

## SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and World Wide Horse Services, Inc. (World Wide), with its principal location at 5940 Rocky Canyon Road, Atascadero, California 93422, (collectively, the "Parties," or individually, "Party").

### LEGAL BACKGROUND

1. Purpose. The California Health and Safety Code mandates the reduction of the emission of toxic air contaminants (TAC). CARB has determined that particulate matter (PM) from diesel-fueled engines is a TAC. (Health & Saf. Code §§ 39002, et seq., 39650-39675.) In-use on-road diesel vehicles are powered by diesel fueled engines that emit toxic PM.
2. Regulation. CARB adopted the Regulation to Reduce Emissions of Diesel Particulate Matter, Oxides of Nitrogen and Other Criteria Pollutants, from In-Use Heavy- Duty Diesel-Fueled Vehicles (Truck and Bus Regulation) to reduce diesel PM and criteria pollutant emissions from on-road heavy-duty diesel-fueled vehicles. (Cal. Code Regs., tit.13, § 2025.)
3. Regulatory Provisions. Any person, business, federal government agency, school district or school transportation provider, or broker, that owns, operates, leases, rents or sells vehicles in California 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 with 1996 or newer model year engines must comply with the schedule to upgrade engines, by January 1, 2023. (Cal. Code Regs., tit. 13, § 2025.)
4. Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to forty-five thousand five hundred sixty-three dollars (\$45,563) for strict liability violations for each day in which the violation occurs. (Cal. Code Regs., tit.13, § 2025; Health & Saf. Code §§ 39674, 39675, 42400 et seq., 42402 et seq., and 43016, .) In addition, the Department of Motor Vehicles (DMV) shall place a registration on hold on noncompliant vehicles. (Veh. Code § 4755.)

### CASE BACKGROUND

5. Corporate Entity. At all relevant times, World Wide was organized under the laws of California as a Corporation and conducted business in the State of California.
6. Allegations. CARB alleges World Wide violated the Truck and Bus Regulation by failing to comply with the compliance schedule for vehicles greater than 26,000 pounds gross vehicle weight rating (GVWR) (Cal. Code Regs., tit. 13, § 2025(g)), resulting in one day of violation for three vehicles. Those violations resulted in the issuance of citations STB032223001DXMSDAP; STB071123003SA; STB092623003DXMSDAP. CARB alleges

three additional noncompliant vehicles with 2009 model year engines and a GVWR of greater than 26,000 pounds are registered to this fleet. CARB alleges that if the allegations described in Paragraphs 1 through 6 were proven, civil penalties and registration holds could be imposed against World Wide for each of the six vehicles described in this Paragraph and each day.

7. Acknowledgment. World Wide admits to the facts in Paragraphs 1 through 6, but denies any liability resulting from said allegations.
8. Consideration. 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 alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the alleged violations described herein, World Wide has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

### **TERMS AND CONDITIONS**

In consideration of CARB not filing a legal action against World Wide for the alleged violations referred to above in the Legal Background and Case Background, and World Wide's agreement to complete all terms and conditions set forth below, CARB and World Wide agree as follows:

9. Civil Penalties. World Wide shall pay a penalty of three thousand dollars (\$3,000) to CARB for deposit into the Air Pollution Control Fund for the purpose of carrying out its functions and duties within 30 calendar days after CARB notifies World Wide of full execution of this Settlement Agreement.
10. Suspended Penalties. If World Wide fails to comply with the Compliance Plan and all other requirements set out in this Settlement Agreement by December 31, 2024, the Parties agree that CARB shall invoke this Paragraph to require World Wide to pay a suspended penalty of one hundred and thirty-six thousand six hundred eighty-nine dollars (\$136,689) to CARB for deposit into the Air Pollution Control Fund for the purpose of carrying out its functions and duties; and CARB shall notify the Department of Motor Vehicles to place registration holds on all vehicles.
11. Compliance Plan. World Wide shall submit documentation as specified in Paragraph 11.b to CARB by December 31, 2024, indicating that all noncompliant fleet vehicles that are not operating under the Low-Use Exemption, have been removed from the fleet. Prior to December 31, 2024, these six (6) vehicles with VINS ending in 0873, 0887, 0885, 0882, 0388, and 0875 will not be subject to a DMV hold and World Wide will operate these six (6) vehicles in compliance with all other applicable laws and regulations, including CARB's Clean Truck Check program.
  - a. For purposes of this agreement, "removed from the fleet" means taking at least one of the following actions:

- i. Transferring title to the vehicle;
  - ii. Removing the vehicle from the State of California;
  - iii. Scrapping the vehicle; or
  - iv. Filing a certificate of non-operation with the California DMV and operating the vehicle only for the limited purpose of demonstrating the functionality of the vehicle to potential buyers, transporting the vehicle to an auction house or to a potential buyer, moving the vehicle short distances for maintenance, or transporting the vehicle out of State to a storage or other similar facility while awaiting sale.
- b. World Wide shall provide the following types of documentation, as applicable, for purposes of demonstrating that all noncompliant fleet vehicles were removed from the fleet:

