

SETTLEMENT AGREEMENT AND RELEASE

This settlement agreement and Release (hereinafter "Settlement Agreement") is entered into between the California Air Resources Board ("CARB"), with its principal location at 1001 I Street, Sacramento, California 95814; and White Energy Holding Company, LLC's facility Fuel Pathway ETH009A01610100 ("White Energy"), located at 2698 East Highway 70, Plainview, Texas 79072 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The Global Warming Solutions Act of 2006 mandates CARB to adopt regulations to reduce greenhouse gas emissions and to enforce those regulations. (Health & Saf. Code §§ 38560, 38562, and 38580.)
- (2) Regulation. CARB adopted the *Low Carbon Fuel Standard* ("LCFS Regulation") to incentivize innovative fuels that will reduce greenhouse gas emissions. (Cal. Code Regs., tit. 17, § 95480 et seq.)
- (3) Regulatory Provisions. Fuel pathway holders are defined as fuel pathway applicants that have received a certified fuel pathway carbon intensity based on site-specific data, including a provisional fuel pathway. Fuel pathway holders producing, selling, supplying, or offering for sale transportation fuel into the State of California must submit an annual Fuel Pathway Report to CARB, which includes the fuel's operational carbon intensity, which must not exceed its certified carbon intensity. (Cal. Code Regs., tit. 17, §§ 95480-95503.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to thirty-five thousand dollars (\$35,000.00 USD) for strict liability violations; twenty-five thousand dollars (\$25,000.00 USD) for entering false information, failing to keep any document, respectively, for each day in which the violation occurs; and \$1,000.00 per deficit. (Cal. Code Regs., tit. 17, § 95494; Health & Saf. Code §§ 38580, 42400 et seq., 42402 et seq., 43027, and 42410.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, White Energy was organized under the laws of Texas as a limited liability company.
- (6) Allegations. CARB alleges that at all relevant times, White Energy was a fuel pathway holder as defined by the LCFS Regulation for the Reporting Year 2020, and produced, sold, supplied, or offered for sale, transportation fuel ethanol into the State of California and failed to maintain its verified operational carbon intensity below its certified carbon intensity, which did not conform to the requirements of the LCFS Regulation as outlined in the Notice of Violation

F040721-WEI-CI. (Cal. Code Regs., tit. 17, § 95480 et seq.) CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against White Energy for each and every day on which White Energy violated the LCFS Regulation.

- (7) Acknowledgment. White Energy admits to the facts in paragraphs 1 through 6, but denies any liability resulting from or relating to 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 whether in law or equity, resulting from or relating to the above alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, White Energy 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 resolution and settlement of this matter.

TERMS AND CONDITIONS

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

- (9) Settlement Amount. White Energy shall pay a civil penalty of sixty-one thousand eighty-seven dollars (\$61,087.00 USD), and agrees to fund a Supplemental Environmental Project (SEP) entitled Zero Emissions Farm and Garden Equipment in the amount of sixty-one thousand dollars (\$61,000.00 USD), consistent with CARB's SEP Policy, for a total settlement of one hundred twenty-two thousand eighty-seven dollars (\$122,087.00 USD). White Energy shall make all payments in full within thirty (30) calendar days of the Notification Date.
- (10) Notification Date. The "Notification Date" shall be the date upon which CARB sends the fully executed Settlement Agreement to White Energy per Paragraph 16 (Notices).
- (11) Civil Penalty Payment Method. White Energy shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. White Energy 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 White Energy in accordance with Paragraph 16 (Notices).

