SETTLEMENT AGREEMENT AND MUTUAL RELEASES OF CLAIMS

This Settlement Agreement and Mutual Release of Claims (Agreement) is entered into by and between Adam Bros. Farming. Inc. (Adam Bros.), the California Air Resources Board (ARB), and the California Department of Motor Vehicles (DMV).

DEFINITIONS

- 1. <u>Writ of Mandate Action</u>. The term "Writ of Mandate Action" shall mean and refer to the action for writ of mandate and declaratory relief captioned *Adam Bros. Farming, Inc. v. California Air Resources Board, et al.*, Case No. 15CV04432, and currently pending in the Superior Court of the State of California, County of Santa Barbara.
- 2. <u>Enforcement Action</u>. The term "Enforcement Action" shall mean and refer to the action for injunctive relief and civil penalties captioned *People of the State of California ex rel.* California Air Resources Board v. Adam Bros. Farming, Inc. et al., Case No. 16CV01758, and currently pending in the Superior Court of the State of California, County of Santa Barbara.
- 3. <u>Parties.</u> The term "Parties" shall mean and refer collectively to all parties to this Agreement. Any such party may be referred to individually as "Party."

RECITALS

WHEREAS, Adam Bros. operates a fleet of diesel-fueled vehicles as part of its farming and produce business;

WHEREAS, in the Writ of Mandate Action, Adam Bros. alleges that ARB unlawfully has instructed DMV to refuse to register or renew registrations for Adam Bros.'s vehicles;

WHEREAS, ARB disputes the allegations and claims asserted by Adam Bros. in the Writ of Mandate Action:

WHEREAS, California Code of Regulations, title 13, section 2025 (the Truck and Bus Regulation or Regulation) generally requires that diesel-fueled vehicles with gross vehicle weight ratings (GVWRs) greater than 26,000 pounds (heavier diesel vehicles) meet certain "Best Available Control Technology" requirements for reducing emissions of diesel particulate matter;

WHEREAS, in the Enforcement Action, ARB alleges that, at least during the years 2014 and 2015, Adam Bros. failed to comply with the PM BACT requirements with regard to the required percentage of its fleet of heavier diesel vehicles;

WHEREAS, California Code of Regulations, title 13, section 2190 et seq. (the Periodic Smoke Inspection Program) generally requires that owners of two or more diesel-fueled vehicles with GVWRs greater than 6,000 pounds and engines four years old or older conduct annual smoke opacity testing of those vehicles, and make the necessary repairs to achieve compliance with regard to any vehicles that exceed the emissions standards established by those regulations;

WHEREAS, in the Enforcement Action, ARB alleges that, at least during the years 2011 through 2015, Adam Bros. failed to conduct the annual smoke opacity testing required by the Periodic Smoke Inspection Program with regard to all of its diesel-fueled vehicles with GVWRs greater than 6,000 pounds and engines four years old or older;

WHEREAS, Adam Bros. disputes the allegations and claims asserted by ARB in the Enforcement Action; and

WHEREAS, notwithstanding that ARB disputes the allegations and claims asserted in the Writ of Mandate Action, and that Adam Bros. disputes the allegations and claims asserted in the Enforcement Action, the Parties now desire to settle and resolve these disputes in order to avoid the uncertainty and expense of further litigation.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows.

Section 1: Actions To Be Taken By Adam Bros.

I.1 Settlement Payment. Within fifteen (15) days after the execution of this Agreement by all parties. Adam Bros. shall pay the amount of twenty-five thousand dollars (\$25,000.00) to ARB. Such payment shall be in lieu of any fine or civil penalties and is intended to encourage compliance with the laws of the State of California, including the Truck and Bus Regulation, and shall be made in the form of a check made payable to "Air Pollution Control Fund" and sent to the following address:

California Air Resources Board Accounting Office P.O. Box 1436 Sacramento, CA 95812-1436

