

Parties' Agreement Concerning the 2001 California ZEV Litigation

This document describes an agreement among the following parties, who are collectively referred to as "the PARTIES": (1) the parties in *Central Valley Chrysler-Plymouth, Inc., et al. v. Witherspoon*, Case No. CIV F-02-05017 REC SMS (E.D. Cal.), (2) the plaintiffs and petitioners and the defendants and respondents in *Liberty Motors, Inc., et al. v. California Air Resources Board, et al.*, Case No. 02 CE CG 00039 (Superior Court for Fresno County), and (3) the parties in *DaimlerChrysler Corp. et al. v. California Air Resources Board et al.*, Case No. 02 CE CG 04456 HAC (Superior Court for Fresno County). These three cases are collectively referred to in this document as the "2001 California ZEV Litigation."

Background

1. At a public meeting held April 24, 2003, the California Air Resources Board ("ARB") approved Board Resolution 03-04, which directs the ARB Executive Officer to initiate the process of revising the zero-emission vehicle ("ZEV") regulation contained in the Final Regulation Order of April 12, 2002 (hereinafter the "2001 ZEV Regulation").

2. In *Central Valley Chrysler-Plymouth, Inc., et al. v. Witherspoon*, No. 02-16395, the U.S. Court of Appeals for the Ninth Circuit has entered an Order withdrawing from submission the Executive Officer's appeal of a preliminary injunction entered in the United States District Court for the Eastern District of California on June 11, 2002, pending submission of supplemental briefs concerning the effect of ARB's adoption of Resolution 03-04 on April 24, 2003. By Order dated July 28, 2003, those briefs are due on August 28, 2003.

3. Board Resolution 03-04 will result in the issuance of a new Final Regulation Order (hereinafter the "2003 Final Regulation Order") that will contain amendments to the 2001 ZEV Regulation. Once the amended ZEV regulation (hereinafter the "2003 ZEV Regulation") has been approved by the Office of Administrative Law, and notice of the approval has been published in the *California Regulatory Notice Register*, the 2001 ZEV Regulation will cease to be effective. The ARB Executive Officer has advised that she will not enforce the 2001 ZEV Regulation after the 2003 ZEV Regulation has been approved by the Office of Administrative Law.

4. The 2001 ZEV Regulation provided credit mechanisms and substantial credits for the early placement of ZEVs and partial ZEV allowance vehicles ("PZEVs"), upon which vehicle manufacturers have reasonably relied. The 2003 ZEV Regulation will maintain, and in some respects expand, those credit mechanisms and credits, consistent with the modified amendments in Attachment C to Resolution 03-04. Accordingly, under the 2003 ZEV Regulation, plaintiff manufacturers and their contractors and affiliates will qualify for credits

from 2004 and earlier model year ZEVs and PZEVs to at least the same extent as permitted under the 2001 ZEV Regulation, consistent with the modified amendments in Attachment C to Resolution 03-04.

5. Board Resolution 03-04 specifies percentage ZEV requirements beginning in model year 2005, which under applicable regulations can begin as early as January 2, 2004.

6. Counsel for the PARTIES have entered into the Agreement of Counsel (the "Counsel's Agreement") attached as Exhibit A, in which Counsel agreed to use their best efforts to obtain consent of all of the PARTIES to enter into this Parties' Agreement Concerning the 2001 California ZEV Litigation (the "Parties' Agreement") in order to bring the 2001 California ZEV Litigation to an end.

Agreement

The PARTIES agree to the following actions.

7. Preliminary Injunction Appeal. In *Central Valley Chrysler-Plymouth, Inc., et al. v. Witherspoon*, No. 02-16395, appellees will cooperate with the Executive Officer in implementing the Executive Officer's decision to seek an Order dismissing or withdrawing from submission the appeal No. 02-16395. Upon the District Court's dismissal of the underlying action entitled *Central Valley Chrysler-Plymouth, Inc., et al. v. Witherspoon*, Case No. CIV F-02-05017 REC SMS (E.D. Cal.), the Executive Officer will seek dismissal of the appeal. The Executive Officer will not seek vacatur of the preliminary injunction in either the District Court or the Court of Appeals.

8. Litigation Standstill. Except as provided in this Parties' Agreement, the PARTIES will seek any necessary judicial stays of the 2001 California ZEV Litigation until September 30, 2003. The PARTIES will cooperate in seeking an extension of such stays if needed in order to complete work on the 2003 ZEV Regulation.