- (12) SEP Payment Method(s). White Energy shall fund the SEP by check payable to "Soil Born Farms," or by wire transfer, using instructions provided separately by CARB in a SEP Payment Transmittal Form. White Energy is responsible for all payment processing fees. Payments shall be accompanied by the SEP Payment Transmittal Form to ensure proper application. Should payment instructions change, CARB will provide notice to White Energy in accordance with Paragraph 16 (Notices).
- (13) Prohibition Against Financial Benefit. White Energy has agreed that by funding the SEP entitled Zero Emissions Farm and Garden Equipment, White Energy will not receive any direct or indirect financial benefit, and that whenever White Energy publicizes or refers to the SEP or the results of the SEP, White Energy will state that the SEP is being undertaken as part of the settlement of a CARB enforcement action.
- (14) Assignment of Rights. In the event the SEP Recipient/Administrator does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall be entitled to recover the full amount of the SEP from the SEP implementer, less any amount expended on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, White Energy assigns any and all rights against the SEP implementer to CARB. In the event the SEP Recipient/Administrator does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall not be entitled to recover any additional funds from White Energy, though White Energy remains responsible for no more than the total settlement amount of \$122,087, as specified in Paragraph 9.
- (15) Documents. White Energy shall promptly email or mail this signed and dated Settlement Agreement, to the CARB address or email listed 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
Field Operations Branch / Fuels Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to White Energy:

White Energy Holding Company, LLC
2595 Dallas Parkway, Suite 310
Frisco, Texas 75034
kdo@white-energy.com

As to White Energy's Legal Representation:

Malcolm Weiss
Hunton Andrews Kurth LLP
550 South Hope Street
Suite 2000
Los Angeles, California 90071
mweiss@HuntonAK.com

Any Party may, by written notice to the other Party, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing, so long as such notice is properly addressed.

- (17) Repeat Violations. White Energy agrees to comply with all regulatory requirements and acknowledges that repeat violations using completely different data could result in CARB seeking increased penalties in the future.
- (18) 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 8 pages and 36 numbered paragraphs.
- (19) Binding Effect. This Settlement Agreement binds White Energy, and any principals, officers, directors, agents, 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.

- (20) [Intentionally blank.]
- (21) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion hereof, is valid or enforceable unless it is in writing and signed by both Parties to this Settlement Agreement.
- (22) 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.
- (23) 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.
- (24) 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.
- (25) 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.
- (26) 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 either Party 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.
- (27) 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.

- (28) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (29) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (30) Release. In consideration of full payment of the civil penalty and SEP payment, CARB hereby releases White Energy and its principals, officers, receivers, directors, agents, employees, trustees, successors and assignees, subsidiary and parent corporations, from any and all claims CARB may have based on the allegations described in Paragraph 6 (Allegations) above.
- (31) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (32) Per Unit Penalty. The per unit penalty in this case is a maximum of twenty-five thousand dollars (\$25,000.00 USD) per day under Health and Safety Code sections 38580 and 43027, for violations of the LCFS Regulation. (Cal. Code Regs., tit. 17, § 95494.) The penalty of one hundred twenty-two thousand eighty-seven dollars (\$122,087.00 USD) is for 366 noncompliant days. CARB has considered all relevant facts, including, but not limited to, 1,398 credits erroneously generated, and those listed under Health and Safety Code section 43031(b). The per unit penalty in this case is approximately three hundred thirty-three dollars (\$333.00 USD) per noncompliant day.
- (33) Emissions. The provisions cited in Paragraph 6 (Allegations) above prohibit emissions above a specified level. Without additional information, it is not practicable to quantify the excess emissions. However, since CARB has alleged that White Energy did not meet the regulatory requirements, all of the emissions from it may have been excess and illegal.
- (34) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in 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.

(35) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by White Energy or confidential settlement communications.

(36) Effect of Settlement/Reservation of Rights. The following shall apply:

(a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.

(b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against White Energy with respect to all matters not expressly resolved in this Settlement Agreement.

Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against White Energy with respect to:

(i) Noncompliance with or enforcement of any provision of this Settlement Agreement.

(ii) Facts that were not disclosed by White Energy to CARB.

(iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.

(iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.

(v) Any claim(s) of any officer or agency of the United States or California, other than CARB.

(c)

(d) This Settlement Agreement does not limit or affect the rights of White Energy or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against White Energy, except as otherwise provided

by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.

(e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. White Energy is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; White Energy's compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that White Energy's compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Ellen M. Peter

Title: Chief Counsel

Date: June 6, 2024

White Energy Holding Company, LLC

Signature: /S/

Name: Brian Steenhard

Title: Chief Executive Officer

Date: May 23, 2024