- 1.2 <u>Compliance with PM BACT Requirement</u>. As of the dates set forth below, Adam Bros. shall ensure that its fleet of heavier diesel vehicles meets the following conditions:
 - a. By January 1, 2018, at least 70% of Adam Bros.'s fleet of heavier diesel vehicles not claiming the exemption for Specialty Agricultural Vehicles, as defined in the Truck and Bus Regulation, shall meet the PM BACT requirement. For purposes of this Agreement, a vehicle shall meet the "PM BACT requirement" by having the technology employed on the highest level Verified Diesel Emission Control Strategy (VDECS) for diesel particulate matter, or an engine that is equipped with an original equipment manufacturer diesel particulate filter and certified to meet the 0.01 g/bhp-hr certification standard, as those terms are defined and/or used in the Regulation. By January 31, 2018, Adam Bros.'s compliance with this 70% threshold shall be reported and accurately reflected in the Truck Regulation Upload, Compliance, and Reporting System (TRUCRS database) in accordance with the Regulation.
 - b. By January 1, 2019, at least 85% of Adam Bros.'s fleet of heavier diesel vehicles not claiming the exemption for Specialty Agricultural Vehicles, as defined in the Truck and Bus Regulation, shall meet the PM BACT requirement. By January 31, 2019.

Adam Bros.'s compliance with this 85% threshold shall be reported and accurately reflected in the TRUCRS database in accordance with the Regulation.

- c. By January 1, 2020, 100% of Adam Bros.'s fleet of heavier diesel vehicles not claiming the exemption for Specialty Agricultural Vehicles, as defined in the Truck and Bus Regulation, shall meet the PM BACT requirement. By January 31, 2020, Adam Bros.'s compliance with this 100% threshold shall be reported and accurately reflected in the TRUCRS database in accordance with the Regulation.
- d. By January 31 of 2018, 2019 and 2020, all vehicles reported by Adam Bros. as of those respective dates as operating exclusively in NOx Exempt Areas, as that term is defined in the Truck and Bus Regulation, shall meet either the electronic tracking and reporting requirements or the vehicle labeling requirements set forth in subdivision (p)(1)(C) of the Regulation.

The obligations imposed by this Paragraph 1.2 are not intended to take the place of or otherwise supersede Adam Bros.'s ongoing obligation to comply with the Truck and Bus Regulation generally. If and to the extent the Truck and Bus Regulation imposes obligations on Adam Bros. that are different from or in addition to the obligations imposed by this Paragraph 1.2, including for example any different or additional obligations that might arise as a result of any changes in the nature of Adam Bros.'s fleet or the manner in which it operates that fleet, Adam Bros.'s compliance with this Paragraph 1.2 shall not be deemed as also constituting compliance with those different or additional obligations under the Regulation. It is also agreed that should any law or regulation now impacting this Agreement, but hereafter is revoked or rescinded, shall also have the effect of releasing Adam Bros. from performance of that which it was required to do under the revoked or rescinded law or regulation.

- 1.3 Annual Smoke Opacity Testing. In each of the years 2017, 2018, and 2019, Adam Bros. shall conduct annual smoke opacity testing, in accordance with the test procedures specified by the Periodic Smoke Inspection Program, of all of its diesel-fueled vehicles with GVWRs greater than 6,000 pounds and with engines four years old or older, and make the necessary repairs for any vehicle that exceeds the applicable emissions standards. Adam Bros. shall provide records of all such testing and repairs to ARB by January 31 of the year immediately following the year in which the testing was conducted.
- 1.4 Additional Payment for Non-Compliance. In the event Adam Bros. fails to comply with any of its obligations under Paragraphs 1.2. and 1.3 of this Agreement, Adam Bros. shall pay an additional amount of twenty-three thousand dollars (\$23,000.00) to ARB within forty-five (45) days after receiving notice from ARB of such non-compliance; except that Adam Bros. shall not be required to make this additional payment for any failure to comply that it is able to cure within the forty-five day notice period, i.e., within forty-five days after receiving notice of the non-compliance.

Any notice of non-compliance given by ARB to Adam Bros. under this Agreement shall state that it is being provided in accordance with this Paragraph, and shall identify the specific provision(s) of this Agreement with regard to which ARB claims there was a failure to comply. Such notice shall be sent via overnight mail to the following address:

Adam Bros. Farming, Inc. Attn: Mr. Kerry Adam 2101 Sinton Road Santa Maria, CA 93458

Any payment made by Adam Bros. pursuant to this Paragraph 1.4 shall be in the form of a check made payable to "Air Pollution Control Fund" and shall be sent to the address indicated in Paragraph 1.1 above.

