SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into between the STATE OF CALIFORNIA AIR RESOURCES BOARD (hereinafter "ARB") with its principal office at 1001 I Street, Sacramento, California 95814, and CHEVRON U. S. A. INC. (hereinafter "CHEVRON") with its principal place of business at 6001 Bollinger Canyon Road, San Ramon, CA 94583.

I. RECITALS

(1) California Code of Regulations (hereinafter "CCR"), title 13, section 2257(a)(1) states, "[o]n or after January 1, 1992, no person shall sell, offer for sale, supply, or offer for supply any California gasoline unless at the time of the transaction: [i] the producer, importer, or distributor of the gasoline has been issued a currently effective certification for California gasoline pursuant to subsection (c), originally dated no earlier than July 1, 1996. Existing certifications dated between July 1, 1996 and July 16, 1999 that meet the standards described in subsection (c)(1)(A)(i) and (c)(1)(A)(ii) [including those which used test method ASTM D 5500-94] are exempted from subsection (c)(1)(A)(iii), and [ii] the gasoline contains at least the minimum concentration of the additive or additives identified in the final application for certification."

(2) H&SC section 43027(c) states, '[a]ny person who violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, exclusive of the documentation requirements specified in subdivision (d), is strictly liable for a civil penalty of not more than thirty-five thousand dollars ($35,000)."

(3) H&SC section 43027(d) states, "[a]ny person who enters false information in, or fails to keep, any document required to be kept pursuant to any provision of this part, or any rule, regulation, permit, variance, or order of the state board, pertaining to fuel requirements and standards, is strictly liable for a civil penalty of not more than twenty-five thousand dollars ($25,000)..."

(4) H&SC section 43029 requires the prosecuting agency to include a claim for an additional penalty designed to eliminate the economic benefits from noncompliance against any person who violates any provision of this part, or any rule, regulation, permit, variance, or order of the state board pertaining to fuel requirements or standards as follows; "(a) For violations of gasoline requirements, the amount of the penalty shall equal the product of the number of tons of incremental increased vehicular emissions resulting from the manufacture, distribution, and sale of the specified volume of noncompliant fuel and nine thousand one hundred dollars ($9,100) per ton, which is the maximum calculated cost-effectiveness for California Phase 2 Reformulated Gasoline.

(5) H&SC section 43030(a) states, "for the penalties prescribed in Sections 43027 . . ., each day during any portion of which a violation occurs is a separate offense."

(6) H&SC section 43031(b) states, "[i]n determining the amount assessed, ...the state board, in reaching any settlement, shall take into consideration all relevant circumstances, including, but not limited to, all of the following: (1) The extent of harm to public health, safety, and welfare caused by the violation. (2) The nature and persistence of the violation, including the magnitude of the excess emissions. (3) The compliance history of the defendant, including the frequency of past violations. (4) The preventive efforts taken by the defendant, including the record of maintenance and any program to ensure compliance. (5) The innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods. (6) The efforts to attain, or provide for, compliance. (7) The cooperation of the defendant during the course of the investigation and any action taken by the defendant, including the nature, extent, and time of response of any action taken to mitigate the violation. (8) For a person who owns a single retail service station, the size of the business."

(7) ARB alleges in Notice of Violation **F08-4-3** that on August 2, 2007 through December 4, 2007, CHEVRON sold and supplied or offered for sale/supply, to a single customer account at a single terminal location, all grades of California reformulated gasoline without deposit control additive. The volume of unadditized gasoline in violation during this period was 1,120,196 gallons.

(8) Specifically, ARB alleges that CHEVRON sold and supplied gasoline that did not contain deposit control additive for 51 days during the period from August 2 through December 4, 2007, as required; and offered for sale, or offered for supply, gasoline that did not contain deposit control additive for an additional 74 days during this same period, as required.

(9) ARB alleges that the sale, offer for sale, supply, or offer for supply of gasoline not containing deposit control additive was unlawful and in violation of CCR, title 13, section 2257.

(10) CHEVRON denies the preceding allegations and makes no admission of any fact or liability whatsoever with respect to the preceding allegations.

(11) CHEVRON is entering into this Agreement solely for the purpose of settlement and resolution of this matter with ARB. Further, 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.

