

## **SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and Central Power Systems & Services Inc., with its principal location at 9200 Liberty Drive, Liberty, Missouri 64068 (collectively, the "Parties," or individually, "Party").

### **LEGAL BACKGROUND**

- (1) Purpose. The California Health and Safety Code mandates CARB to adopt a certification program and uniform emission standards for electrical generation technologies that are exempt from air quality management district permitting requirements. (Health & Saf. Code § 41514.9.)
- (2) Regulation. CARB adopted the *Distributed Generation Certification Program Regulation* (DG Certification Regulation) for certification of electrical generation technologies. (Cal. Code Regs., tit. 17, §§ 94200 et seq.)
- (3) Regulatory Provisions. Any distributed generation equipment (DG Unit) manufactured for sale, lease, use, or operation in California, and any new DG Unit sold or leased, or offered for sale or lease, for use or operation in California shall be certified by CARB to one of the emission standards in the DG Certification Regulation, unless exempt under the DG Certification Regulation. Certification applicants shall comply with the certification, labeling, recordkeeping, recertification, testing methodology, and configuration requirements of the DG Certification Regulation. (Cal. Code Regs., tit. 17, §§ 94200-94214.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to twelve thousand five hundred fifty-five dollars (\$12,550.00 USD) for strict liability violations; thirty-one thousand three hundred seventy-five dollars (\$31,375.00 USD) for negligent violations; fifty thousand two hundred dollars (\$50,200.00 USD) for failing to take corrective action; and ninety-four thousand one hundred twenty-five dollars (\$94,125.00 USD) for willful and intentional violations, respectively, for each day in which the violation occurs. (Cal. Code Regs., tit. 17, § 94200 et seq.; Health & Saf. Code §§ 42400 et seq., 42402.1, 42402.2, 42402.3, and 42410.)

### **CASE BACKGROUND**

- (5) Corporate Entity. At all relevant times, Central Power Systems & Services Inc. was organized under the laws of Delaware as a corporation. CARB alleges that Central Power Systems & Services Inc. conducted business in the State of California.

- (6) Allegations. CARB alleges that Central Power Systems & Services Inc. violated the DG Certification Regulation by selling, leasing, offering for sale or lease, for use or operation in California DG Units that were not certified by CARB as outlined in Notice of Violation DSS-DGCR-Central Power-2024. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Central Power Systems & Services Inc. for each noncompliant unit and for each day of violation.
- (7) Acknowledgment. Central Power Systems & Services Inc. admits to the facts in paragraphs 1 through 4, and that at all relevant times, it was organized under the laws of Delaware as a corporation as stated in paragraph 5. Central Power Systems & Services Inc. also acknowledges CARB's allegations in the remainder of paragraph 5 and the allegations in paragraph 6, but denies any liability resulting from said allegations and does not adopt the same as fact.
- (8) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, Central Power Systems & Services Inc. has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

## **TERMS AND CONDITIONS**

In consideration of CARB not filing a legal action against Central Power Systems & Services Inc. for the alleged violations referred to above in the Legal Background and Case Background, and Central Power Systems & Services Inc.'s agreement to complete all terms and conditions set forth below, CARB and Central Power Systems & Services Inc. agree as follows:

- (9) Settlement Amount. Central Power Systems & Services Inc. shall pay a civil penalty of twenty-five thousand two hundred fifty dollars (\$25,250.00 USD), and agrees to fund a Supplemental Environmental Project (SEP) entitled, Bottoms Up Community Garden Expansion Project, with Black Ag Tech, in the amount of twenty-five thousand two hundred fifty dollars (\$25,250.00 USD), consistent with CARB's SEP Policy, for a total settlement of fifty thousand five hundred dollars (\$50,500.00 USD). Central Power Systems & Services Inc. shall make all payments within thirty (30) calendar days from the Notification Date.
- (10) Notification Date. The date upon which CARB notifies Central Power Systems & Services Inc. according to Paragraph 16 (Notices), that the Settlement Agreement is fully executed, or when CARB sends the fully executed Settlement Agreement to Central Power Systems & Services Inc., whichever occurs first.