Any notice of non-compliance given by Adam Bros. to ARB under this Agreement shall be sent via overnight mail to the following address:

California Air Resources Board Attn: Mr. Brad Penick Enforcement Division P.O. Box 1436 Sacramento, CA 95812-1436

Separate and apart from the additional payment contemplated by this Paragraph 1.4, ARB may seek to recover civil penalties from Adam Bros. to the extent Adam Bros.'s failure to comply with its obligations under Paragraphs 1.2 and 1.3 also may constitute a violation of ARB regulations including but not limited to the Truck and Bus Regulation and the Periodic Smoke Inspection Program. The payment contemplated by this Paragraph 1.4 is not intended to take the place of, or otherwise reduce the amount of, any civil penalties that might properly be imposed on Adam Bros. for any such violation of ARB regulations.

1.5 Payment of Outstanding Registration Fees to DMV. Within fifteen (15) days after the execution of this Agreement by all parties, Adam Bros. shall pay the aggregate amount of fifteen thousand eight hundred fifty-two dollars (\$15,852.00) to DMV to register the vehicles listed on Exhibit A to this Agreement. Adam Bros. shall write individual checks for each individual vehicle for the registration fee amount due for that vehicle as listed on Exhibit A. Adam Bros. shall write on each check the license plate number of the vehicle for which the check and fee is tendered. The checks shall be made payable to "California Department of Motor Vehicles" and sent to the following address:

California Department of Motor Vehicles 2415 First Avenue Mail Station D-168 Sacramento, CA 95818 Attention: Angela Marbray, Manager V

Revenue and Compliance Policy Section

1.6 <u>Dismissal of Writ of Mandate Action</u>. Within fifteen (15) days after DMV has registered the vehicles identified in Exhibit A to this Agreement, as required by Paragraph 3.1 below, Adam Bros. shall cause the Writ of Mandate Action to be dismissed with prejudice, in its entirety and as against all respondents and defendants.

Section 2: Actions To Be Taken By ARB

2.1 <u>Dismissal of Enforcement Action</u>. Within fifteen (15) days after its receipt of the payment required by Paragraph 1.1 of this Agreement or the execution of this Agreement by all parties, whichever occurs later, ARB shall cause the Enforcement Action to be dismissed with prejudice, in its entirety and as against all defendants.

Section 3: Actions To Be Taken By DMV

3.1 Registration of Adam Bros.'s Vehicles. Within fifteen (15) days after its receipt of the payment required by Paragraph 1.5 of this Agreement, and any necessary customary registration documentation, DMV shall register each of the vehicles identified in Exhibit A to this Agreement. In addition, to the extent any Adam Bros. vehicles not identified in Exhibit A are later determined to be subject to any registration holds placed by or at the request of ARB, such vehicles also shall be "hold released" by DMV and registration brought current upon Adam Bros.'s payment of the registration fees, without penalties, and submission of the necessary customary registration documentation, but only with respect to vehicles for which the holds were in place prior to the date on which this Agreement was executed by ARB.

Section 4: Removal of Registration Holds; Releases of Claims

- 4.1 Removal of Registration Holds. Subject to and expressly conditioned upon its receipt of the payment required by Paragraph 1.1 of this Agreement, and in exchange for all the consideration stated herein, ARB hereby releases and removes any registration hold(s) that ARB has placed or sought to have placed on Adam Bros.'s vehicles prior to the date on which this Agreement was executed by ARB.
- Release of Claims by ARB. Subject to and expressly conditioned upon Adam Bros.'s performance of its obligations under each of Paragraphs 1.1, 1.2, 1.3, 1.4, 1.5 and 1.6 of this Agreement, and in exchange for all the consideration stated herein, ARB hereby releases, discharges and promises not to file suit and dismiss with prejudice any previously filed lawsuit against Adam Bros. and its employees, attorneys or other agents with respect to any and all claims or causes of action of every kind and nature whatsoever, in law or in equity, that were or could have been asserted based on any claim that Adam Bros. violated or failed to comply with the Truck and Bus Regulation or the Periodic Smoke Inspection Program, but only to the extent such claims are based on actions or failures to act that occurred prior to May 1, 2017.
- 4.3 Release of Claims by Adam Bros. against ARB. Subject to and expressly conditioned upon ARB's performance of its obligations under Paragraph 2.1 of this Agreement, in exchange for all the consideration stated herein, Adam Bros. hereby releases, discharges and promises not to file suit and dismiss with prejudice any previously filed lawsuit against ARB and its employees, attorneys or other agents with respect to any and all claims or causes of action of every kind and nature whatsoever, in law or in equity, that were or could have been asserted based on any registration hold(s) that ARB previously has sought to have placed on Adam Bros.'s vehicles, but only to the extent such hold(s) were in place prior to the date on which this Agreement was executed by Adam Bros.
- 4.4 Release of Claims by Adam Bros. against DMV. Subject to and expressly conditioned upon DMV's performance of its obligations under Paragraph 3.1 of this Agreement,

