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 BIMBO BAKERIES, U.S.A., INC. (hereinafter "BIMBO"), 1526 Gage Road, Montebello, California 90640

I.RECITALS

(1) California Health and Safety Code (HSC) section 44011.6 established the Heavy Duty Vehicle Inspection Program (HDVIP). It authorizes ARB to inspect on-road heavy-duty vehicles for excessive smoke emissions and engine tampering and to issue citations, accordingly. The program also requires the vehicle owner to repair its engines that exceed the prescribed ARB smoke opacity standards, perform a post-repair opacity test, and submit proof of repairs and any assessed penalties under the Regulations of the Heavy-Duty Smoke Inspection Program, chapter 3.5, sections 2180-2188, title 13 California Code of Regulations (CCR).

(2) HSC section 43701 provides that ARB shall adopt regulations that require owners or operators of heavy-duty diesel motor vehicles to perform regular inspections of their vehicles for excessive smoke emissions.

(3) Title 13 CCR, section 2190 *et seq.* was adopted under the authority of HSC section 43701 and, with limited exceptions, which are not applicable here, apply to all heavy-duty diesel powered vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California.

(4) Title 13 CCR, section 2190 *et seq.* authorize the Periodic Smoke Inspection Program (PSIP) which requires the owners and operators of California based vehicle fleets of two or more heavy duty diesel motor vehicles with gross vehicle weight ratings greater than 6,000 pounds that operate on the streets or highways within the State of California to conduct annual smoke opacity inspections of their vehicles that are four years older than the model year of the vehicle's engine.

(5) Title 13 CCR, section 2192(a) requires inter alia that the owner of the vehicle "[t]est the vehicle for excessive smoke emissions periodically according to the inspection intervals specified in section 2193(a), (b), and (c)", "[m]easure the smoke emissions for each test…", "[r]ecord the smoke test opacity levels and other required test information as specified in section 2194…" and "[k]eep the records specified in section 2194 for two years after the date of inspection."

(6) The ARB, has documented that BIMBO failed to provide evidence that their vehicles have emission control labels (ECL) attached to the engines of heavy-duty diesel vehicles in its fleet in violation of HSC, section 44011.6,

and title 13 CCR section 2183, *et seq.* Civil penalties for violation of the regulation covering emission control labels have been set per title 13 CCR, section 2185 (a)(2)(B) at $300 per vehicle per violation.

(7) Health and Safety Code, Section 39650-39675 mandates the reduction of the emissions of substances that have been determined to be toxic air contaminants (TACs). In 1998, following an exhaustive 10-year scientific assessment process, the Air Resources Board identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. In-use On-Road diesel vehicles are powered by diesel fueled engines that emit toxic particulate matter. On-Road vehicles are controlled under section 2025 within title 13 of the California Code of Regulations (CCR).

(8) Title 13 CCR, section 2025(e)(1)(B) states: "Starting January 1, 2012, for all vehicles with GVWR greater than 26,000 lbs, excluding school buses, fleets must meet the requirements of section 2025(g) or fleets that report may instead comply with the phase-in option of section 2025(i)."

(9) Failure to comply with the requirements of title 13 CCR, section 2025 is a violation of state law resulting in penalties. California HSC sections 39674(a) and (b) authorize civil penalties for the violation of the programs for the regulation of toxic air contaminants not to exceed one thousand dollars ($1,000) or ten thousand dollars ($10,000), respectively, for each day in which the violation occurs.

(10) BIMBO has elected to meet the requirements of the Engine Model Year Compliance Schedule provided for in title 13 CCR, section 2025(g).

(11) Title 13 CCR, section 2025(g) requires that owners of diesel vehicles with a GVWR greater than 26,000 lbs. meet PM BACT requirements for all 1996 through 1999 engine model years by January 1, 2012, and 2000 through 2004 model years by January 1, 2013.

(12) The ARB has documented that BIMBO failed to meet PM BACT requirements for a portion of their 1996 through 1999 model year engines, violating the January 1, 2012 compliance deadline.

(13) In order to resolve these alleged violations, BIMBO 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.

(14) 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 violations, and voluntarily agree to resolve this matter by means of this Agreement. Specifically, the ARB and BIMBO agree as follows:

II. TERMS AND RELEASE

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

(1) Upon execution of this Agreement, the sum of twenty four thousand two hundred twenty five dollars ($24,225.00) shall be paid on behalf of BIMBO no later than July 1, 2014 as follows:

- $18,169.00 made out to **Air Pollution Control Fund**
- $ 6,056.00 made out to **Peralta Colleges Foundation**

Please send the signed Settlement Agreement and any future mailings or documents required per the terms of this Settlement Agreement to:

Robbie Morris
Air Resources Board - Enforcement Division
P.O. Box 2815
Sacramento, California 95812

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 2815
Sacramento, California 95812

(2) If the Attorney General files a civil action to enforce this settlement agreement, BIMBO shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's costs, and costs.

