SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") 1001 I Street, Sacramento, California 95814, and CLAAS of America, Inc. (hereinafter "CLAAS"), 8401 South 132nd Street, Omaha, Nebraska 68138.

RECITALS

1. California Code of Regulations, Title 13, section 2420(a)(3) provides "Every new off-road compression-ignition engine that is manufactured for sale, sold, offered for sale, introduced or offered for introduction into commerce, or imported into California and that is subject to any of the standards prescribed in this article and documents incorporated by reference therein, is required to be certified for use and sale by the manufacturer through the Air Resources Board and covered by an Executive Order, issued pursuant to Chapter 9, Article 4, Section 2423."

2. Health and Safety Code section 43152 states, "No person who is engaged in this state in the business of selling to an ultimate purchaser, or renting or leasing new motor vehicles or new motor vehicle engines, including, but not limited to, manufacturers, distributors, and dealers, shall intentionally or negligently import, deliver, purchase, receive, or otherwise acquire a new motor vehicle, new motor vehicle engine, or vehicle with a new motor vehicle engine which is intended for use primarily in this state, which has not been certified pursuant to this chapter. No person shall attempt or assist in any such act."

3. Health and Safety Code section 43153 states, "No person who is engaged in this state in the business of selling to an ultimate purchaser or renting or leasing new motor vehicles or new motor vehicle engines, including, but not limited to, manufacturers, distributors, and dealers, shall intentionally or negligently sell, or offer to sell, to an ultimate purchaser who is a resident of or doing business in this state, or lease, offer to lease, rent, or offer to rent, in this state any new motor vehicle, new motor vehicle engine, or vehicle with a new motor vehicle engine, which is intended primarily for use or for registration in this state, and which has not been certified pursuant to this chapter. No person shall attempt or assist in any such action."

4. Health and Safety Code section 43154(a) states, "Any person who violates any provision of this article shall be liable for a civil penalty not exceed five thousand dollars ($5,000) per vehicle."

5. In 2012 and 2013, CLAAS manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California

14 agricultural harvesters with MAN off-road compression-ignition engines that were not certified pursuant to California Code of Regulations, title 13, section 2420(a)(3). In addition, two more similar CLAAS machines with uncertified MAN engines entered from the secondary market, as they were sold used into California from other states. These machines had also been mislabeled and incorrectly stated: "This equipment has an engine that meets U.S. EPA emission standards under 40 CFR 1039.625 and California 13 CCR 2423 (d)." These engines are summarized as follows:

Manufacturer Serial Number	Motor number	Date of birth	Motor Family
49403003	71230078063007	9/5/2011	MNBL24.2OR1
49403006	71230088053007	9/6/2011	MNBL24.2OR1
49403023	71230418023025	10/12/2011	MNBL24.2OR1
49403029	71230358043025	10/5/2011	MNBL24.2OR1
49403038	71230388073025	10/10/2011	MNBL24.2OR1
49403068	71230488113025	10/20/2011	MNBL24.2OR1
49403153	64230688063050	11/14/2011	MNBL24.2OR1
49403161	64230688153059	11/15/2011	MNBL24.2OR1
49403206	71230568023033	10/28/2011	MNBL24.2OR1
49403646	71232108013224	4/26/2012	MNBL24.2OR1
49403820	71232418083242	6/4/2012	MNBL24.2OR1
49403985	71233348073338	9/17/2012	MNBL24.2OR1
49403986	71233418033330	9/25/2012	MNBL24.2OR1
49403987	71234668013460	2/18/2013	MNBL24.2OR1
49403989	71233378063338	9/20/2012	MNBL24.2OR1
49404105	64233598113356	10/16/2012	MNBL24.2OR1

6. The advertisements, offers for sale, and sales of the subject units, were unlawful and in violation of Health and Safety Code section 43152 *et seq.*, Health and Safety Code section 43211, and California Code of Regulations, Title 13, section 2420 *et seq.*

7. California Code of Regulations, Title 13, Section 2420(a)(1) and (a)(3) provide that this article shall be applicable to new heavy-duty off-road compression-ignition engines, including all heavy-duty off-road alternate-fueled compression-ignition engines, including those engines derived from existing diesel cycle engines (hereinafter all such engines shall be referred to as compression-ignition engines), produced on or after January 1, 1996, and all other new 2000 model year and later off-road compression-ignition engines, with the exception of all engines and equipment that fall within the scope of the preemption of Section 209(e)(1) of the Federal Clean Air Act (42 U.S.C. 7543(e)(1)) and as defined by regulation of the U.S. Environmental Protection Agency.