in exchange for all the consideration stated herein, Adam Bros. hereby releases, discharges and promises not to file suit and dismiss with prejudice any previously filed lawsuit against DMV and its employees, attorneys or other agents with respect to any and all claims or causes of action of every kind and nature whatsoever, in law or in equity, that were or could have been asserted based on any registration holds that have been placed on Adam Bros.'s vehicles, but only to the extent such holds were in place prior to the date on which this Agreement was executed by Adam Bros.

Section 5: General Provisions

- 5.1 Non-admission of Liability. Execution and compliance with this Agreement shall not be considered an admission by any Party of any liability whatsoever. Except as provided in this Agreement, the Parties specifically disclaim any liability to one another for any alleged violation of any rights of the other.
- 5.2 Knowing and Voluntary Execution of Agreement. The Parties represent and acknowledge that, in executing this Agreement, they do not rely and have not relied on any representation or statement made by the other Party or by any agent, representative, or attorney of the other Party with regard to the subject matter, basis, or effect of this Agreement, other than those specifically stated in this Agreement. The Parties have carefully read and fully understand all of the Agreement's provisions; knowingly and voluntarily agree to all of the terms set forth in this Agreement; knowingly and voluntarily intend to be legally bound by this Agreement; and have consulted with an attorney prior to executing this Agreement.
- 5.3 Entire Agreement. This Agreement constitutes the entire agreement between the Parties and fully supersedes any and all prior agreements and understandings, written or oral, between the Parties hereto pertaining to the subject matter hereof.
- 5.4 <u>Modifications</u>. The terms of this Agreement may be altered or amended, in whole or in part, only upon the written consent of all Parties to this Agreement. No oral agreement may modify any term of this Agreement.
- 5.5 Severability. Should any portion, word, clause, phrase, sentence, or paragraph of this Agreement be declared void or unenforceable, such portion shall be considered independent and severable from the remainder, the validity of which shall remain unaffected.
- 5.6 <u>Joint Drafting</u>. This Agreement shall be deemed to have been negotiated and drafted by all of the Parties hereto and no ambiguity shall be resolved against any party by virtue of its participation in the drafting of this Agreement. The Agreement will be construed neutrally and will not be applied more strictly against one Party than another.
- 5.7 <u>Titles and Headings</u>. The Parties have inserted paragraph titles and headings in this Agreement only as a matter of convenience and for reference. The paragraph titles and headings in no way define, limit, extend, or describe the scope of this Agreement or the intent of the Parties including any particular provision in this Agreement.
- 5.8 <u>Counterparts</u>. This Agreement may be executed in multiple counterparts and on facsimile copies with the same force and effect as an executed original of the same.

- 5.9 <u>Waiver</u>. Failure to insist on compliance with any term, covenant, or condition in this Agreement shall not be deemed a waiver of that term, covenant, or condition. No waiver shall be binding unless executed in writing by the Party making the waiver. Any Party may waive any provision of this Agreement intended for its benefit, but such waiver shall in no way excuse any other Party from the performance of its other obligations under this Agreement.
- 5.10 Governing Law and Venue. This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance, or otherwise, by the laws of the State of California. Any action to enforce or interpret this Agreement shall be brought in the Superior Court for the County of Santa Barbara Cook Division.
- 5.11 <u>Successors and Assigns</u>. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective assignees or other successors-in-interest.
- 5.12 <u>Costs and Attorney's Fees</u>. The Parties shall bear their own attorney's fees and costs in connection with both the Writ of Mandate Action and the Enforcement Action.

