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 Safeway, Inc. (Safeway) with its principal place of business at: 5918 Stoneridge Mall Road, Pleasanton, California.

RECITALS

1. ARB alleges that in 2009, Safeway sold, supplied, and offered for sale in California a private labeled Safeway product named **Bright Green Bathroom Cleaner Lemon Scent** that subjects to the volatile organic compound (VOC) limit for "Bathroom and Tile Cleaner" category in Title 17, California Code of Regulations (CCR), section 94509(a).

2. ARB alleges that the initial testing of the **Bright Green Bathroom Cleaner Lemon Scent** product referenced in recital paragraph 1 showed the concentrations of VOCs exceeding the 1 percent VOC limit for "Bathroom and Tile Cleaner: nonaerosol" specified in Title17, CCR, section 94509(a) and Safeway did not provide formulation nor a date code explanation. Therefore the initial test results were used to establish an alleged violation. After the issuance of a Notice of Violation, Safeway identified the manufacturer of the product and provided formulation information that showed the **Bright Green Bathroom Cleaner Lemon Scent** product was within the method tolerance of the VOC limit for nonaerosol bathroom and tile cleaner.

3. ARB alleges Safeway failed to report sales information within 90 days concerning the product listed recital paragraph 1 after written request from Executive Officer at ARB as specified in Tile 17 CCR, Section 94513(a).

4. ARB alleges that in 2011, Safeway sold, supplied, and offered for sale in California a private labeled Safeway product named **In-Kind Hairspray** that was subject to the volatile organic compound (VOC) limit for "Hair Spray" category in Title 17, California Code of Regulations (CCR), section 94509(a).

5. ARB alleges that the initial testing of the **In-Kind Hairspray** product referenced in recital paragraph 4 showed the concentrations of VOCs exceeding the 55 percent VOC limit for "Hair Spray" specified in Title17, CCR, section 94509(a) and Safeway did not provide formulation nor a date code explanation. Therefore the initial test results were used to establish an alleged violation. After the issuance of a Notice of Violation, Safeway identified the manufacturer of the product and provided formulation information that showed the **In-Kind Hairspray** product was within the method tolerance of the VOC limit for hair spray.

6. ARB alleges Safeway failed to report sales information within 90 days concerning the product listed recital paragraph 4 after written request from Executive Officer at ARB as specified in Tile 17 CCR, Section 94513(a).

7. ARB alleges that if the allegations described in recital paragraphs 3 and 6 were proven, civil penalties could be imposed against Safeway as provided in Health and Safety Code Sections 42402 et seq. for each and every unit involved in the violations.

8. Safeway admits the allegations described in recital paragraphs 3 and 6, but denies any liabilities resulting from said allegations.

9. 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. Safeway shall not sell, supply, 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. Safeway in settlement of the above-described violations of Title17, CCR, section 94513(a) agrees to pay a penalty in the amount of $5,000.00 payable to the California Air Pollution Control Fund, concurrent with the execution of this Agreement.

3. This settlement shall apply to and be binding upon Safeway 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 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 Safeway, 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 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 Safeway 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 Safeway 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) 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 Safeway sold, 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) 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 Health and Safety Code. 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. Under HSC section 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 similar cases, ARB has sought and obtained penalties of $10,000 per violation for the failure to provide records within 90 days. In this case, the penalty was reduced to $5,000 due to the determinations that the products were within method tolerances of respective VOC limits after records were finally produced.

Since Safeway was not the manufacturer of either product, penalties were not sought from Safeway for the failure to annually report date code explanations. Penalties in future cases might be higher or larger on a per unit 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 in regulated products. In this case, the violation was procedural in nature and did not result in the release of excess emissions.

10. Safeway 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 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 factors described. 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 Safeway 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 Safeway 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 Safeway, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that Safeway may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

Dated: 4-27-14

By: _____
James R. Ryden, Chief
Enforcement Division

SAFEWAY, INC.

Dated: 4/11/2014

By: _____

Name: Jeffrey Brown

Title: Director, Environmental Affairs