

# Exhibit 3

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff	)	
	)	
v.	)	Civil Action No. 90-229 Erie
	)	
ROBERT BRACE and	)	
ROBERT BRACE FARMS, INC.,	)	
a Pennsylvania Corporation,	)	
	)	
Defendants	)	

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ADJUDICATION

The above-captioned case was tried non-jury and a view of the site in dispute was conducted by the Court. The Court makes the following

FINDINGS OF FACT

1. The United States has brought this action against Robert Brace, individually (hereinafter "Brace") and Robert Brace Farms, Inc., a Pennsylvania corporation (hereinafter "Brace Farms") (collectively, "Defendants"), alleging two counts of violations of the Clean Water Act (hereinafter "CWA").
2. Brace is a farmer who owns land in Erie County that is used exclusively for farmland. Brace Farms, Inc. is a Pennsylvania corporation engaged principally in the farming business.
3. Defendants own approximately 600 acres of real property located in Erie County, Pennsylvania, approximately 30 acres of which is the subject of this action ("site").

4. The parties have stipulated that the site constitutes "wetlands" as defined in the CWA and its implementing regulations. The Court's view indicated that not more than 25% of the site met the definition.

5. Wetlands constitute a productive and valuable resource, the unnecessary alteration or destruction of which constitutes a serious violation of the environmental laws, which should be discouraged as contrary to the public interest.

6. Wetlands perform vital functions important to the environment and public interest, including but not limited to: (a) serving water purification and water quality enhancement functions; (b) serving as storage areas for storm and flood waters; (c) serving natural biologic functions, including food chain production, general habitat, and resting sites for aquatic or land species, and (d) serving erosion and sedimentation control functions. 33 C.F.R. 320.4(b); 40 C.F.R. 230.41.

7. The site is adjacent to a tributary of Elk Creek, which is an interstate waterway.

8. Elk Creek is a tributary of Lake Erie, which is also an interstate waterway.

9. Brace's parents and other family members have always earned their principal livelihood from farming activities. While Brace was growing up, he lived on property that now includes the site. Brace has been a farmer since the age of fifteen.

10. Brace purchased certain farm property from his father in 1975. A portion of that property contains the site. The property has been in the Brace family since the 1930's, when Brace's grandfather farmed the land.

11. In years prior to the time that Brace's father owned the property that includes the site, the property had been used regularly for normal farming activities, such as cropland and pastureland for dairy and beef cattle.

12. Brace's parents were in the farming business for their entire lives. Brace's father had used the site for normal farming activities during the time he owned the property. From time to time, Brace's father produced corn, hay, cabbage, oats and dry feed on the property that includes the site.

13. The soil in Erie County requires continuous draining in order to be suitable for cultivation. Extensive underground drainage systems are typical and necessary aspects of farming in Erie County, and the installation of such systems is a normal farming activity in order to make land suitable for farming.

14. The topography and soil type on the site are typical of Western Pennsylvania and of Erie County in particular. Beavers have traditionally lived on and around the site. Due to the presence of beaver dams that have affected the flow of water on the site, the site was traditionally inundated with water at various times.

15. The wildlife on the site consists of transient deer, geese, rabbits and other wildlife typical of the area and not uncommon to farmland in Erie County. The site does not serve as a wildlife refuge. The wildlife on the site has not changed from the time that Brace's father owned the land up to the present time.

16. Brace purchased the property from his father with the intent to continue and to improve upon his father's established farming operation. It was Brace's intent to integrate the various farmable portions of the property into an overall operation for an effective and productive farming business.

17. At the time Brace purchased the property containing the site from his father, the site was vegetated with areas of scrub brush, including red brush and briars. From 1977 to 1987, as a result of the work that Brace did in the late 1970's, the site was basically dry except in times of excessive precipitation, when under such circumstances, the site, like all other land in the area, would show evidence of a heavy rain.

18. From 1985 through 1987, the site was not used for either pasturing or growing of crops.

19. At the time Brace acquired the property in 1975, Brace's father had made the decision to use the site for pastureland due to the costs associated with other aspects of farming and limited available funds. Upon the purchase of the property, Brace leased the property to his brother, who continued the dairy practices for approximately one year and then removed the fencing

used for pastureland and cleared portions of the pasture brush. The topography and water conditions of the site did not change during the time that Brace's brother leased the site.