8. California Code of Regulations, Title 13, Section 2424. Emission Control Labels-1996 and Later Off-Road Compression-Ignition Engines. The Air Resources Board recognizes that certain emissions-critical or emissions-related parts must be properly identified and maintained in order for engines to meet the applicable emission standards. The purpose of these specifications is to require engine manufacturers to affix a label (or labels) on each production engine (or equipment) to provide the engine or equipment maintenance of these parts in customer use. For engines used in auxiliary commercial vehicle idling requirements of Title 13, CCR, Section 2485(c)(3)(A), additional labeling requirements for the engine or equipment manufacturers apply, as set forth in section 35.B.4 of the "California exhaust Emission Standards and Test Procedures for 2004 and Subsequent Model Heavy-Duty Diesel Engines and Engine," as incorporated by reference in Title 13, CCR, Section 1956.8(b).

9. California Code of Regulations, Title 13 Section 2424(c)(E)(6) states that the label shall include, "An unconditional statement of compliance with appropriate model year California regulations; for example: "This engine conforms to 1996 California regulations for heavy-duty off-road diesel cycle engines as applicable."

10. California Health and Safety Code section 43016 states, "Any person who violates any provision of this part, or any order, rule, or regulation of the state board adopted pursuant to this part, and for which violation that is not provided in this part any other specific civil penalty or fine, shall be subject to a civil penalty not to exceed five hundred ($500) per vehicle, portable fuel container, spout, engine, or other unit subject to regulation under this part, as these items are defined in this division or state board regulations. Any penalty collected pursuant to this section shall be payable to the State Treasurer for deposit in the Air Pollution Control Fund."

11. In addition to the aforementioned mislabeled agricultural harvesters, in 2012 and 2013 CLAAS had manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California 28 forage harvesters powered by off-road compression-ignition engines that lacked both engine and equipment labels for the Transitional Program for Equipment Manufacturers (TPEM) referenced by title 13, California Code of Regulations section 2324(d).

12. Prior to September 2013, CLAAS had manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California 9 forage harvesters with MAN engines that were missing their TPEM equipment labels.

13. Prior to September 2013, CLAAS had manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into the USA up to 134 forage harvesters with MAN V8 and V12 engines which were

incorrectly labeled as meeting emission standards under California 13 CCR 2423 (d).

14. Prior to September 2013, CLAAS had manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported in the USA up to 293 forage harvesters powered by Daimler/MTU engines which were incorrectly labeled as meeting emission standards under California 13 CCR 2423 (d).

15. CLAAS promptly and fully cooperated with ARB throughout its investigation.

16. CLAAS has no prior enforcement record with ARB.

17. CLAAS admits the facts in recital paragraphs 1 through 15, but denies any liability arising thereunder.

18. In order to resolve these alleged violations, CLAAS has taken, or agreed to take, the actions enumerated below under "RELEASE". Further, the ARB accepts this Agreement in termination and settlement of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

TERMS AND RELEASE

In consideration of the ARB not filing a legal action against CLAAS for the alleged violations referred to above, and CLAAS's payment of the penalties set forth in Section 1 below, the ARB and CLAAS agree as follows:

(1) CLAAS shall pay the total sum of two hundred thirty one thousand seven hundred fifty dollars ($231,750.00) subject to the following terms: Seventy five percent of the penalty amount ($173,812.50) shall be paid by certified check to the **California Air Pollution Control Fund** within five days of notice to CLAAS that this Agreement has been executed by the ARB. In addition, twenty five percent of the penalty amount ($57,937.50) shall concurrently be paid by certified check to the **San Joaquin Valley Air Pollution Control District** and "For School Bus and Diesel Emission Reduction SEP" shall be annotated in the Note or Memo line of the check. All payments shall be mailed to the following address along with the attached Settlement Agreement Payment Transmittal Form.

