

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 Suprema Meats, Inc. with its principal location at 955 B 57th Street, Oakland, California 94608 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates the reduction of emission of air pollution from motor vehicles, creates the Motor Vehicle Inspection Program, and requires CARB to adopt regulations that require owners and operators of heavy-duty vehicles to perform regular inspections of their vehicles for excess emissions. (Health & Saf. Code §§ 43013, 43018, 43701, 44011.6.)
- (2) Regulations.
 - a. CARB adopted the *"Periodic Smoke Inspections of Heavy-Duty Diesel-Powered Vehicles" Regulation* (Cal. Code Regs., tit. 13, § 2190 et seq.) (PSIP Regulation) to reduce excess smoke opacity emissions from heavy-duty vehicles.
 - b. CARB adopted the *"Heavy-Duty Diesel Smoke Emission Testing, and Heavy-Duty Vehicle Emission Control Inspections" Regulation* (Cal. Code Regs., tit. 13, §§ 2180-2189) (HDVIP Regulation) to reduce excess smoke emissions from heavy-duty vehicles.
- (3) Regulatory Provisions.
 - a. The PSIP Regulation requires owners and operators of heavy-duty diesel vehicles with gross vehicle weight ratings greater than 6,000 pounds gross vehicle weight rating (GVWR) that operate within the State of California to conduct annual smoke opacity inspections (or on-board diagnostic review for model year 2013 engines or newer) of their vehicles by a CARB-approved trained smoke tester, using smoke test equipment and procedures that comply with the Society of Automotive Engineers (SAE) procedures J1667, "Snap Acceleration Smoke Test Procedure for Heavy-Duty Powered Vehicles." Owners and Operators must also keep records of this data and provide to CARB upon request. (Cal. Code Regs., tit. 13, §§ 2190-2194.)
 - b. The HDVIP Regulation prohibits the operation of heavy-duty vehicles in California that exceed the applicable smoke opacity standards, as well as vehicles that are inadequately maintained or have defective emission control components. It authorizes CARB to inspect on-road heavy-duty

vehicles for excess smoke emissions and engine tampering, and to issue citations to the vehicle owner, who must repair the engines exceeding the smoke opacity standards, perform post-repair opacity testing, and submit proof of the repairs along with assessed penalties. Owners of heavy-duty vehicles must also affix an Emission Control Label (ECL). (Cal. Code Regs., tit. 13, §§ 2180-2189.)

(4) Penalty Provisions.

- a. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to forty-thousand fifty dollars (\$40,050.00 USD) in 2020, and forty-thousand seven hundred twenty-five dollars (\$40,725.00 USD) in 2021, for each strict liability violation of the PSIP Regulation. (Health & Saf. Code, § 43016; Cal. Code Regs., tit.13, § 2190 et seq.) Penalty amounts for Health & Safety Code, section 43016 increase as a function of CPI.
- b. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to one thousand eight hundred dollars (\$1,800.00 USD) for each strict liability violation of the HDVIP Regulation, respectively, for each day in which the violation occurs. (Health & Saf. Code, § 44011.6; Cal. Code Regs., tit.13, § 2185.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Suprema Meats, Inc. was organized under the laws of the State of California as a corporation and conducted business in the State of California.
- (6) Allegations. This Settlement Agreement resolves Notice of Violation # 00437, which was issued on July 1, 2021. CARB alleges Suprema Meats, Inc. violated the PSIP Regulation by owning or operating heavy-duty vehicles with gross vehicle weights greater than 6,000 pounds GVWR in California and failing to conduct annual smoke opacity inspections, failing to keep adequate records, and failing to provide records to CARB upon request, resulting in 11 violations, as outlined in Notice of Violation # 00437. CARB also alleges Suprema Meats, Inc. violated the HDVIP Regulation by failing to maintain properly affixed ECLs on one heavy-duty diesel vehicle in its fleet, resulting in one violation, as outlined in Notice of Violation # 00437. CARB alleges that if the allegations described in paragraphs (1) through (6) were proven, civil penalties could be imposed against Suprema Meats, Inc. for each and every vehicle involved in the violations for each day the violation occurred.

- (7) Acknowledgment. Suprema Meats, Inc. 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 violations described herein, Suprema Meats, Inc. 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 Suprema Meats, Inc. for the alleged violations referred to above in the Legal Background and Case Background, and Suprema Meats, Inc. agreement to complete all terms and conditions set forth below, CARB and Suprema Meats, Inc. agree as follows:

- (9) Settlement Amount. Suprema Meats, Inc. shall pay a civil penalty of five thousand eight hundred dollars (\$5,800.00 USD). Suprema Meats, Inc. shall make payment in full within 30 calendar days from the date CARB notifies Suprema Meats, Inc. of the full execution of the Settlement Agreement.
- (10) Civil Penalty and Payment Method. Suprema Meats, Inc. shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to CARB, using instructions provided separately by CARB in a Payment Transmittal Form. Suprema Meats, Inc. 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 Suprema Meats, Inc. in accordance with Paragraph (14) (Notices).
- (11) Other Relief. Suprema Meats, Inc. shall comply with one of the following options: Attend the California Council on Diesel Education and Technology (CCDET I) class, (SAE J1667 Snap Acceleration Smoke Test Procedure for Heavy-Duty Diesel Powered Vehicles) as described on the CCDET webpage www.ccdet.org/class-schedule/, or CARB's Online Training for Fleet Owners/Employees (MS529 Online Smoke-Test Training) at <https://ww2.arb.ca.gov/our-work/programs/heavy-duty-diesel-inspection-periodic-smoke-inspection-program/hdvp-psip>.