20. Sometime subsequent to the purchase of the property from his father, Brace purchased an additional, adjacent 140 acres from his cousins that had the effect of increasing the total acreage to be used for Brace's overall and integrated farming plan to approximately 270 acres.

21. Due to the purchases of property from Brace's father and cousins, Defendants were highly leveraged in the late 1970's and the 1980's. At times, Defendants' service debt and operating expenses ranged from \$500,000 to \$700,000, the size of which affected the Brace's ability to do all of their work in one year; however, they were regularly doing something on the property.

22. In the late 1970's Brace developed gas wells on portions of the property he owns. No wells were developed on the site. Brace invested in the gas wells in order to help subsidize his farming operations over the years.

23. From 1975 to 1977, Brace began to make plans for the farming of his property. In 1977, Brace decided to seek the advice and assistance of the Agricultural Stabilization and Conservation Service (hereinafter "ASCS") as part of his plan to develop an integrated farming operation on the property that includes the site. Brace's father had previously worked with the ASCS to prepare a drainage plan relating to the site for the purpose of farming the entire property. At the time he purchased the

property from his father, Brace obtained the soil and conservation plans that had been prepared for his father by the ASCS office in Erie County. The plan contains a map of the property and the layout of the drainage system on the property, including portions of the site. The plans were issued in the 1960's.

24. Brace utilized the existing drainage plan that had been implemented on the property that contains the site as part of his overall intention and design to establish a farming operation that would be interconnected and continuous throughout the property. The drainage system impacts the ability to produce crops on all parts of Brace's property; without such a system, the property is not suitable for farming because of soil conditions.

25. The existing drainage system was in poor condition and not yet complete at the time of Brace's acquisition. Therefore, in order to maintain, preserve and improve upon the existing system consistent with his farming plans, Brace began cleaning the system in 1976 in order to make it effective for agricultural development.

26. The drainage system included a design for channels and tiling to allow waters from adjoining croplands to be siphoned off and onto the site. In late 1976 and early 1977, Defendants implemented the first stage of the interconnected plan that had been recommended by the ASCS by reopening a channel to allow the water to flow in its natural direction. Defendants also installed tiling material on the site consistent with the ASCS recommendations.

27. Also, in 1977 Brace contacted the ASCS to inquire as to technical assistance and cost-sharing arrangements that might be available for the implementation of his plans. The ASCS visited the site prior to extending such assistance and thereafter provided such advice and assistance to Brace, continuing to do so up to 1985. The site and the farming activities conducted thereon were never concealed from the Plaintiff, other departments of the federal government or state agencies.

28. As of 1977, the essential portions of Brace's improvements to the already existing drainage system on the site were intact and operating. In subsequent years, Brace maintained the system, consistent with his overall plans and as is necessary for typical farming activities in Erie County, as time, funds and equipment were available. If all of the necessary funds had been available to him in 1977, Brace would have expedited his farming plans and completed the project at that time.

29. The maintenance of the drainage system that Brace performed on the site from 1977 to 1979 enhanced Brace's farming productivity in the upland areas and was necessary to conserve the soil and water conditions in those areas.

30. From 1977 to 1979, Defendants continued to maintain the drainage system by cleaning it and removing sedimentation to enhance water flow. The site was dry at the end of 1979 as a result of such maintenance, with the exception of times of excessive rainfall when it, like areas located off site, would become wet.

31. In the late 1970's and early 1980's, as part of the maintenance of the drainage system, Brace introduced a series of small channels that were connected to the initial channel and were part and parcel of the initial work. The small channels enhanced the flow of surface water off of the uplands to its natural courses.

32. Defendants' work in improving upon the inter-connected drainage system progressed continuously from 1977 to 1987. Brace worked on the system when funds, time and equipment were available. Brace's wife, two sons and a hired worker assisted in the farming activities, and Brace regularly worked the site.

33. From 1985 through 1987, Brace cleared, mulched, churned, levelled and drained the formerly wooded and vegetated site.

34. In 1986 and 1987, Brace Farms paid for excavation in the site and the burying of plastic tubing, sometimes referred to as "drainage tile," in an effort to drain the site.

