SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into between the State of California Air Resources Board (ARB) with its principal office at 1001 "I" Street, Sacramento, California 95814, and Engelhart Gourmet Foods, Inc. (Engelhart), 2475 Courage Drive, Fairfield, California 94533.

RECITALS

1. The Global Warming Solutions Act of 2006 authorizes ARB to adopt regulations to reduce greenhouse gas emissions (Health & Safety Code section 38530).

2. Pursuant to that authority, ARB adopted the Regulation for the Management of High Global Warming Potential Refrigerants for Stationary Sources, California Code of Regulations (CCR), title 17, section 95380 et seq. (RMP Regulation), which became effective on November 19, 2010.

3. The RMP Regulation requires owners of stationary refrigeration systems with a full charge of greater than 2,000 pounds of high global warming potential (GWP) refrigerants to file an annual report for the previous year by March 1 each year (17 CCR § 95388(a).

4. Engelhart owns and operates a stationary refrigeration system with a full charge of greater than 2,000 pounds of a high GWP refrigerant.

5. Engelhart submitted a 2012 annual report on September 5, 2013, 188 days after the required submittal date of March 1, 2013.

6. Engelhart admits to the facts in recitals 4 and 5, listed above.

7. The RMP Regulation provides that each day or portion thereof that any report required by the RMP Regulation remains unsubmitted or is submitted late constitutes a separate violation subject to daily penalties (CCR, title 17, section 35395(b)).

8. Violations of the RMP Regulation are a violation of State law. Health and Safety Code sections 38580 and 42400 et seq. authorize strict liability penalties not to exceed ten thousand ($10,000) per day, for each day that the violation occurs.

9. ARB and Engelhart desire to resolve these violations completely under the terms of this Agreement, in lieu of litigation. In order to resolve these violations, Engelhart agrees to take the actions enumerated below under "TERMS AND CONDITIONS."

TERMS AND CONDITIONS

10. Upon execution of this Agreement, Engelhart agrees to pay civil penalties in the amount of SIXTY FIVE THOUSAND EIGHT HUNDRED DOLLARS ($65,800.00).

Payment of the penalties shall be as follows:

Upon execution of this Agreement, payment shall be made in two payments as described below and in accordance with the instructions in Attachment A to this Agreement.

Payment Due Date:	In the Amount of and Paid to:
July 30, 2014	$32,900.00 paid to **Air Pollution Control Fund**
December 30, 2014	$32,900.00 paid to **Air Pollution Control Fund**

Please submit each payment with the attached "Settlement Agreement Payment Transmittal Form" (Attachment A) to:

Air Resources Board
Accounting Office
P.O. Box 1436
Sacramento, California 95812-1436

Please submit the signed Settlement Agreement and all other correspondence to:
Ms. Cathleen Oliver, Air Pollution Specialist
Air Resources Board, Enforcement Division
P.O. Box 2815
Sacramento, CA 95812

11. Engelhart shall not violate the RMP Regulation.

12. It is further agreed that the penalties described in this Agreement are punitive in nature, rather than compensatory. Furthermore, the penalty is intended to deter and punish Engelhart for alleged violations of the RMP Regulation, and these penalties are payable to a governmental unit. Therefore, it is agreed that these penalties imposed on Engelhart by ARB arising from the facts described in recitals are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the

extent such debt is for a fine, penalty or forfeiture payable to and for benefit of governmental unit, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.

13. This Agreement shall apply to and be binding upon Engelhart, 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.

14. This Agreement constitutes the entire agreement and understanding between ARB and Engelhart concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and Engelhart concerning the subject matter hereof.

15. 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. This Agreement shall further serve to toll any statute of limitation until six months after all terms and conditions of this Agreement have been fulfilled.

16. Failure to comply with any of the terms of this Agreement shall void the agreement and ARB may take enforcement action based on the initial violation and any subsequent violations of this Agreement.

17. 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.

18. 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.

19. **SB 1402 Statement**. Health & Safety Code section 39619.7 (Senate Bill 1402, Dutton, chapter 413, statutes of 2010) requires ARB to explain the basis for the penalties it seeks. This information is provided throughout this Agreement and is summarized here.

The manner in which the penalty was determined.

Penalties must be set at levels sufficient to deter violations. The penalties in this matter were determined based on all relevant circumstances, including the unique circumstances of this case, giving consideration to the eight factors specified in Health & Safety Code section 42403. Those circumstances were considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, penalties sought in other cases, and the potential costs and risk associated with litigating these particular violations. In this matter ARB concluded there were a number of mitigating factors including: the fact that this was a first time alleged violation; Engelhart cooperated fully with the investigation; Engelhart's good faith efforts to respond to ARB's concerns; Engelhart's overall

compliance history; and Engelhart's confidential demonstration of financial hardship. Penalties in future cases might be smaller or larger. Specifically, this penalty reflects $350 per day for 188 days for each day the 2012 annual report was submitted late.

The legal provisions under which the penalty was assessed.

The penalty is based on Health and Safety Code section 42402 and CCR, title 17, section 95395, the provisions intended to govern RMP Regulation violations.

Whether the governing provisions prohibit emissions at a specified level, and, if so, a quantification of excess emissions if it is practicable to do so.

The RMP Regulation does not prohibit emissions of high GWP refrigerants above a specified level, but Health & Safety Code section 38580(b)(2) specifies that violations of any regulation under the Global Warming Solutions Act of 2006 shall be deemed to result in an emission for purposes of the governing penalty statutes.

20. Engelhart acknowledges that ARB has complied with Senate Bill 1402 in investigating, prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health & Safety Code section 42403, 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.

21. The penalty was based on confidential settlement communications between ARB and Engelhart. The penalty is the product of an arm's length negotiation between ARB and Engelhart and reflects ARB's assessment of the relative strength of its case against Engelhart, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Engelhart may have secured from its actions.

22. Now therefore, in consideration of the payment on behalf of Engelhart to the California Air Resources Board, ARB hereby resolves with Engelhart and its principals, officers, agents, predecessors and successors any and all claims for the past violations of the RMP Regulation that ARB may have based on the circumstances described in the Recitals.

23. The undersigned represent that they have the authority to enter into this Agreement.

SIGNATURES

California Air Resources Board	**Engelhart Gourmet Foods, Inc.**
By: Ellen Peter Name: Ellen M. Peter Title: Chief Counsel Date: 7/22/2014	By: Robert Engelhart Name: Robert Engelhart Title: Chief Executive Officer Date: 7/11/14