(3) BIMBO shall not violate HSC sections 43701 *et seq.*, 44011.6 *et seq.*, and title 13 CCR, sections 2183, 2190 *et seq*, and 2485 *et seq.*

(4) BIMBO shall comply with one or both of the following options to attend the CCDET II class (Diesel Exhaust After Treatment and Maintenance), described on the ARB's webpage http://www.arb.ca.gov/enf/hdvip/ccdet/ccdet.htm. This class is conducted by various California Community Colleges and instructs attendees on California's emission regulations and the proper care and maintenance of diesel exhaust after-treatment systems (DEATS).

(a) BIMBO shall have the fleet maintenance manager (or equivalent) and all staff responsible for maintenance of DEATS attend the CCDET II class. Proof of CCDET II completion shall be provided to ARB within six

months of the date of this Agreement and also be maintained in each applicable employee's file for the term of his or her employment.

(b) In case BIMBO uses a contractor for the maintenance of DEATS, in addition to having the fleet maintenance manager (or equivalent) attend the CCDET II course, BIMBO shall obtain proof that the contractor's staff maintaining the DEATS device(s) completed the CCDET II course within the last four years. This proof of the CCDET II completion shall be provided by BIMBO to the ARB within six months of the date of this settlement and be maintained with the DEATS installation and maintenance records.

(5) BIMBO shall complete Low NOx Software Upgrades (reflash) on all applicable heavy-duty diesel engines operating in California and report to the ARB within 45 days of this agreement.

(6) Each 1974 or newer diesel powered heavy-duty vehicle in BIMBO's fleet shall comply with the ECL regulation as codified in title 13 CCR, section 2183. Within 60 days of the execution of this Agreement, BIMBO shall submit the proof of compliance to Robbie Morris, Air Resources Board, Enforcement Division, P.O. Box 2815, Sacramento, California 95812.

(7) BIMBO shall instruct all employees who operate diesel-fueled vehicles to comply with the idling regulations set forth in title 13 CCR section 2485, within 45 days of this Agreement.

(8) BIMBO shall not violate the Truck & Bus regulation as codified in title 13 CCR, section 2025 et seq.

(9) By December 31, 2014, BIMBO shall submit proof of compliance with the January 1, 2015 Truck & Bus deadline, for all regulated heavy-duty diesel vehicles, to Robbie Morris, Air Resources Board, Enforcement Division, , P.O. Box 2815, California 95818.

(10) This Agreement shall apply to and be binding upon BIMBO, 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.

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

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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 sections 42403 and 43024.

ECL Violations

The per vehicle penalty for the labeling violations involved in this case is a maximum of $ 300.00 per vehicle per violation. The penalty obtained for the ECL violations involved in this case is $ 4,725.00 for 21 vehicles, or $225.00 per vehicle.

The penalty was discounted based on the fact that the violator made diligent efforts to comply and to cooperate with the investigation.

Truck and Bus Violations

The per unit penalty for the Truck and Bus violations involved in this case is a maximum of $1,000 per vehicle per day for strict liability violations or $10,000 per vehicle per day for negligent or intentional violations.

The penalty obtained for the Truck and Bus violations involved in this case for failure to meet the requirements of the Engine Model Year Compliance Schedule is $19,500.00 for a total of five vehicles with 1996 through 1999 model year engines violating the January 1, 2012 compliance deadline,

yielding a per vehicle penalty of approximately $464.00:

- ~ $5,568.00 for 2 vehicles (6 months in violation); and
- ~ $13,920.00 for 3 vehicles (10 months in violation)

The penalty was discounted based on the fact that the violator made diligent efforts to comply and to cooperate with the investigation.

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

ECL Violations

The penalty provision being applied to the ECL requirements set forth in title 13 CCR, section 2185(a)(2) because BIMBO failed to provide evidence that 21 of their vehicles have ECL labels attached as required.

Truck and Bus Violations

The penalty provision being applied for the Truck and Bus regulation (title 13 CCR, section 2025) violations in this case is HSC section 39674 because the Truck and Bus regulation is a Toxic Air Contaminant Control Measure adopted pursuant to authority contained in HSC section 39002 et seq., 39650-39675 and because BIMBO failed to bring their diesel fleet into compliance by the deadlines set forth in title 13 CCR, section 2025(g).

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.

ECL Violations

The penalty is not being assessed under a provision of law that prohibits the emission of pollution at a specified level.

Truck and Bus Violations

The provisions cited above do prohibit emissions above a specified level of g/hp-hr. However, since the hours of operation of the non-compliant trucks involved and their individual emission rates are not known, it is not practicable to quantify the excess emissions.

(17) BIMBO 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.

(18) 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.

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

(20) Now therefore, in consideration of the payment on behalf of BIMBO to the Air Pollution Control Fund and the Peralta Colleges Foundation, the ARB hereby releases BIMBO 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 (12) of the Recitals. The undersigned represent that they have the authority to enter into this Agreement

California Air Resources Board		**Bimbo Bakeries USA, Inc.**	
Signature:	Ellen M. Peter	Signature:	Robert L. Chenault
Print Name:	Ellen M. Peter	Print Name:	Robert L. Chenault
Title:	Chief Counsel	Title:	VP Supply Chain Logistics
Date:	7/22/2014	Date:	7/21/14