35. Throughout the 1980's, in order to continue to improve upon the drainage system that began in 1977, Brace used appropriate equipment to remove unconsolidated soil, pebbles, silt and growth which were impeding water flow and tied certain lateral channels to the existing system to further enhance water flow. These activities were part of the overall maintenance of the drainage system, and farmers in the Erie County area typically engage in such practices.

36. Defendants did not have a permit issued pursuant to CWA section 404 authorizing their activities.

37. As a result of Defendants' levelling, spreading and tiling, Defendants began to grow crops on the site in 1986 and 1987.

38. Since 1977, Defendants have planted and harvested cabbage, oats, hay and other grains on portions of the property. In 1986, Defendants planted oats and alfalfa hay on portions of the site because Brace believed that it was the proper time to do so.

39. The United States became aware of Defendants' activities in 1987.

40. Between 1987 and 1988, the United States issued three orders to Defendants, ordering them, inter alia, to refrain from further disturbances of the site, so that the site could naturally revegetate with indigenous plant species.

41. After the issuance of these orders, Defendants continued to mow the vegetation on the site.

42. In October 1988, Brace received an Administrative Complaint in connection with his farming activities on the site. Brace, as he was advised he could do, requested a hearing to contest the Complaint, believing that his activities were exempt from any and all permit requirements. Prior to the hearing, the Complaint was dismissed.

43. In the summer of 1988, Brace approached the ASCS in order to gain the status of "commenced conversion from wetlands" with respect to the site for purposes of the Federal Food Security Act. The ASCS granted this status to the site, finding that Brace's on-going farming activities had commenced prior to December 1985.

44. In April 1990, as a cautionary measure, Brace approached the Army Corps of Engineers (hereinafter "COE") in an effort to obtain an after-the-fact permit to conduct his farming activities on the site, despite his belief that the activities were and are exempt from permit requirements of the CWA. The United States Environmental Protection Agency (hereinafter "EPA") requested that COE not review an application from Brace for an after-the-fact permit. However, Brace was advised that because the matter was then in litigation, the government would not positively act on his request for a permit.

45. Since 1977 Defendants' activities on the site have consisted only of normal farming activities, maintenance of the existing drainage system, and activities to enhance and conserve the upland soil and water on the farm property. Since the time of the cease and desist order, Brace has terminated all farming activity on the site, with the exception of routinely cutting the hay. Brace has not disturbed the soil on the site in any significant or meaningful way since being served with the cease and desist order. Brace has continued to farm the adjacent areas but has not achieved the full benefit of the overall integrated plan that he hoped to accomplish due to his present inability to continue his farming activities on the site.

### DISCUSSION

This litigation involves a 30 acre area located in Waterford Township, Erie County, Pennsylvania. The parties entered into a pretrial stipulation that the 30 acre site was wetlands as defined at 33 C.F.R. § 328.3(b), and 40 C.F.R. § 232.2(r). This Court accepts this stipulation for purposes of this lawsuit but notes that our view of the site indicated that only approximately 25% of the site would fall within the forementioned definition of wetlands.

The property in question has been owned by the defendant, Robert Brace, since 1975 when he purchased it from his father, Charles Brace. Charles Brace acquired the land in the early 1950's, having bought the adjoining lands from his father, Leslie Brace, who had owned the land since the 1930's.

We perceive this case as simply calling for a determination of whether or not the Defendants' activities on their farm lands entitled them to an exemption from the permit requirements of the CWA, 33 U.S.C. §§ 1251-1387, as normal agricultural activities.

33 U.S.C. § 1344(f)(1)(A) provides a narrow exemption to the general requirement of a Section 404 permit. See 33 U.S.C. § 1344. This exemption defines as non-prohibited discharge of dredged or fill material that which is incident to "normal farming, silviculture, and ranching activities such as plowing, seeding, cultivating, minor drainage, harvesting for the production of food, fiber and forest products, or upland soil and water conservation practices."

At the center of this statutory dispute is the sub-question of whether or not Defendants' activities over the years on the site were part of an effort to establish a new crop production operation or a part of the long history of various agricultural practices and uses consistent with those utilized by farmers in Erie County, Pennsylvania.