- (11) Civil Penalty Payment Method. Central Power Systems & Services Inc. shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. Central Power Systems & Services Inc. is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to Central Power Systems & Services Inc. in accordance with Paragraph 16 (Notices).
- (12) SEP Payment Method(s). Central Power Systems & Services Inc. shall fund the SEP by wire transfer, payable to the SEP Recipient/Administrator, Bottoms Up Community Garden Expansion Project, with Black Ag Tech, using instructions provided separately by CARB in a SEP Payment Transmittal Form. Central Power Systems & Services Inc. is responsible for all payment processing fees. Payments shall be accompanied by the SEP Payment Transmittal Form to ensure proper application. Should payment instructions change, CARB will provide notice to Central Power Systems & Services Inc. in accordance with Paragraph 16 (Notices).
- (13) Prohibition Against Financial Benefit. Central Power Systems & Services Inc. has agreed that by funding the SEP entitled, Bottoms Up Community Garden Expansion Project, with Black Ag Tech, Central Power Systems & Services Inc. will not receive any direct or indirect financial benefit, and that whenever Central Power Systems & Services Inc. publicizes or refers to the SEP or the results of the SEP, Central Power Systems & Services Inc. will state that the SEP is being undertaken as part of the settlement of a CARB enforcement action.
- (14) Assignment of Rights. In the event the SEP Recipient/Administrator does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall be entitled to recover the full amount of the SEP from the SEP Recipient/Administrator, less any amount expended on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, Central Power Systems & Services Inc. assigns any and all rights against the SEP Recipient/Administrator to CARB.
- (15) Documents. Central Power Systems & Services Inc. shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 16 (Notices).

- (16) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board  
Enforcement Division / Settlement Agreements  
Stationary Source Enforcement Branch / District Support Section  
P.O. Box 2815  
Sacramento, California 95812-2815  
Settlement\_Agreement@arb.ca.gov

As to Central Power Systems & Services Inc.:

Central Power Systems & Services Inc.  
Shelly Vaughn, Director of Accounts Receivable  
9200 Liberty Drive  
Liberty, Missouri 64068  
Shelly.Vaughn@cpower.com

As to Central Power Systems & Services Inc. Legal Representation:

Downey Brand LLP  
Robert Soran, Attorney  
621 Capitol Mall | 18th Floor  
Sacramento, California 95814  
Rsoran@Downeybrand.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (17) Repeat Violations. Central Power Systems & Services Inc. agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (18) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 9 pages and 36 numbered paragraphs.
- (19) Binding Effect. This Settlement Agreement binds Central Power Systems & Services Inc., and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor

agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.

- (20) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (21) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (22) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (23) Choice of Law. This Settlement 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.
- (24) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement 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 the benefit of a governmental unit.
- (25) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (26) Non-Waiver. The failure to enforce any provision of this Settlement 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 Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (27) Intent to be Bound. The Parties represent that they: Have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud,

duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.

- (28) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (29) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (30) Release. In consideration of full payment of the civil penalty and SEP, and all other undertakings above, CARB hereby releases Central Power Systems & Services Inc. and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above.
- (31) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

### **PENALTY BASIS**

- (32) Per Unit Penalty. The per unit penalty in this case is a maximum of twelve thousand five hundred fifty dollars (\$12,550.00 USD) per unit per day under Health and Safety Code section(s) 42400 et seq., for violations of the DG Certification Regulation. The penalty of \$50,500 over an unspecified number of days of violation is for noncompliant units. The per unit penalty in this case is approximately \$12,625 per noncompliant device.
- (33) Emissions. The provisions cited in Paragraph 6 (Allegations) above relate to certification and do not prohibit emissions above a specified level.
- (34) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered whether the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential

costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.

(35) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Central Power Systems & Services Inc. or confidential settlement communications.

(36) Effect of Settlement/Reservation of Rights. The following shall apply:

- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.
- (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against Central Power Systems & Services Inc. with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against Central Power Systems & Services Inc. with respect to:
  - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
  - (ii) Facts that were not disclosed by Central Power Systems & Services Inc. to CARB.
  - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
  - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
  - (v) Any criminal liability.
  - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, Central Power Systems & Services Inc. shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.

- (d) This Settlement Agreement does not limit or affect the rights of Central Power Systems & Services Inc. or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against Central Power Systems & Services Inc., except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. Central Power Systems & Services Inc. is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Central Power Systems & Services Inc.'s compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that Central Power Systems & Services Inc.'s compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

**California Air Resources Board**

Signature: /S/

Name: Heather L. Quiros

Title: Chief, Enforcement Division

Date: January 27, 2026

**Central Power Systems & Services Inc.**

Signature: /S/

Name: Shelly Vaughn

Title: Director of Accounts Receivable

Date: January 12, 2026