II. TERMS AND RELEASE

In settlement of any and all claims that ARB has against CHEVRON for the matters referred to above, ARB and CHEVRON agree as follows:

(1) Within 15-days after the last party signs this Agreement, CHEVRON shall pay the sum of four hundred thousand dollars ($400,000). Payment shall be made by check payable to the California Air Pollution Control Fund and addressed to:

Duong Trinh
Air Resources Board / Enforcement Division
9480 Telstar Avenue #4
El Monte, CA 91731

(2) CHEVRON shall not seek to reduce any tax liability by virtue of paying the above amount.

(3) This Agreement shall apply to and be binding upon CHEVRON and its principals, officers, directors, agents, 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.

(4) Now therefore, in consideration of the payment of CHEVRON to the California Air Pollution Control Fund, ARB hereby releases CHEVRON and its principals, officers, directors, agents, receivers, trustees, employees, parents, subsidiaries, predecessors, successors, and assignees, and each of their officers, directors, agents, and employees from, any and all claims that ARB may have based on the facts and allegations described in recital paragraphs 1-11. The undersigned represent that they have the authority to enter this Agreement.

(5) No provision of the Agreement shall be construed as an admission of any wrongdoing, or of a violation of the CCR or any other statute, regulation, ordinance, order, or legal requirement by CHEVRON, its principals, officers, directors, agents, employees, parents, or subsidiaries. CHEVRON does not admit the truth of any of the alleged facts contained herein. The parties acknowledge that the agreements, statements, stipulations, and actions herein are made solely for the purpose of settling this matter economically and without litigation or further expense.

(6) This Agreement constitutes the entire agreement and understanding between ARB and CHEVRON 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 CHEVRON concerning these claims.

(7) If any court of competent jurisdiction declares or determines any provision of this Agreement to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term or provision will be deemed not to be part of this Agreement.

(8) No agreement to modify, amend, extend, or supersede this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all parties to 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.

III. 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 information, which is provided throughout this settlement agreement, is summarized here. ARB alleges the following:

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. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43031.

The per unit penalty in this case is a maximum of $35,000 per day per strict liability violation. ARB alleges that under-additized fuel was sold and/or offered for sale over a time period of 124 days. The total amount of penalty in this case is $400,000, reflecting an average penalty of approximately $3,200 per day. Nevertheless, ARB sought and obtained a higher daily penalty for the days on which the fuel was actually sold than for days on which the fuel was merely offered for sale. The penalty was reduced because CHEVRON cooperated fully with the investigation and self-reported the violation.

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 Health and Safety Code section 43027 because ARB alleges that CHEVRON put fuel into commerce in California in violation of Title 13 California Code of Regulations Section 2257.

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.

The provisions cited above do not prohibit emissions above a specified level. ARB alleges that since the fuels did not meet California air pollution standards, any emissions attributable to them are illegal. However, it is not practicable to quantify these emissions because the information necessary to do so is not available.

(1) CHEVRON acknowledges that ARB has complied with SB 1402 in prosecuting and settling this case. Specifically, ARB has considered all relevant facts, including those listed at Health & Safety Code section 43031, has explained the manner in which the penalty amount was calculated (including a per unit or per vehicle penalty, if appropriate), has identified the provision of law under which the penalty is being assessed and has considered and determined that this penalty is not being assessed under provision of law that prohibits the emission of pollutants at a specified level. No other representation or acknowledgement is made nor intended regarding ARB compliance with SB 1402.

(2) 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 cases, and the potential costs and risk associated with litigating these particular violations. The penalty reflects violations extending over a certain number of days considered together with the complete circumstances of this case. The penalty was discounted in this matter based in part on the fact that the violator made unusually diligent efforts to comply, to cooperate with the investigation and to mitigate any potential emissions consequences. Penalties in future cases might be smaller or larger on a per day basis. Chevron does not endorse ARB's method of penalty calculation in this case and reserves the right to challenge it in future cases, should they arise.

(3) The penalty in this case was based in part on confidential financial information or confidential business information provided by CHEVRON that has not been retained by ARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between ARB and CHEVRON that ARB does not retain in the ordinary course of business either. The penalty is the product of an arm's length negotiation between ARB and CHEVRON and reflects ARB's assessment of the relative strength of its case against CHEVRON, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that CHEVRON may have secured from its actions.

CALIFORNIA AIR RESOURCES BOARD

By ______

Name James Goldstene
Title Executive Officer
Date 10 AUGUST 2012

CHEVRON U. S. A. INC.

By ______

Name Frank G. Soler
Title Assistant Secretary
Date 5 April 2012