This Court is persuaded and concludes that the subject site was during the entire period of time that ownership rested in the Brace family, an integral part of an established and on-going farm and ranching operations, and Defendants' activities during the time frame of 1985-1987 did not bring a new area into the operation. A key factor in reaching this conclusion is this Court's realization that the site was an integral part of the drainage system previously installed in adjoining crop producing fields. Defendants planted and harvested oats and other crops from the site area and that during the period of 1975 through 1987, they cleared brush and cropped hay from the site.

What comprises "normal agricultural activities" is fact specific and this Court herein makes findings of fact (Findings of Fact Nos. 16, 19, 20, 23, 24, 28 and 58) that the Defendants were engaged in normal agricultural activities on the site. (See Conclusions of Law No. 32).

We conclude that the land which can be traced to Robert Brace's grandfather, Leslie, in the 1930's has been in continuous use for what would be a normal farming operation in Erie County, Pennsylvania. As we wrote in this Court's Opinion, addressing the

parties' Motions for Partial Summary Judgment, "[t]his certainly does not appear to be the type of case where a corporation or large farming enterprise takes control of a parcel of land and dramatically alters the composition of the land and runs roughshod over the requirements of the Clean Water Act." See, United States v. Akers, 785 F.2d 814 (9th Cir. 1986) (2,889 acres of Wetlands); and United States v. Cumberland Farms of Connecticut, 647 F. Supp. 1166 (D. Mass. 1986) (2,000 acres of Westlands). Here the parcel of land in question has remained within the same family for over 60 years and there has existed a plan to over a period of time, with the financial help and guidance of United States Department of Agricultural programs, to place the entire farm to productive farm usage. This plan and the Defendants' efforts to reach its goal, as financing permitted, was not directed to converting in the mid 1980's a regulation defined wetland area to a new crop production area.

Likewise, this Court finds that the Defendants' activities on the site constituted an integral part of long range upland soil and water conservation practices. The farming activities on the site were designed to enhance productivity in the upland areas by allowing water to flow to its natural courses with a consequential improvement of the soil. Such course of action, together with regularly cleaning of the drainage system on the site, constituted maintenance of the drainage system, and as such, is exempt from the permit requirements of the CWA. 33 U.S.C. § 1344(f)(1)(C).

The Government also argues that the Defendants have not shown that they can avoid the recapture provision of section 404 (f)(2) of CWA. Since this Court, as the factfinder, concludes that the Defendants' activities were not conducted in order to bring the site property into a use to which it was not previously subject, but rather were part of an ongoing farming operation of the Brace family for some 60 years and did not impair the flow or circulation of navigable waters or the reduction of the reach of such waters, it follows that the recapture provision does not apply to this case. A similar result is reached relative to the maintenance of a drainage ditch since such maintenance would not convert wetlands to a use to which the site area was not previously subject.

Now we address what for the Court is the most difficult aspect of this case, namely, that the Defendants failed to totally comply with Administrative Orders issued to them, requiring them to cease and desist all activities on the site. Although the Defendants continued only to routinely cut the hay on the site, their general response to the Administrative Orders were to request a hearing, seek the status under ASCS of a prior 1985 "commenced conversion from Wetlands" and contact the COE in an effort to obtain an after-the-fact permit to conduct farming activities on the site.

However, since the Defendants have not disturbed the soil on the site in any significant way since being served with the cease and desist orders, and in the view of this Court acted only out of sincere conviction, although undoubtedly misguided, we will

not hold the Defendants liable in this litigation for being in contempt or non-compliance with said Administrative Orders.

This Court finds the Defendants not liable for violations of the Clean Water Act because we conclude that they are entitled to the exemptions allowed by Section 404(f)(1)(A) of the Act and for the other reasons set forth herein we find all liability issues in favor of the Defendants.

An appropriate order will be filed.

CONCLUSIONS OF LAW

1. This Court has jurisdiction under CWA § 309(b), 33 U.S.C. § 1319(b) to grant injunctive relief and impose civil penalties with respect to violations of the CWA.

2. Under CWA § 309(b), 33 U.S.C. § 1319(b), this Court is empowered to order permanent injunctive relief enjoining all future violations of the CWA at a site.

