

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 Atkins Sheep Ranch, Inc. with its principal location at 40880 Encyclopedia Circle, Fremont, California 94538 (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.) CARB is also mandated to reduce hydrofluorocarbon emissions by 40 percent below 2013 levels by 2030. (Health & Saf. Code § 39730.5.)
- (2) Regulation. CARB adopted the regulation, *Management of High-Global Warming Potential Refrigerants for Stationary Sources* (RMP Regulation) to reduce hydrofluorocarbon emissions from stationary, non-residential refrigeration equipment and from the installation and servicing of stationary refrigeration and air-conditioning appliances using high global warming potential (high-GWP) refrigerants. (Cal. Code Regs., tit.17, §§ 95380-95398.)
- (3) Regulatory Provisions. Any person who owns or operates a stationary refrigeration system; or installs, repairs, maintains, services, replaces, recycles, or disposes of stationary refrigeration or air-conditioning appliances; or distributes or reclaims refrigerants with high-GWP, must comply with the applicable requirements of the RMP Regulation. (Cal. Code Regs., tit.17, § 95381.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to eleven thousand seven hundred ten dollars (\$11,710.00 USD) for strict liability violations, respectively, for each day in which the violation occurs. (Cal. Code Regs., tit.17, § 95380 et seq.; Health & Saf. Code § 38580, 42400 et seq., 42402 et seq., and 42410.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Atkins Sheep Ranch, Inc. was organized under the laws of California as a Corporation and conducted business in the State of California.
- (6) Allegations. This Settlement Agreement settles Notice of Violation (NOV) 2020-ATKSHE-2932, which was issued on December 14, 2022. CARB alleges Atkins Sheep Ranch, Inc. violated the RMP Regulation by owning or operating a stationary refrigeration system after January 1, 2011, as defined by the RMP Regulation with a full charge of greater than 50 pounds but less than 200 pounds;

and failing to and failing to conduct leak detection and monitoring failing to conduct leak detection and monitoring once every three months using a refrigerant leak detection device, bubble test, or observation of oil residue, where applicable (Cal. Code Regs., tit.17, § 95385 (b)), resulting in an unspecified number of days of violation, as outlined in Notice of Violation 2020-ATKSHE-2932. (Cal. Code Regs., tit.17, § 95380 et seq.) CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Atkins Sheep Ranch, Inc. for each and every unit involved in the violations and each day.

- (7) Acknowledgment. Atkins Sheep Ranch, 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, Atkins Sheep Ranch, Inc. has taken 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 Atkins Sheep Ranch, Inc. for the alleged violations referred to above in the Legal Background and Case Background, and Atkins Sheep Ranch, Inc.'s agreement to complete all terms and conditions set forth below, CARB and Atkins Sheep Ranch, Inc. agree as follows:

- (9) Settlement Amount. Atkins Sheep Ranch, Inc. shall pay a civil penalty of twelve thousand two hundred fifty dollars (\$12,250.00 USD). Atkins Sheep Ranch, Inc. shall make payment in full within 30 calendar days from the date CARB notifies Atkins Sheep Ranch, Inc. of the full execution of the Settlement Agreement.
- (10) Civil Penalty Payment Method. Atkins Sheep Ranch, Inc. 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. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. Atkins Sheep Ranch, Inc. shall provide confirmation of proof of the civil penalty payment being made to the email address listed in Paragraph 13 (Notices). Atkins Sheep Ranch, Inc. is responsible for all payment processing fees. 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 Atkins Sheep Ranch, Inc. in accordance with Paragraph 13 (Notices).

- (11) Documents. Atkins Sheep Ranch, Inc. shall promptly email the signed and dated Settlement Agreement to the CARB Investigator managing the settlement; or may mail the signed and dated Settlement Agreement to the CARB address in Paragraph 13 (Notices).
- (12) Other Relief. For purposes of this paragraph, a "Responsible RMP Employee" means any Atkins Sheep Ranch, Inc. employees who are either currently responsible or become responsible within two months from the date of this agreement for any part of Atkins Sheep Ranch, Inc.'s reporting obligations under the RMP. All Responsible RMP Employees shall complete course CR 106, "How to Comply with the Refrigerant Management Program" within three months from the date of this agreement. It is available through CARB's Learning Management System webpage: www.arb.ca.gov/training. After registering, search for CR106 or RMP from the list of courses.
- (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
Short Lived Climate Pollutant Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov (Send payment confirmation)

As to Atkins Sheep Ranch, Inc.

Atkins Sheep Ranch, Inc.
40880 Encyclopedia Circle
Fremont, California 94538
brad.villbrandt@atkinsranch.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) Repeat Violations. Atkins Sheep Ranch, Inc. agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (15) 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 6 pages and 33 paragraphs.

- (16) Binding Effect. This Settlement Agreement binds Atkins Sheep Ranch, 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.
- (17) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) 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.
- (22) Not Tax Deductible. For purposes of this Settlement Agreement, Atkins Sheep Ranch, Inc. 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.
- (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 the full completion of civil penalty, and all other undertakings above, CARB hereby releases Atkins Sheep Ranch, 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.
- (29) Authority. The undersigned represents that he or she has 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 eleven thousand seven hundred ten dollars (\$11,710.00 USD) per day under Health and Safety Code section 38580 for violations of the RMP Regulation (Cal. Code Regs., tit.17, § 95380 et seq.). The penalty of twelve thousand two hundred fifty dollars (\$12,250.00 USD) is for seven units of failure to conduct leak detection and monitoring every three months using a refrigerant leak detection device, in the amount of \$1,750.00 USD per unit, over an unspecified number of days.
- (31) Emissions. The provisions cited above do not prohibit emissions above a specified level. Without more information, it is not practicable to quantify the excess emissions. However, since CARB has alleged that Atkins Sheep Ranch, Inc. did not meet the regulatory requirements, all of the emissions from it were excess and illegal.

- (32) 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.
- (33) Confidential Business Information. CARB based this penalty in part on confidential business information provided by Atkins Sheep Ranch, Inc. 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: April 7, 2023

Atkins Sheep Ranch, Inc.

Signature: /S/

Name: Brad Villbrandt

Title: General Manager

Date: March 27, 2023