

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 Valley Pacific Petroleum Services, Inc. (VPPS), with its principal location at 152 Frank West Circle, Suite 100, Stockton, California 95206 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates CARB to reduce emissions from vehicular and other mobile sources and to specifically to achieve maximum feasible reductions through the adoption and implementation of motor vehicle fuel specifications. (Health & Saf. Code §§ 39003, 43013, 43018.)
- (2) Regulation. CARB adopted the *Alternative Diesel Fuels Regulation* (ADF Regulation) to establish a comprehensive, multi-stage process governing the commercialization of alternative diesel fuels (ADF) in California, ranging from the initial limited sales of an ADF while it undergoes a screening evaluation, through expanded sales governed by enhanced monitoring, testing, and multimedia evaluations, and ending with full-scale commercial sales as warranted. (Cal. Code Regs., tit. 13, §§ 2293-2293.9 and Appendix 1 of Subarticle 2.)
- (3) Regulatory Provisions. Starting January 1, 2016, any person who sells, offers for sale, or supplies an ADF for use in California must comply with the ADF Regulation and with the terms of any approved and current Executive Order issued under section 2293.5 that is applicable to the person or the ADF. (Cal. Code Regs., tit. 13, § 2293.1.)
- (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, fifty thousand dollars (\$50,000.00 USD) for negligent violations, and two hundred fifty thousand dollars (\$250,000.00 USD) for willful violations, respectively, for each day in which the violation occurs. Entering false information or failing to keep any document required to be kept under the ADF Regulation may result in a penalty up to twenty-five thousand dollars (\$25,000.00 USD). (Cal. Code Regs., tit. 13, § 2250 et seq.; Health & Saf. Code § 43026, 43027, 43030.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, VPPS was organized under the laws of California as a corporation and conducted business in the State of California.

- (6) Allegations. CARB alleges that VPPS violated the ADF Regulation by blending, supplying, or selling unmitigated biodiesel blends for one (1) quarter, Quarter 3 (Q3) of 2021, and failed to submit quarterly reports for eleven (11) quarters, Q4 of 2021 through Q2 of 2024, as outlined in Notice of Violation (NOV) F033122-VPPS-ADF. CARB further alleges that VPPS violated the ADF Regulation by blending, supplying, or selling unmitigated biodiesel blends for an additional eleven quarters between Q4 2021 and Q4 2024, as discovered in a subsequent investigation that followed the issuance of NOV F033122-VPPS-ADF. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against VPPS for each and every violation and each quarter.
- (7) Acknowledgment. VPPS admits the facts in paragraphs 1 through 5. VPPS acknowledges the allegations by CARB in paragraph 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 violations described herein, VPPS 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 VPPS for the alleged violations referred to above in the Legal Background and Case Background, and VPPS's agreement to complete all terms and conditions set forth below, CARB and VPPS agree as follows:

- (9) Settlement Amount. VPPS shall pay a civil penalty of sixty-two thousand dollars (\$62,000.00 USD). VPPS shall make all payments within thirty (30) calendar days from the Notification Date.
- (10) Notification Date. The date upon which CARB notifies VPPS according to Paragraph 13 (Notices), that the Settlement Agreement is fully executed, or when CARB sends the fully executed Settlement Agreement to VPPS, whichever occurs first.
- (11) Civil Penalty Payment Method. VPPS 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. VPPS 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 VPPS in accordance with Paragraph 13 (Notices).

- (12) Documents. VPPS shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 13 (Notices).
- (13) 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 VPPS:

Valley Pacific Petroleum Services, Inc.
152 Frank West Circle, Suite 100
Stockton, California 95206
Nathan.Crum@vpps.net

As to VPPS's Legal Representation:

Donald Sobelman
1 Bush Street, Suite 900
San Francisco, California 94104
DSobelman@fbm.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.

- (14) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, VPPS shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (15) Repeat Violations. VPPS agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.

- (16) 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 33 paragraphs.
- (17) Binding Effect. This Settlement Agreement binds VPPS, 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.
- (18) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (19) 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.
- (20) 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.
- (21) 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.
- (22) 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.
- (23) 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.
- (24) 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.

- (25) 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.
- (26) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (27) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (28) Release. In consideration of full payment of the civil penalty and all other undertakings above, CARB hereby releases VPPS and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above.
- (29) Authority. The undersigned represents that they have full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (30) Per Unit Penalty. The per unit penalty in this case is a maximum of thirty-five thousand dollars (\$35,000.00 USD) per day per violation under Health and Safety Code section 43027, for violations of the ADF Regulation. The penalty of sixty-two thousand dollars (\$62,000.00 USD) over twelve (12) quarters of violation is for blending, supplying, or selling unmitigated biodiesel blends.
- (31) 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.

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

(33) 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 VPPS 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 VPPS with respect to:
 - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by VPPS to CARB.
 - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit conditions 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 criminal liability.
 - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, VPPS shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res

- judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of VPPS 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 VPPS, 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. VPPS is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; VPPS'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 VPPS'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.
- (f) By entering into this Settlement Agreement:
- i. VPPS does not admit to liability, admit to the truth of the allegations made by CARB in this Settlement Agreement or NOV F033122-VPPS-ADF, or admit to any violations of the ADF Regulation or any other federal, State, or local laws or regulations.
 - ii. VPPS does not waive any defenses or arguments related to any new enforcement action that CARB may bring against VPPS, including any brought under its enforcement authority reserved herein.
- (g) This Settlement Agreement shall not be introduced into evidence in any court proceeding for the purpose of establishing a prior history of violation by VPPS.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Heather L. Quiros

Title: Chief, Enforcement Division

Date: October 2, 2026

Valley Pacific Petroleum Services, Inc.

Signature: /S/

Name: Nathan Crum

Title: President / Chief Executive Officer

Date: September 23, 2026