

## SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (hereinafter "Agreement") is entered into between the State of California by and through the California Air Resources Board (hereinafter "ARB"), with its principal office at 1001 "I" Street, Sacramento, California, 95812, and AutoZone, Inc., (hereinafter AutoZone) a corporation authorized to do business in the State of California with its principal office at 123 South Front Street, Memphis, Tennessee 38103, each, individually a "Party," and collectively, the "Parties" hereinafter.

### RECITALS

1. California Vehicle Code (VC) section 27156 provides, in part: "No person shall install, sell, offer for sale, or advertise any device intended for use with, or as a part of, any required motor vehicle pollution control device or system which alters or modifies the original design or performance of any such motor vehicle pollution control device or system."
2. California Health and Safety Code section 43644(a) provides, in part: "No person shall install, sell, offer for sale or advertise, or, except in an application to the state board for certification of a device, represent, any device as a motor vehicle pollution control device for use on any used motor vehicle unless that device has been certified by the state board."
3. Title 13, CCR section 2225(a) provides, in part, that the Executive Officer may seek fines for violations of Vehicle Code Section 27156.
4. In March 2012, ARB visited AutoZone's web-site, and purchased two (2) catalytic converter delete pipes. These pipes were delivered to ARB via FedEx.
5. On May 2, 2012, ARB requested from AutoZone information regarding all sales of the converter delete pipes that were made to California residents.
6. AutoZone provided the requested documents regarding the sale of catalytic converter delete pipes.
7. ARB alleges that between January 1, 2009 and May 1, 2012, AutoZone sold, offered for sale, and/or advertised for sale in California the subject catalytic converter delete pipes.
8. If the allegations described in recital paragraphs 1 through 7 hereinabove were proven in a court of law, penalties could be imposed against AutoZone pursuant to HSC section 43016 for each and every violation alleged.

9. AutoZone fully cooperated with ARB in its investigation of the sale of non-California certified catalytic converters.
10. AutoZone admits the facts as alleged in recital paragraphs 1 through 7 above.
11. AutoZone is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. ARB accepts this Agreement in termination of this matter. Accordingly, the parties agree to resolve this matter completely by means of this Agreement, without the need for formal litigation.

#### RELEASE

In consideration of ARB not filing a legal action against AutoZone for the alleged violations referred to above ARB and AutoZone agree as follows:

1. AutoZone shall pay the sum of two thousand thirty nine dollars and eighty one cents (\$2,039.81) by check payable to the California Air Pollution Control Fund upon execution of this agreement.

Payment shall be made by check payable as described above and addressed to:

Mr. Kerry Albert  
Air Resources Board  
Enforcement Division  
1001 I Street, P.O. Box 2815  
Sacramento, California 95812

2. AutoZone shall not install, sell, offer for sale, or advertise any device in California intended for use with, or as a part of, any required motor vehicle pollution control device or system which alters or modifies the original design or performance of any such motor vehicle pollution control device or system unless it has first received an exemption from ARB or the device is used exclusively for racing purposes.
3. This Agreement shall apply to and be binding upon AutoZone and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, dealers, and distributors, and upon ARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this agreement.

4. Now therefore, in consideration of the payment by AutoZone in the amount of two thousand thirty nine dollars and eighty one cents (\$2,039.81) to the California Air Pollution Control Fund, ARB hereby releases AutoZone and its officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, dealers and distributors from any and all claims ARB may have based upon the events described in recital paragraphs (1) through (4) above, including claims under Vehicle Code section 27156, and Title 13, CCR section 2222 et seq. The undersigned represent that they have the authority to enter this Agreement.
5. This Agreement constitutes the entire agreement and understanding between ARB and Auto Zone concerning the claims and settlement in this Agreements, 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 Auto Zone concerning these claims.
6. 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 AutoZone, its officers, directors, receivers, trustees, employees, successors, assigns, subsidiaries, and parent corporations.
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. Advice of Counsel. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.
9. 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.
10. Severability. 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.
11. Waiver. The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right

12. or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.
13. This agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.

### **SB 1402 Statement**

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010) requires the ARB to provide information on the basis for the penalties it seeks (see Health and Safety Code section

39619.7). This letter or notice of violation includes this information, which is also summarized here.

**The manner in which the penalty amount was determined, including a per unit or per vehicle penalty.**

Penalties must be set at levels sufficient to discourage violations. ARB considers all relevant evidence as well as the circumstances in determining penalties, including the eight factors specified in Health and Safety Code section 43024. The maximum per unit penalty in this case is \$500 per unit.


**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 in this case is section 27156 of the *California Vehicle Code* and Title 13, *California Code of Regulations* section 2220 *et seq.*, because Auto Zone offered for sale and sold catalytic converters that had not been certified by ARB.

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


Since the catalytic converter delete pipes took the place of a certified emissions part, all of the emissions attributable to them are illegal. However, since data regarding their actual emissions rates and usage are unavailable, it is not practicable to quantify these emissions. Additionally, in this instance it appears that the parts interfere with required pollution control equipment and would increase emissions in an amount unknown.

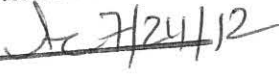
**California Air Resources Board**

By:   
Name: James Ryden  
Title: Chief, Enforcement Division  
Date: 8/14/12

**AutoZone, Inc.**

By:   
Name: KRISTEN C. WRIGHT  
Title: Vice President, Assistant General  
Counsel & Assistant Secretary  
Date:

By:   
Name: HARRY L. GOLDSMITH  
Title: Executive Vice President,  
General Counsel & Secretary  
Date:

APPROVED AS TO LEGAL FORM  
A. Clunan  7/24/12