Please submit the payment along with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

California Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

(2) CLAAS shall not sell, offer for sale, or advertise in California any new off-road compression-ignition engine in violation of California Code of Regulations, title 13, section 2420 *et seq.*

(3) CLAAS shall offer the product end-users a buy-back and replacement program to replace the non-compliant machines sold by CLAAS in California as listed in the table on page 2. This program is to begin as soon as compliant replacement machines are commercially available, but completion is to take place by December 2016.

(4) CLAAS, in coordination with US EPA, shall implement a corrective action to remove or replace any labels on CLAAS products in the USA, which incorrectly reference compliance with California regulation. This corrective action will begin following approval of US EPA.

(5) This Agreement shall apply to and be binding upon CLAAS, and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

(6) This Agreement constitutes the entire agreement and understanding between ARB and CLAAS concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and CLAAS concerning the subject matter hereof.

(7) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all parties to this Agreement.

(8) Severability. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.

(9) This 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.

(10) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

SB 1402 Statement

(11) Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and

Safety Code section 39619.7). This information, which is provided throughout this settlement agreement, is summarized here:

The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in HSC section 43024.

The per unit penalty for sales of non-compliant engines in this case is a maximum of $5,000 per unit per strict liability violation. The penalty obtained in this case is $3,750 per unit for 14 units. The per unit penalty for sales of mislabeled engines in this case is a maximum of $500 per unit per strict liability violation. The penalty obtained in this case is $375 per unit for 478 mislabeled units.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

ARB alleges that the first penalty provision being applied in this case, Health and Safety Code section 43154, is appropriate because CLAAS allegedly sold, and/or offered for sale, and/or advertised, and/or introduced or delivered for introduction into commerce, and/or imported in California the subject non-California certified new off-road compression-ignition engines that were not certified pursuant to California Code of Regulations, title 13, section 2420 *et seq.*

ARB alleges that the second penalty provision being applied in this case, Health and Safety Code section 43016 is appropriate because CLAAS allegedly sold, and/or offered for sale, and/or advertised, and/or introduced or delivered for introduction into commerce off-road compression-ignition engines that were not properly labeled pursuant to California Code of Regulations, title 13, section 2420 *et seq.*

Is the penalty being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The provisions cited above do not prohibit emissions above a specified level. It is not practicable to quantify these emissions, because the information necessary to do so, such as emission rates and time of use, is not available. There are no testing results available that would indicate how much emission increased as a result of the uncertified engines. However, since the engines were not certified for sale in California, emissions attributable to them are illegal and excess.

(12) CLAAS acknowledges that ARB has complied with Senate Bill 1402 in prosecuting or settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC section 43024, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

(13) Penalties were determined based on the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar cases, and the potential costs and risk associated with litigating these particular violations. Penalties in future cases might be smaller or larger on a per unit basis.

(14) The penalty was based on confidential settlement communications between ARB and CLAAS that ARB does not retain in the ordinary course of business. The penalty is the product of an arms length negotiation between ARB and CLAAS and reflects ARB's assessment of the relative strength of its case against CLAAS, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that CLAAS may have secured from its actions.

(15) Now therefore, in consideration of the payment on behalf of CLAAS to the Air Pollution Control Fund and the San Joaquin Valley Air Pollution Control District, the ARB hereby releases CLAAS and their principals, officers, agents, predecessors and successors from any and all claims, the ARB may have or have in the future based on the circumstances described in paragraph (1) through (15) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement

California Air Resources Board		**CLAAS of America**	
Signature:		Signature:	Timothy H. Conrad
Print Name:	Richard W. Corey	Print Name:	LEIF MAGNUSSON
Title:	Executive Officer	Title:	PRESIDENT Secretary
Date:	8/26/2015	Date:	JULY 7, 2015 July 7, 2015