IT IS SO AGREED.

The undersigned represent that they have read and agree to all the terms and conditions set forth above, and that they are duly authorized to execute this Agreement on behalf of the respective Parties.

Dated:	19	April	2018
855			

ADAM, BROS. FARMING, INC.

Kieran L. Adam

Chief Financial Officer

Dated: May 25,2018

CALIFORNIA AIR RESOURCES BOARD

Ellen M. Peter

Chief Counsel

Dated: Man 14, 2018

CALIFORNIA DEPARTMENT OF MOTOR

VEHICLES

Brian G. Soublet

Deputy Director / Chief Counsel

						Believes it						
AB Number	Description	Serial Number	License Number	Explanation		s these to DMV		/ States I Owes		erence IV to ABFI)		Adam Bros. Explanation
A-023	'02 FORD F450 SUPER DUTY FLATBED	1FDXF46F82ED40594	7F21714	Owe 1 Year Registration for 2017	\$	689.00			5	(689.00)	fees paid and pending 2017, good til 7/2018	Explanation
A-031	'03 CHEVROLET TRUCK SILVERADO 25	1GCHK29103E329096	7F79436	Owe 1 Year Non-Op Fee for 2017	\$	20.00		•	\$	(20.00)	fees paid and pending 2017, good til 6/2018	
A-041	'04 KENWORTH T300 - HAUL TRUCK	2NKMH 27X44M 055197	7D52174	Owe 2 years of Registration Fees: 2016,2017	\$	3,694.00	\$	4,098.00	\$	404.00	2016 paid and 2017 and 2018 due with penalties	Walve Penalties
A-042	'04 KENWORTH T300 - HAUL TRUCK	2NKMHZ7X64M055198	7D521 75	Owe 2 years of Registration Fees: 2016,2017	\$	3,694.00	\$	4,098.00	\$	404.00	2017 paid and 2017 and 2018 due with penalties	Waive Penalties
A-052	'05 KENWORTH T300 - HAUL TRUCK	2NKMH27XX6M118584	7267798	Owe 3 years of Registration Fees:2015,2016,2017	\$	6,501.00	\$	3,456.00	\$	(3,045.00)		
A-054	'05 CHEVROLET 4 DOOR 4X4 25	1GCHK232X5F967015	7Y05921	Owe 1 year of Registration Fees, 2017	\$	323.00	\$	539.00	\$	216.00	2016 paid and 2017 and 2018 due is without penalties	2016 and 2017 Paid on Check # 103763 on 8-1 16
A-061	'06 CHEVROLET 2500 4x4 DIESEL	1GCHK23D26F191 417	8D73336	Owe 2 year of Registration Fees 2016,2017	\$	566.00	\$	539.00	\$	(27.00)	Amount due \$545	
				Owe 1 year of Registration Fees but just non-op charge to be junked for							No evidence of PNO pald	Tried to be Junked at the DMV affice; but, ARB Hold meant DMV would not accept
A-073	'07 KENWORTH HAUL TRUCK	2NKMHN7XX8M222309	8E23385	2017	\$	20.00	\$	-	\$	(20.00)		
A-103	'11 KENWORTH T-370 - HAUL TRUCK	2NKHHN7X1BM279880	8Y46233	Up to Date All Fees Paid thru 4/30/2018	s		s	3 ₩ 0	ŝ			1
A-104	'11 KENWORTH T-370 - HAUL	2NKHHN7X5BM279879	8746232	Owe 1 year Registration	s	2.029.00		_	\$	(2,029.00)	This vehicle has current registrion to 4/2018	
A-141	2014 KENWORTH T800 HAUL TRUCK	1XKDD49X6EJ396423	9E59290	Up to Date All Fees Paid thru 5/31/2018	\$	•	\$		5			
A-142	2014 KENWORTH HAUL TRUCK	2NKHHJ7X5EM387724	9E91428	Up to Date All Fees Paid thru 3/31/2018	\$	•	s		\$	•		
A-143	2014 KENWORTH T-340 HAUL TRUCK	2NKHHJ7XXEM391347	28320H1	Owe 2 year of Registration Fees 2016 , 2017	s	5,006.00	s	2.411.00	s	(2,595.00)	2016 paid, amount shown is for 2017 and 2018 with penalties	Waive Penalties
A-151	15 KENWORTH T440 - WATER TRUCK	1NKBLJ0X8FJ456179	SE6773D4	Up to Date All Fees Paid thru 12/31/2020	\$	_	\$		\$	•		
A-161	'16 DODGE RAM 1500 CREW CAB	1C6RR7FM3G5143093	30527Y1	Up to Date All Fees Paid thru 10/31/2018	\$	-	\$		\$	14		
A-162	'16 DODGE RAM 1500	2C6RR7FM5G5143094	30685Y1	Up to Date Ali Fees Pald thru 11/30/2018	\$	-	\$		\$	-		

