SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into by and between the California Air Resources Board (ARB), with its principal office at 1001 I Street, Sacramento, California, and Mercedes-Benz USA, LLC (MBUSA) with its principal place of business at 1 Mercedes Drive, Montvale, New Jersey.

RECITALS

1. ARB alleges that MBUSA, supplied to California their **Mercedes-Benz Cleaner for Light-Alloy Rims** product that was subject to the Product Dating requirements per Title 17, California Code of Regulations (CCR), § 94512(b).

2. ARB alleges that MBUSA failed to file an explanation of the code used on the **Mercedes-Benz Cleaner for Light-Alloy Rims** product with the Executive Officer of the ARB as required by Title 17, CCR § 94512(c).

3. ARB alleges that if the allegations described in recital paragraphs 1 and 2 were proven, civil penalties could be imposed against MBUSA as provided in Health and Safety Code sections 42402 et seq. for each and every unit involved in the violation.

4. MBUSA admits the allegations described in recital paragraphs 1 and 2, but denies any liability resulting from said allegations.

5. The parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

Therefore, the parties agree as follows:

TERMS AND CONDITIONS

1. MBUSA shall not sell, supply or offer for sale for use in California any consumer products in violation of ARB consumer products regulations set forth in title 17, CCR, § 94500 et seq. however, the terms and conditions set forth in this agreement will remain valid and enforceable notwithstanding any future violations that may occur.

2. MBUSA in settlement of the above-described violation of title17, CCR, § 94512(c) agrees to pay a penalty to ARB in the amount of $3,000.00 to the California Air Pollution Control Fund.

3. This settlement shall apply to and be binding upon MBUSA 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 settlement.

4. The parties stipulate that this Agreement shall be the final resolution of ARB claims regarding the above-described violation and shall have the same res judicata effect as a judgment in terms of acting as bar to any civil action by ARB against MBUSA, its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations. This Agreement shall be deemed the recovery of civil penalties for purposes of precluding subsequent criminal action as provided in Health and Safety Code § 42400.7(a).

5. 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.

6. This Agreement constitutes the entire agreement and understanding between ARB and MBUSA concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between the ARB and MBUSA concerning these claims.

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

8. Each of the undersigned represents and warrants that he or she has full power and authority to enter into this Agreement.

9. **SB 1402 Statement**. California Health and Safety Code (HSC) § 39619.7 (Senate Bill 1402 - Dutton, Chapter 413, statutes of 2010) requires ARB to provide information on the basis for the penalties it seeks. This Settlement Agreement includes this information, which is also summarized here.

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

The penalty provision being applied is this case is HSC § 42402, et seq. because MBUSA supplied, offered for sale, or manufactured for sale consumer products for commerce in California in violation of the Consumer Products Regulations (Title 17 California Code of Regulations (CCR) § 94507, et seq.). The penalty provisions of HSC § 42402, et seq. apply to violations of the Consumer Products Regulations because the regulations were adopted under authority of HSC § 41712 which is in Part 4 of Division 26 of the Health and Safety Code. The penalty provisions of HSC § 42402, et seq. apply to requirements adopted pursuant to Part 4.

The manner in which the penalty amount was determined, including aggravating and mitigating factors and per unit or per vehicle basis for the penalty.

Penalties must be set at levels sufficient to discourage violations. ARB considered all relevant circumstances in determining penalties, including the eight factors specified in HSC § 42403.

Under HSC § 42402, et seq. the penalties for strict liability violations of the Consumer Product Regulations are a maximum of $1,000 per day of violation, with each day being a separate violation. In cases like this involving unintentional first time procedural violations of the Consumer Products Regulations, the ARB has sought and obtained penalties of approximately $3,000 per procedural violation in addition to the cost of investigating the violation. In this case the total penalty is $3,000. The penalty was reduced because this was a first time violation, the product was shown to be in compliance with the VOC limits, and the company had stopped supplying the product into California before being made aware of the violation. Penalties in future cases might be higher or lower.

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 the excess emissions, if it is practicable to do so.

The Consumer Product Regulations do not prohibit emissions above a specific level, but they do limit the concentration of VOCs in regulated products. In this case a quantification of the excess emissions attributable to the violation was not applicable.

10. MBUSA acknowledges that ARB has complied with SB1402 in investigating and settling this case. Specifically, ARB has considered all relevant facts, including those listed at HSC § 42403, has explained the manner in which the penalty amount was calculated, has identified the provision of law under which the penalty amount is being assessed and had considered and determined that while this penalty is not being assessed a provision of law that prohibits the emission of pollutants at a specified level, it is practicable for ARB to quantify the excess emissions from the alleged violations, has done so and has included this information in this Settlement Agreement.

11. Final 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 negotiated cases, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a number of days resulting in quantifiable harm to the environment considered together with

the complete circumstances of this case listed above. The penalty was discounted in this matter based on the fact that this was an unintentional violation and MBUSA made diligent efforts to comply and to cooperate with the investigation. Penalties in future cases might be smaller or larger on a per ton basis.

12. The final penalty in this case was based in part on confidential business information provided by MBUSA that is not retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and MBUSA that ARB does not retain in the ordinary course of business either. The penalty also, reflects ARB's assessment of the relative strength of its case against MBUSA, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that MBUSA may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

Dated: 3/4/15

By: _____
James R. Ryden, Chief
Enforcement Division

MERCEDES-BENZ USA, LLC

Dated: 2/24/15

By: _____
Mr. Charles Lamarca
General Manager,
Corporate Controlling, Finance and Risk

Dated: 2/25/2015

By: _____
Mr. Julian Soell
General Manager,
Engineering Services