3. The CWA was passed to restore and maintain the chemical, physical, and biological well-being of the Nation's waters. Section 301(a) makes it unlawful for a person to discharge pollutants into "waters of the United States" except as in compliance with other provisions of the Water Act. One of those sections is § 404, which requires a permit from the COE for the discharge of dredged or fill material into waters of the United States, including wetlands. 33 U.S.C. § 1311, 1344.

4. "Wetlands" are defined as "those areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Wetlands generally include swamps, marshes, bogs and similar areas. 33 C.F.R. §328.3(d). To be a wetland an area must be inundated or saturated by surface or ground water for long enough periods of time so that plants that are adapted to wet conditions or that can live in saturated soils are the dominant plant species in that area. The term "prevalence

of vegetation" refers to vegetation that is dominant in an area or that covers most of a given area under normal circumstances. Normal circumstances simply means the condition of an area when undisturbed by man.

5. The parties have stipulated, and this Court concludes, that the site constituted wetlands at the time of Defendants' activities.

6. The term "waters of the United States" means all waters which are currently used, or were used in the past, or may be susceptible to use in interstate commerce, including all wetlands which are adjacent, neighboring or bordering to tributaries of waters which are or may be used in interstate commerce. In addition, a wetland is "waters of the United States" if the use, degradation or destruction of it could affect waters which are or could be used by interstate or foreign travelers for recreational or other purposes, or from which fish or shellfish are or could be taken and sold in interstate or foreign commerce. "Waters of the United States" are also tributaries of the "waters described above. Wetlands adjacent to any of these waters are also waters. The term "adjacent" means bordering, contiguous, or neighboring. 33 C.F.R. 328.3(a).

7. The Court concludes that the site constituted waters of the United States at the time of Defendants' activities.

8. The term "pollutant" is broadly defined in the Clean Water Act to include "dredged spoil, solid waste, . . . rock, sand, . . . biological materials, . . . and agricultural waste discharged into water." 33 U.S.C. § 1362.

9. Dredged or fill material consisting of "dredged spoil, solid waste, . . . rock, sand, . . . biological materials, . . . and agricultural waste" constitutes a "pollutant" within the statutory definition. 33 U.S.C. § 1362.

10. "Fill material" means "any material which replaces portions of the waters of the United States with dry land or which changes the bottom elevation of a waterbody for any purpose."  
40 C.F.R. § 232(i).

11. Defendants' clearing, churning, mulching, levelling, grading, and landclearing of the formerly wooded and vegetated site was a discharge of a dredged spoil, biological material, rock and/or sand, each of which is defined as a pollutant by the CWA, which change the bottom elevation of the site.

12. Despite the prohibition against discharge of pollutants under the CWA, a person may obtain a permit for the discharge of any pollutant upon meeting certain applicable requirements of the CWA. 33 U.S.C. § 1342.

13. The CWA contains explicit exemptions from the permit requirements. Specifically, a permit is not necessary for the "discharge of dredged or fill material (a) from normal farming, silviculture and ranching activities, such as plowing, seeding, cultivating, minor drainage, harvesting for the production of food, fiber and forest products, or upland soil and water conservation practices;" . . . or (c) "for the purpose of . . . maintenance of drainage ditches; . . . 33 U.S.C. § 1344(f)(1)(A), (C).

14. A permit is not required for an activity that would not "destroy or degrade" waters of the United States because it would have only a de minimus effect on such waters. The discharger bears the burden of demonstrating that its activity will not destroy or degrade waters of the United States. 33 C.F.R. § 232.2, as amended.

15. For purposes of the regulations dealing with exemptions, "an activity associated with a discharge of dredged material destroys an area of waters of the United States if it alters the area in such a way that it would no longer be a water of the United States." 33 C.F.R. § 232.2, as amended.

16. For purposes of the regulations dealing with exemptions, "an activity associated with a discharge of dredged material degrades an area of waters of the United States if it has more than a de minimus (i.e., inconsequential) effect on the area by causing an identifiable individual or cumulative adverse effect on any aquatic function." 33 C.F.R. § 232.2, as amended.