						_		_			
				Up to Date All Fees Paid				- 1	_		
A-163	2016 KENWORTH T370-CL7	2NKHHJ7XXHM144964			\$.		5	_	\$ -		
				Up to Date All Fees Paid			25		_		
		2NKHHJ7X1HM144965		thru 6/30/2018	5	- 15	3	-	\$ -		
	2017 KENWORTH T440-CL8			Up to Date All Fees Paid		-1		- 1			1
A-171	WATER TRK	3BKBLI0X8HF144966	SE513824	thru 12/31/2018	\$	- 3	<u> </u>	-	\$ -		
A-782	'78 INTERNATIONAL 1850 TRUCK	D0525HMA21007	5U823 79	no record of payments since 2003, Truck was Non- Op			s	•	\$ -	No evidence of PNO paid	Last paid Registration Fees on 4/28/2003 by Adam Bros. ABPS Check # 1975. Vehicle was either non-op or SE plated; but, I cannot find proof (Note: This happened over 10 years ago). Tried to Junked at the DMV Office in person; but, ARB Hold meant DMV would not accept
A-793	'79 KENWORTH WATER TRUCK		SE555688	Owe 1 SE Plate fee from		000		.00			Tried to be Junked at the DMV office; but, ARB Hold meant DMV would not accept
A-861	'86 PETERBILT 359 - WATER	1XP9DB9X5GP198503	SE611371	Owe 1 SE Plate fee from 2015		.00		.00			Tried to be Junked at the DMV office; but, ARB Hold meant DMV would not accept
A-883	'88 KENWORTH 4KGAL - WATER TRUCK	1NKWLA0X9JS512588	SE616827	Up to Date All Fees Paid thru 12/31/2020 ,to Be Junked	s		\$	•	s -		Tried to be Junked at the DMV office; but, ARB Hold meant DMV would not accept
	'95 KENWORTH T400 - WATER	A 10-room becomes a room		Owe 1 SE Plate fee from	1000						
A-952	TRUCK	1XKBD99X055644224	SE606203	2015	\$ 25.	.00	\$ 25	.00	\$.		
A-962	INTERNATIONAL 4900 - WATER TRUCK	1H5SDAAN7TH311936	SE656212	Up to Date All Fees Paid thru 12/31/2020	\$		\$		\$ -		

0	INTERNATIONAL 9400-TRK W/LOWBOY	2HSFHAER6TC091666	9A91263	Up to Date all Fees Paid , Non-Op paid 12-30-15, to be Junked	\$	\$		\$	No evidence of PNO paid	Paid Non-op at the DMV 12/30/2016, DMV Hold Letter from 1/30/2017 (attached to email) meant that DMV would not act. Tried to junked at the DMV office in person; but, ARB Hold meant DMV would not accept
A-981	'97 FORD F250 4x4 4 DOOR CAB	1FTHW26F7VECS1407	5R60110	Owe 2 years of Registration Fees 2016,2017	\$ 626.00	s	636.00	\$	\$636 if penalties are waived.	Owe 2 years of Registration Fees waive penalties.

\$ 22,534.00 \$ 15,852.00

Notes: 1.) The total fees due on DMV worksheet \$43,546. This is incorrect total of column adds up to \$41,071.00

2.) Adam Bros. Farming, Inc. Checks Outstanding to DMV (Check# 102158,102899,102163,104822,105765) for vehicles on list will all be voided.