<b>"Removed from Fleet" Option</b>	<b>Documentation</b>
Transferring title to the vehicle	California DMV Release of Liability and/or auction house consignment form
Removing the vehicle from California	Completed registration transfer form or registration document from the new state
Scrapping the vehicle	DMV "junk" certificate
Non-operation	DMV non-operation certificate

12. Low-Use Vehicle Allowance. It is acknowledged and agreed that World Wide plans and is allowed to retain and operate one of the six (6) above-referenced vehicles in its fleet in California after December 31, 2024 which shall operate under CARB's Low-Use Vehicle Exemption by operating less than 1,000 miles per calendar year in California under Cal. Code Regs., tit.13, § 2025(p)(4). By December 31, 2024, World Wide shall (i) submit documentation to CARB designating one of the vehicles as a Low-Use Vehicle on the Truck Regulation Upload Compliance and Reporting System (TRUCRS), and (ii) provide CARB with the then-current mileage of the vehicle. Once the documentation required under the Paragraph 12 has been submitted to CARB, World Wide shall have fully satisfied its compliance obligations and resolved any and all potential claims involving the vehicle designated as a Low-Use Vehicle.
13. Opportunity to Cure. In the event that CARB believes World Wide failed to meet a material term of this Settlement Agreement, it shall provide notice to World Wide of the term and the reason for such belief within thirty (30) calendar days of World Wide submitting the documentation required in Paragraph 11. World Wide shall have thirty (30) calendar days from such notification to cure the claimed deficiency before CARB seeks to invoke suspended penalties under Paragraph 10 and, if cured, CARB will not invoke Paragraph 10.

14. Civil Penalty Payment Method. World Wide shall pay the penalty under Paragraph 9 and any suspended penalty owed under Paragraph 10 by check, credit card, wire transfer, or portal, payable to CARB, using instructions provided separately by CARB in a Payment Transmittal Form. World Wide is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to World Wide in accordance with Paragraph 16 (Notices).
15. Documents. World Wide shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 16 (Notices).
16. Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board  
Enforcement Division / Settlement Agreements  
Diesel Programs Enforcement Branch / Statewide Truck and Bus Enforcement Section  
P.O. Box 2815  
Sacramento, California 95812-2815  
Settlement\_Agreement@arb.ca.gov

As to World Wide:

Kerrie Cargill Sahadi  
5940 Rocky Canyon Road  
Atascadero, CA 93422  
kchorsetransport@aol.com

As to World Wide's Legal Representation:

Robert Soran  
Downey Brand LLP  
621 Capitol Mall, 18th Floor  
Sacramento, CA 95814  
rsoran@downeybrand.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

17. Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, World Wide shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.

18. Repeat Violations. World Wide agrees to comply with all CARB regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
19. Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background, and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of seven (7) pages and thirty-six (36) Paragraphs.
20. Binding Effect. This Settlement Agreement binds World Wide, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
21. Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
22. Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
23. Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
24. Choice of Law. This Settlement 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.
25. Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 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 the benefit of a governmental unit.
26. Not Tax Deductible. For purposes of this Settlement Agreement, World Wide shall not deduct any monies spent to comply with any provision of this Settlement Agreement in calculating and submitting its federal, state, or local income tax.
27. Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
28. Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or

remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.

29. Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
30. Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
31. Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
32. Release. In consideration of the full completion of civil penalty, and/or completion of the compliance plan, and all other undertakings above, CARB hereby releases World Wide and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any and all claims CARB may have involving the six (6) vehicles described in Paragraph 6 based on the circumstances described in all Paragraphs contained in the Case Background above.
33. Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

### **PENALTY BASIS**

34. Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum to forty-five thousand, five hundred sixty-three dollars (\$45,563) per day under Health and Safety Code section 43016, for violations of the Truck and Bus Regulation. (Cal. Code Regs., tit.13, § 2025.) The penalty of three thousand dollars (\$3,000.00) over one day of violation is for three (3) cited noncompliant vehicles with 2009, model year engines and a GVWR of greater than 26,000 pounds. The per unit penalty in this case is one thousand dollars (\$1,000.00) per noncompliant day. The suspended penalty of one hundred and thirty-six thousand six hundred eighty-nine dollars (\$136,689) over one day of violation is for three (3) identified noncompliant fleet vehicles with 2009, model year engines and a GVWR of greater than 26,000 pounds. In addition, all six (6) noncompliant vehicles in the fleet are subject to DMV registration holds which will not go into effect unless, after December 31, 2024, World Wide has not submitted the documentation to CARB in compliance with Paragraph 11.
35. Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described by CARB's Enforcement Policy. CARB considered whether the violator came into compliance

quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.

36. Confidential Business Information. CARB based this penalty in part on confidential business information provided by World Wide and confidential settlement communications, neither of which are retained by CARB in the ordinary course of business.

ACKNOWLEDGED AND ACCEPTED BY:

**California Air Resources Board**

Signature: /S/

Name: Ellen M. Peter

Title: Chief Counsel

Date: February 23, 2024

**World Wide Horse Services, Inc.**

Signature: /S/

Name: Kerrie Cargill Sahadi

Title: President

Date: February 12, 2024