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 Luxottica Retail North America Inc. (Luxottica), with its principal place of business at 4000 Luxottica Place Mason, Ohio

RECITALS

1. ARB alleges that from October 1, 2010 through at least March 31, 2014, Luxottica sold, supplied, and offered for sale in California, quantities of lens cleaning wipe products subject to the volatile organic compound (VOC) limit for the "General Purpose Cleaner- nonaerosol" category Title 17, California Code of Regulations (CCR), section 94509(a), under the following brand names:
    - Lens Crafters
    - Sunglass Hut
    - Target Optical
    - Sears Optical
    - Ilori
    - Optical Shops of Aspen

2. ARB alleges that the products referenced in recital paragraph 1 contained concentrations of VOCs exceeding the 0.5 percent VOC limit for the "General Purpose Cleaner- nonaerosol" category specified in Title 17, CCR, section 94509(a).

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

4. Luxottica has developed new text and graphics for the labels and product packaging of the products referenced in recital paragraph 1, which represent that the products are to be used solely for cleaning optical glass.

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

6. 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. Luxottica 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, section 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. In settlement of the above-described violations of Title17, CCR, section 94509(a), the Luxottica agrees as follows:

    a. Luxottica shall pay a penalty to ARB in the amount of $20,000 payable to the California Air Pollution Control Fund upon execution of this agreement;
    b. Luxottica shall pay an additional penalty to ARB in the amount of $5,500, payable to the California Air Pollution Control Fund within 18 months upon execution of this agreement, if Luxottica is unable to create a product that complies with the VOC limit for glass cleaning category through a reformulation effort;
    c. Luxottica shall provide reports to ARB on a quarterly basis, beginning with the execution of this agreement, detailing the progress of the reformulation effort, including an estimated completion date.

3. This settlement shall apply to and be binding upon Luxottica 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. Luxottica stipulates that this Agreement shall be the final resolution of ARB claims regarding the above-described violations and shall have the same res judicata effect as a judgment in terms of acting as bar to any civil action by ARB against Luxottica, 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 HSC section 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 Luxottica 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 ARB and Luxottica 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 HSC section 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 section 42402, et seq. because Luxottica sold, supplied, offered for sale, or manufactured for sale consumer products for commerce in California in violation of the Consumer Products Regulations (Title 17, CCR, section 94507, et seq.). The penalty provisions of HSC section 42402, et seq. apply to violations of the Consumer Products Regulations because the regulations were adopted under authority of HSC section 41712 which is in Part 4 of Division 26 of the HSC. The penalty provisions of HSC section 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 section 42403.

HSC section 42402, et seq. provides strict liability penalties of $1,000 per day for violations of the Consumer Product Regulations. In cases like this involving an unintentional violation of the Consumer Products Regulations where the violator cooperates with the investigation, the ARB has sought and obtained penalties of approximately $20,000 per ton of excess emissions of volatile organic compounds attributable to the violation. This represents the cost to retire a ton of volatile organic compound emission credits and reformulate a product to comply with the Consumer Product Regulations. In this case the total penalty is $20,000 and there were 1.58 tons of excess volatile organic compound emissions attributable to the violation. This represents a penalty of approximately $12,658 per ton of excess emissions after the inclusion of investigative costs. The penalty in this case was reduced because Luxottica made diligent efforts to comply, cooperated with the investigation, and agreed to undertake a reformulation effort to achieve additional permanent emission reductions as outlined in Terms and Condition 2(b). Penalties in future cases might be smaller of larger on a per ton basis

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 and other compounds in regulated products. In this case a quantification of the excess emissions attributable to the violations was practicable because Luxottica made the product formulation and sales data necessary to make this quantification available to ARB. Based upon this information (which Luxottica has designated as confidential), the violations were calculated to have caused 1.58 tons of excess emissions of VOCs to be emitted to the atmosphere in California.

10. Luxottica 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 section 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 has considered and determined that this penalty is not being assessed under a provision of law that prohibits the emission of pollutants at a specified level.

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. 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 Luxottica that is not retained by ARB in the ordinary course of business. The penalty reflects ARB's assessment of the relative strength of its case against Luxottica, desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law, and remove any unfair advantage Luxottica may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

Dated: 3/4/2015

By: _____
Ellen M. Peter
Chief Counsel

LUXOTTICA RETAIL NORTH AMERICA INC.

Dated: 2-25-15

By: _____
Name: Erik Caldwell
Title: Sr. VP Global Rx. Operations