

## SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement (Agreement) is entered into by and between the California Department of Food and Agriculture (Department) and Stone Lake Farm Enterprises Inc. (Stone Lake), collectively, the Parties. The effective date of this agreement is the date it was signed by the last signatory.

### RECITALS

1. Stone Lake is a certified organic farmer in the State of California, and is registered with the California State Organic Program, which the Department administers. The Department has authority over implementation of the National Organic Program within the State of California.
2. On June 24, 2016, Stone Lake's private certifier, SCS Global Services (SCS Global), issued a Notice of Noncompliance to Stone Lake. Subsequently, on August 15, 2016, SCS Global issued a Notice of Proposed Suspension to Stone Lake.
3. Both the Notice of Noncompliance and Notice of Proposed Suspension identified unresolved issues regarding compliance with the National Organic Program, as provided by the National Organic Foods Production Act of 1990 and the regulations promulgated under the Act (Title 7 of the Code of Federal Regulations, Part 205, et seq.). Specifically, the Suspension Notice alleged Respondent willfully violated Title 7 of the Code of Federal Regulations as follows:
  - a. 7 C.F.R. § 205.103, governing the maintenance of records regarding fertility, seed specification, planting, harvest, sales, produce traceability, seed inventory, and cleaning of surfaces that may have been exposed to prohibited substances; and
  - b. 7 C.F.R. § 205.201, governing recordkeeping in organic production and handling plans.
4. On September 16, 2016, Stone Lake's private certifier, SCS Global, denied mediation to SCS, pursuant to 7 C.F.R. §205.663, citing an ongoing lack of resolution of those items. SCS Global via its denial notice informed Stone Lake that it had until October 17, 2016 to appeal the Notice of Proposed Suspension to the Department.
5. On October 12, 2016, Stone Lake appealed the suspension.
6. On January 9, 2017, the Hearing Officer of the Department's Division of Inspection Services issued a Recommendation that the State Organic Program uphold the Notice of Proposed Suspension, based on the Hearing Officer's review of document submissions by Stone Lake and SCS Global. The Hearing Officer also found that Respondent's Organic Certification should be suspended.

7. On April 17, 2017, the Department served Stone Lake with an Accusation in support of the suspension. A hearing regarding the suspension proposal was to have taken place on December 6 and 7, 2017, but was continued until December 19, 2017.
8. In October 2017, Stone Lake surrendered its organic certification.
9. The Parties now wish to settle the issues raised by the Suspension Notice and the Recommendation. The Agreement is made to compromise the claims described in these Recitals.

### **TERMS**

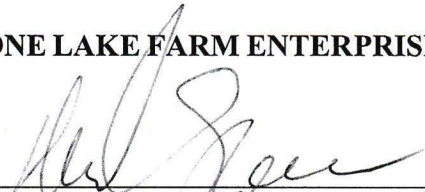
10. Suspension: Stone Lake agrees that it is suspended for a period of three years, commencing October 1, 2017 and ending October 1, 2020 (Suspension). Stone Lake will not seek or obtain organic registration or certification until its Suspension ends. Stone Lake cannot be automatically certified after its suspension ends, as only the National Organic Program has authority to reinstate certification after suspension, and not the Department. However, after its Suspension ends, Respondent may seek reinstatement of its organic certification.
11. Release: Each of the parties hereby releases the other party and its respective successors, representatives, agents, employees, and assigns, from all claims they may now have or that may hereafter accrue to them, whether now known or unknown, in connection with the alleged violations described in the Suspension Notice and the findings made in the Recommendation. Nothing in this Agreement shall constitute or be construed as a satisfaction or release from liability for any violations of law other than those that are described therein.
12. Ongoing Liability: Stone Lake remains liable under all applicable laws and regulations of the United States and the State of California for any sales of product labeled as "organic" during its Suspension. Stone Lake further agrees to notify organic livestock producers of its Suspension to the extent necessary, and affirms that it is liable for any failure to do so.
13. Hearing: Upon execution of the Agreement, and in recognition of both parties' signature on the December 4, 2017 Interim Agreement of the parties, the Department agrees to cancel the December 19 hearing before the Office of Administrative Hearings.
14. Non-waiver. This Agreement shall not constitute a waiver by the Department of the right to raise Respondent's alleged violations at issue here at a later date in a disciplinary or other judicial proceeding, or in any other context.
15. Waiver of Costs and Attorney's Fees: Each party shall bear all of its own attorney's fees and costs in connection with the Action, including, but not limited to, any attorney's fees or costs associated with the negotiation or drafting of this Agreement.



16. Entire Agreement: This Agreement constitutes the entire agreement and understanding between the parties relating to the subject matter hereof and supersedes all prior written or oral agreements, understandings, or representations of the parties relating to that subject matter.
17. Interpretation. This Agreement is the product of negotiation between the Parties, shall be deemed to have been drafted equally by the Parties, and shall not be interpreted for or against either party on the ground that any such party drafted it. This Agreement shall be governed by and construed in accordance with the laws of the State of California.
18. Enforcement of Agreement: In the event of legal action or other proceedings between the parties to enforce this Agreement, the prevailing party shall be entitled to recover from the other party the costs, including without limitation reasonable attorney's fees, incurred by the prevailing party in the proceeding.
19. Execution: This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original and shall constitute but one and the same document. Signatures transmitted by facsimile or scanned as a .pdf file shall be sufficient for execution and may be treated as original signatures.
20. Paragraph Headings. The paragraph headings have been inserted for convenience only and shall not affect the interpretation or construction of this Agreement.
21. Authority of Signatories. Each person executing this Agreement does hereby represent and warrant to the other signatories that he or she has the authority necessary to execute this Agreement; that no other consents or approvals of anyone are required or necessary for this Agreement to be binding; and, that he or she has not sold, assigned, transferred, conveyed, or otherwise disposed of any of the claims, causes of action, demands, damages, judgments, costs, loss of services, expenses and/or compensation referred to in this Agreement.

This Agreement was executed as of the dates set forth below by authorized representatives of each Party:

**STONE LAKE FARM ENTERPRISES INC.**

X   
Name: ~~Steve Samra~~ Manjit Samra  
Agent for Stone Lake Farm Enterprises, Inc.

X Date: 12.18.17

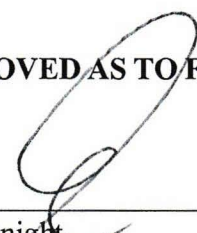
on behalf of Stone Lake Farm Enterprises, Inc.

**CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE**

Date: \_\_\_\_\_

\_\_\_\_\_  
Name: Natalie Krout-Greenberg  
Director, California Department of Food & Agriculture Inspection Services Division

**APPROVED AS TO FORM:**

X   
\_\_\_\_\_  
Noel Knight  
Counsel for Stone Lakes Farm Enterprise

12.18.17  
(7)

\_\_\_\_\_  
Colleen Flannery  
Counsel for California Department of Food & Agriculture