9. Modification of Preliminary Injunction. In the event that ARB does not issue a 2003 Final Regulation Order adopting the 2003 ZEV Regulation prior to July 31, 2003, the plaintiffs in the *Central Valley* case may at any time thereafter file a motion in the U.S. District Court for the Eastern District of California to modify the preliminary injunction issued June 11, 2002, so as to prevent enforcement of the 2001 ZEV Regulation in model year 2005. The proposed Order is attached as Exhibit B. The Executive Officer will stipulate to entry of such a modification to the preliminary injunction issued June 11, 2002.

10. Notice and Proceedings in the Trial Courts at the End of Rulemaking. Within 15 calendar days after publication of any supplemental notice of a regulatory modification by the Executive Officer in the 2003 ZEV Rulemaking, or during the allotted comment period for comments on a supplemental notice, whichever is longer, plaintiffs will advise the Executive Officer of any changes in the proposed text of the 2003 ZEV Regulation that they would recommend to fulfill the intent of Board Resolution 03-04. Unless the plaintiffs believe that the 2003 ZEV Regulation does not fulfill the intent of Board Resolution 03-04 for any reason

identified in response to a supplemental notice, within 30 days after the 2003 ZEV Regulation is filed with the California Secretary of State plaintiffs will file motions seeking voluntary dismissal without prejudice of the 2001 California ZEV Litigation, and will not seek awards of attorneys' fees or costs related to such litigation. These notice and filing requirements do not apply to any modification to the 2003 ZEV Regulation that has been made without an opportunity for the public to comment on the modification.==

11. Public Communications. The PARTIES and their agents or employees will coordinate public communication, if any, concerning this Parties' Agreement. The PARTIES have agreed to a joint prepared statement advising the public of the Counsel's Agreement. The joint statement is attached as Exhibit C.

12. Confidentiality. The PARTIES agree that drafts of this Parties' Agreement and its Exhibits, and drafts of the Counsel's Agreement and its Exhibits, are protected by the evidentiary privilege for settlement communications and will be protected, so far as legally permissible, from disclosure under the Public Records Act. The final signed Counsels' Agreement and final signed Parties' Agreement are not confidential.

13. Execution of Filings. If required, the PARTIES will execute court filings to effectuate this Parties Agreement.

14. Authority to Bind Parties. Each PARTY represents to all other PARTIES that such PARTY has the full power and authority to enter into this Parties' Agreement, that the execution and delivery thereof will not violate any agreement to which such PARTY is a PARTY or by which such PARTY is bound, and that this Parties' Agreement, as executed and delivered, constitutes a valid and binding obligation of such PARTY, enforceable in accordance with its terms. The signatories to this Parties' Agreement expressly warrant that they have been authorized to execute this Parties' Agreement and to bind their respective PARTIES to the terms and provisions hereof.

15. Entire Agreement. This Parties' Agreement constitutes the entire agreement between the PARTIES, and it is expressly understood and agreed that the Parties' Agreement has been freely and voluntarily entered into by the PARTIES with the advice of counsel, who have explained the legal effect of this Parties' Agreement. The terms of this Parties' Agreement are contractual and not mere recitals. This Parties' Agreement may not be altered, modified or otherwise changed in any respect except by writing, duly executed by the PARTIES or their authorized representatives. This Parties' Agreement is fully integrated.

16. Governing Law. California law shall govern the interpretation and enforcement of this Parties' Agreement.

17. Binding Agreement. This Parties' Agreement shall be binding upon and inure to the benefit of the respective heirs, successors, assigns and representatives of the PARTIES.

18. Execution of Counterparts. This Parties' Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts

together shall constitute but one and the same instrument.

IT IS SO AGREED.

FOR DEFENDANTS:

California Air Resources Board and Catherine Witherspoon

By: _____ Date _____
Catherine Witherspoon
Executive Officer
California Air Resources Board

FOR PLAINTIFFS:

DaimlerChrysler Corporation

By: _____ Date _____

General Motors Corporation

By: _____ Date _____

Isuzu Motors Limited

By: _____ Date _____

Central Valley Chrysler-Plymouth, Inc.

By: _____ Date _____

Frontier Dodge, Inc.

By: _____ Date _____

Hallowell Chevrolet Company, Inc.

By: _____ Date _____

Keller Motors, Inc.

By: _____

Date

Kitahara Pontiac-GMC-Buick, Inc.

By: _____

Date

Liberty Motors, Inc.

By: _____

Date

Lovegren Motor Co.

By: _____

Date

Michael Cadillac, Inc.

By: _____

Date

Sequoia Chevrolet Co.

By: _____

Date

Sun Bop, Inc.

By: _____

Date

Surroz Motors, Inc.

By: _____

Date

Tom Fields Motors, Inc.

By: _____

Date