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- (a) Suprema Meats, Inc. shall have the fleet maintenance manager (or equivalent) attend the CCDET I class or the CARB Online Training for Fleet Owners/Employees (MS529 Online Smoke-Test Training). Proof of completion of either course shall be submitted to CARB within six months of the date of this Settlement Agreement and be maintained in each applicable employee's file for the term of his or her employment.
- (b) If Suprema Meats, Inc. uses a contractor to perform the annual smoke opacity testing required under the PSIP Regulation, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET I or CARB course, Suprema Meats, Inc. shall obtain proof that the contractor's staff conducting the smoke opacity tests completed the CCDET I course within the past four years. This proof of CCDET I completion shall be provided to CARB with PSIP Regulation records as required by this Settlement Agreement and be maintained with the annual PSIP Regulation records.
- (12) Other Relief. Suprema Meats, Inc. shall submit copies of all PSIP Regulation compliance records for calendar years 2022 and 2023 after the close of the audit to CARB by January 31 of the following year. CARB reserves the right to visit any Suprema Meats, Inc. fleet location at any time to conduct compliance audits for the PSIP and HDVIP regulations, or any other applicable CARB program.
- (13) Documents. Suprema Meats, Inc. shall promptly email or mail the signed and dated Settlement Agreement, with copy of proof of payment of the penalty, a copy of the Payment Transmittal Form to the address or email in Paragraph (14) (Notices).
- (14) 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
Specialized Fleet Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

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As to Suprema Meats, Inc.:
Suprema Meats, Inc.
955 B 57th Street
Oakland, California 94608

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.

- (15) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, Suprema Meats, Inc. shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (16) Repeat Violations. Suprema Meats, Inc. agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (17) 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 ten pages and 35 paragraphs.
- (18) Binding Effect. This Settlement Agreement binds Suprema Meats, Inc., 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.
- (19) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (20) 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.
- (21) 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.

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- (22) 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.
- (23) 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.
- (24) 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.
- (25) 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 to 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.
- (26) 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.
- (27) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (28) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (29) Release. In consideration of the full completion of civil penalty and all other undertakings above, CARB hereby releases Suprema Meats, Inc. 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 all paragraphs contained in the Case Background above.

- (30) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (31) Per Unit Penalty.
- a. PSIP Penalty. The per unit or per vehicle penalty for the PSIP violations in this case is a maximum of forty-thousand fifty dollars (\$40,050.00 USD) in 2020 and forty-thousand seven hundred twenty-five dollars (\$40,725.00 USD) in 2021 for each strict liability violation of the Health and Safety Code, section 43016 and PSIP Regulation. (Cal. Code Regs., tit.13, § 2190 et seq.). The penalty of five thousand five hundred dollars (\$5,500.00 USD) over an unspecified number of days of violation is for 11 noncompliant heavy-duty vehicles. The per unit penalty in this case is five hundred dollars (\$500.00 USD) per noncompliant vehicle.
 - b. ECL Penalty. The per unit or per vehicle penalty for the ECL Violations in this case is a maximum of one thousand eight hundred dollars (\$1,800.00 USD) per day for each day the vehicle is in violation of the Health and Safety Code section 44011.6 and HDVIP Regulation. (Cal. Code Regs., tit.13, § 2185.) (\$300.00 USD for first time ECL citation.) The total penalty is three hundred dollars (\$300.00 USD) for one noncompliant heavy-duty vehicle. The per unit penalty in this case is three hundred dollars (\$300.00 USD) per noncompliant vehicle.
- (32) Emissions.
- a. The PSIP provision cited above does prohibit emissions above a specified level. Without information on usage and emission rates, it is not practicable to quantify the excess emissions. However, since CARB has alleged that the vehicles did not meet the regulatory requirements, all of the emissions from it were excess and illegal.
 - b. The ECL penalty is not being assessed under a provision of law that prohibits the emission of pollution at a specified level.
- (33) 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.

- (34) Confidential Business Information. CARB based this penalty in part on confidential business information provided by Suprema Meats, Inc. and confidential settlement communications, neither of which are retained by CARB in the ordinary course of business.
- (35) 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 Suprema Meats, Inc. 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 Suprema Meats, Inc. with respect to:
 - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by Suprema Meats, Inc. 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 criminal liability.
 - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.

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- (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, Suprema Meats, Inc. 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 Suprema Meats, Inc. 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 Suprema Meats, Inc., 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. Suprema Meats, Inc. is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Suprema Meats, Inc.'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 Suprema Meats, Inc.'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 29, 2022

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Suprema Meats, Inc.

Signature: /S/

Name: Miguel E. Jara

Title: President and Owner

Date: June 14, 2022