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 Sysco Central California, Inc. ("Sysco CC") and its corporate affiliates, parent companies, subsidiaries, related entities, operating companies, branches, divisions, agents, employees, officers, directors, successors, insurance carriers, and assigns including, but not limited to Sysco Corporation and all of its California subsidiaries (hereinafter collectively "Sysco").

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 (GWP) Refrigerants for Stationary Sources (RMP Regulation), California Code of Regulations (CCR), title 17, section 95380, et seq., which became effective on November 19, 2010.

3. The RMP Regulation establishes registration, reporting, leak inspection, repair and recordkeeping requirements applicable to owners of stationary refrigeration systems with a full charge of greater than 50 pounds of high GWP refrigerants (title 17, CCR sections 95383, 95385, 95386, 95388 and 95389).

4. The RMP Regulation requires owners of stationary refrigeration systems with a full charge of greater than 200 pounds, but less than 2,000 pounds, of high global warming potential (GWP) refrigerants to register by March 1, 2014, (title 17, CCR section 95383).

5. The RMP Regulation requires owners of stationary refrigeration systems with a full charge of greater than 200 pounds of high global warming potential (GWP) refrigerants to file an annual report for the previous year by March 1 each year (title 17, CCR section 95388) as of March 1, 2014.

6. In June 2015, ARB commenced an investigation of Sysco and Sysco's California subsidiaries compliance with the RMP regulatory requirements described in recitals 3, 4, and 5.

7. As a result of its investigation, ARB determined that, as of June 2015, Sysco and Its California subsidiaries were in substantial compliance with the RMP Regulation, except Sysco CC.

8. ARB alleges that Sysco CC owns and operates two stationary refrigeration systems with a full charge of more than 50 lbs. but less than 200 lbs., and 12

stationary refrigeration systems with a full charge of more than 200 pounds, but less than 2,000 pounds, of a high GWP refrigerant.

9. ARB alleges that Sysco CC violated the RMP Regulation by falling to register by the submittal date in accordance with the RMP Regulation.

10. ARB alleges that Sysco CC violated the RMP Regulation by failing to submit one or more annual reports by the submittal date in accordance with the RMP Regulation.

11. Sysco CC and Sysco admits to the facts in recital 7.

12. Sysco CC admits to the facts in the recitals 8, 9, and 10.

13. The RMP Regulation provides that each day or portion thereof that any registration, report, or plan required by the RMP Regulation remains unsubmitted, is submitted late, or contains incomplete or inaccurate information, shall constitute a single, separate violation. (title 17, CCR section 95395(b)).

14. 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.

15. ARB and Sysco CC and Sysco desire to resolve all potential and alleged violations of the RMP Regulations completely under the terms of this Agreement, in lieu of litigation. In order to resolve these violations, Sysco CC agrees to take the actions enumerated below under "TERMS AND CONDITIONS."

TERMS AND CONDITIONS

16. Upon execution of this Agreement, Sysco CC agrees to pay civil penalties in the amount of $60,000.00.

    Payment shall be made to the "Air Pollution Control Fund" on behalf of Sysco CC and payment is due within 45 days of the Effective Date of this Agreement unless a different payment schedule is established in Attachment A to this Agreement. Payment and submittal of the signed Agreement shall be handled in accordance with the instructions in Attachment A to this Agreement.

17. Sysco CC shall not violate the RMP Regulation.

18. It is further agreed that the Effective Date of this Agreement shall be the date upon which ARB executes this Agreement.

19. 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 Sysco CC 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 Sysco CC 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.

20. This Agreement shall apply to and be binding upon Sysco CC and Sysco, and their 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.

21. This Agreement constitutes the entire agreement and understanding between ARB and Sysco CC and Sysco concerning the subject matter hereof, and supersedes and replaces all prior negotiations and agreements between ARB and Sysco and its California Subsidiaries concerning the subject matter hereof.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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. Specifically, this penalty reflects a penalty of approximately $600 per day for 100 days of violation by Sysco CC. Penalties in future cases might be smaller or larger. In this matter ARB concluded there were a number of mitigating factors including:

(i) Regarding the extent of harm caused by the violation, before and after it was required to register its refrigerant systems with ARB, Sysco CC had implement its own internal systems which substantially comply with the detection, repair, and recordkeeping requirements of the RMP Regulation, thus mitigating any potential harm to the public or the environment;

(ii) Regarding the nature and persistence of the violation, upon notice of its alleged failure to timely register, Sysco CC promptly registered, and filed the reports alleged to be late, and fully cooperated with the investigation;

(iii) Regarding the frequency of past violations, Sysco CC has no previous violations of the RMP Regulation;

(iv) Regarding its record of maintenance, for many years, Sysco CC has maintained its refrigeration systems by performing rigorous, daily inspections of those systems for leaks, timely repairing all leaks, and created and maintained comprehensive records of those inspections and repairs; and

(v) Regarding the innovative nature of control equipment, since 2012, Sysco CC has used a comprehensive third-party environmental compliance software program to maintain its records of inspections, service, and repairs, which provides scheduling notices for all such work; and, for at least three years, Sysco CC has used third-party electronic monitoring systems that automatically notify its technicians of refrigeration system anomalies.

The legal provisions under which the penalty was assessed.
The penalty is based on Health & Safety Code section 42402 and title 17, CCR 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.

27. Sysco CC 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.

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

29. Now therefore, in consideration of the payment on behalf of Sysco CC to the California Air Resources Board, ARB hereby resolves with Sysco CC and Sysco, any and all claims for past violations of the RMP Regulation through the Effective Date that ARB may have based on the circumstances described in the Recitals.

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

SIGNATURES

California Air Resources Board

By: _____

Name: Ellen M. Peter

Title: Chief Counsel

Date: 7/29/2016

Sysco Central California, Inc.

By: _____

Name: Elizabeth Aspray

Title: President, Sysco Central California, Inc.

Date: 7.7.16

Sysco Corporation

By: _____

Name: Adam S. Skorecki

Title: Senior Vice President & General Counsel of Sysco Corporation

Date: 7/7/16