement.
- The Grantee shall assure that all funds received under this Agreement are expended only in accordance with the Grant Agreement and all applicable provisions of law and their implementing regulations and the 2010 Guidelines.
- The Grantee shall monitor the Project and operational status of the Project Equipment throughout the Project Term. The Grantee will notify the Air District in writing of any material change in operational status of the Project Equipment funded and installed under the Grant Agreement within thirty (30) calendar days of its occurrence. For purposes of this Agreement, a "change in operational status" occurs whenever any Project Equipment funded under this Agreement is removed from active service, removed from goods movement service, wrecked, scrapped, sold, or transferred to another entity, before full completion of the Project Term specified in Attachment A. If the Grantee fails to provide the required written notice of a change in operational status on a timely basis, the Air District may require repayment of the Total Grant Funds paid, in accordance with the provisions set forth in Paragraph 13 of Attachment A.
- The Grantee shall neither seek nor accept any additional grant funds or incentives from any State of California agency or any local air quality district in order to implement this Project. The Grantee shall be deemed in breach of this Agreement if the Grantee seeks or accepts such funds or incentives and as a result, the Air District may terminate the Grant Agreement and/or disqualify Grantee from receiving any future grant funds if the Grantee violates this clause.
- The Grantee shall obtain and maintain throughout the Project Term the insurance coverage specified in Attachment B, "Insurance Requirements," and comply with all insurance requirements set forth therein, including the provision of documentation of said insurance coverage. Failure to obtain and maintain the insurance coverage and to comply with all insurance requirements shall be deemed a breach of the Grant Agreement.
- The Grantee shall comply with all "Special Conditions" listed in Attachment A.
- Accepting grant funds from the Program may lead to tax liability and by signing the Grant Agreement, the Grantee agrees to accept this liability.

4. Annual Monitoring Reports

The Grantee shall submit an annual monitoring report each calendar year for the Project Term in a format approved by the Air District (the Air District will send the necessary forms to the Grantee each year). The monitoring report shall provide:

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- Contact information (owner name, address, phone, etc.).
- Proof of California registration.
- Annual vehicle miles of travel (including mileage/activity logs for documentation).
- Certification of California-only operation (unless the 90% California operation option was specified at time of application).
- Certification and documentation of no less than 50% of travel in the primary trade corridors of California and percent travel within each trade corridor.
- Summary of maintenance performed and inspections conducted.
- Certification that the Project was operated in accordance with this Agreement and that all information submitted is true and accurate.

Project records must be retained for at least two years after Grant Agreement expiration or three years after final Project payment, whichever is later.

If the Grantee fails to submit annual monitoring reports in a timely manner, the Air District may perform a Project performance audit. Failure to submit monitoring reports is considered a breach of the terms of the Grant Agreement and may jeopardize the Grantee's eligibility to apply for grant funding for any future projects.

5. Repayment of Grant Funds For Failure to Complete Project

Equipment project Grant Agreement non-performance includes, but is not limited to:

- Failure to meet the terms and conditions of an executed Grant Agreement.
- Equipment or Engine is non-operational or malfunctioning.
- Failure to meet established deadlines for Equipment Project completion.
- Failure to allow for an electronic monitoring device, or tampering with an installed device or data.
- Misuse of direct payments to vendors provisions.
- Insufficient, incomplete, or faulty Project documentation.
- Failure to provide required documentation or reports in a timely manner.

The Grantee shall repay the Total Grant Funds Awarded on a prorated basis based on the project years or mileage. Air District has discretion to waive such repayment if Grantee demonstrates that such events were beyond the Grantee's reasonable control as determined by the Air District. Additional remedies available to the Air District based on non-performance shall include:

- Termination of the Grant Agreement.
- A ban on the equipment owner's ability to participate in future State incentive programs.
- Prohibiting a specific truck from participating in another State incentive program.
- Such other remedies as are available at law or in equity.