17. In order to qualify for the exemption from the permit requirements for "normal farming," 33 U.S.C. § 1344(f)(1)(A) the activities at issue "must be part of an established (i.e., on-going) farming, silviculture or ranching operation." 33 C.F.R. § 323.4(a)(1)(i).

18. This case "is not the type of case where a corporation or large farming enterprise takes control of a parcel of land and dramatically alters the composition of the land and runs rough-

shod over the requirements of the Clean Water Act. It is a case of a legitimate factual dispute regarding the use of a parcel of land that has remained within the same family for over half of a century.

19. The determination of "normal agricultural activities" is a "fact specific" inquiry..

20. The existence of "normal farming" activity turns on an analysis of whether farming activities are "established and continuing."

21. Normal farming activities within the exemptions from the permit requirements of the CWA connote and establish a "continuing activity". They are activities that occur on a continuing basis as part of an ongoing farming or forestry operation.

22. The normal farming exemption will apply where land has been subjected to an established upland farming operation.

23. Section 404(f)(1)(C) of the CWA, 33 U.S.C. § 1344 (f)(1)(C), "specifically provides that dredge or fill discharges for the purpose of maintenance (but not construction) of drainage ditches are exempt" from the permit requirements.

24. "Maintenance of a drainage ditch" means "the physical preservation of the original, as built configuration of the ditch. Maintenance includes the removal of accumulated sediment and debris."

25. Unlike the farming activity exemption found in Section 404(f)(1)(A), 33 U.S.C. § 1344(f)(1)(A), there is no "ongoing" requirement associated with the "maintenance of a drainage

ditch" exemption. Maintenance must be interpreted in the context of an "as needed basis," and there is no requirement in the CWA that it must be carried out in a precise or specified way.

26. Notwithstanding the exemptions from the permit requirements, under the "recapture provision" of the CWA, 33 U.S.C. § 1344(f)(2), certain activities do require a permit. Specifically, a permit will be required where "discharge of dredged or fill material into the navigable waters incidental to any activity having as its purpose bringing an area of the navigable waters into a use to which it was not previously subject, where the flow or circulation of navigable waters may be impaired or the reach of such waters be reduced. 33 U.S.C. § 1344(f)(2).

27. In order to prevail on a claim that the recapture provision applies in this case, two elements must be established. First, it must be established that Brace's activities were conducted in order to bring the property into a use to which it was not previously subject. Second, if this element is established, it must then be established that Brace's activities will impair the flow or circulation of navigable waters or will reduce the reach of such waters. Both elements must be satisfied in order for the recapture provision to apply. The Court finds that neither element has been proven in this case.

28. The recapture provisions of the CWA clearly apply only to an area of navigable waters that is brought "into a use to which it was not previously subject." 33 U.S.C. § 1344(f)(2).

29. For the purposes of determining whether a discharge associated with the "maintenance of a drainage ditch" is recaptured under Section 404(f)(2), 33 U.S.C. § 1344(f)(2), it is necessary to determine whether such maintenance activities would convert wetlands to a use to which the area was not previously subject.

30. This case involves a thirty acre site that has been part of an ongoing farming operation of the Brace family for more than half a century. The land is not being converted to a use to which it was not previously subject, nor has significant impairment to the reach or flow of waters been proven. Accordingly, the Court finds that the recapture provision does not apply to this case.

31. Defendants' activities in commencing conversion of the site prior to December 23, 1985, and in obtaining status as "commenced conversion" from the ASCS are evidence that Brace and Brace Farms have established an ongoing farming operation on the site.

32. Under the exemption provisions of the CWA, the activities of Brace and Brace Farms do not require a permit because they constitute: (a) normal farming activities; (b) upland soil and water conservation practices; and, (c) maintenance of drainage ditches.

33. Brace has testified that his farming activities on the site enhanced productivity in the upland areas due to improvements in water flow, by which water flowed to its natural courses, and the corresponding improvements to the soil. The Court

finds that Brace's activities on the site constitute upland soil and water conservation practices and are thereby exempt from the permit requirements.

34. Based upon the testimony and documentary evidence of Defendants' conduct in preserving and regularly cleaning the existing drainage system on the site, the Court finds that such conduct constitutes maintenance of the drainage system, and as such, is exempt from the permit requirements of the CWA.