

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 General Motors LLC (GM), with its principal location at 300 Renaissance Center, Detroit, Michigan 48243 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates implementation of emission standards for new motor vehicle and motor vehicle engines to control emissions; allows CARB to certify these vehicles; and prohibits any person from selling, introducing into commerce, importing, delivering, purchasing, renting, leasing, acquiring, or receiving a new motor vehicle or new motor vehicle engine for use, registration, or resale unless it is certified. This includes attempts or assistance. (Health & Saf. Code §§ 43100, 43101, 43151, 43153, 43211, and 43212.)
- (2) Regulation. CARB adopted "*Motor Vehicle Pollution Control Devices*" (*Vehicle Standards*) (Cal. Code Regs., tit. 13, §§ 1900-2048) to inter alia, reduce emissions of oxides of nitrogen (NOx) and hydrocarbons (HC) from new and used motor vehicles and motor vehicle engines in California.
- (3) Regulatory Provisions. Prior to vehicles or engines being sold, introduced into commerce, imported, delivered, purchased, rented, leased, acquired, or received into California, they must be certified based on reliable test data and procedures and obtain an Executive Order (EO) from CARB. The vehicles and engines must meet the emission standards (either through a direct standard or through a fleet wide phase-in requirement), cannot contain a defeat device, must have an Emission Control Label (ECL) and be equipped with a computer-sensed emission-related component to inform the vehicle operator of a malfunction (On-board Diagnostic System (OBD)), and come with an emission control system warranty. (Cal. Code Regs., tit. 13, §§ 1900-2048.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to thirty-seven thousand five hundred dollars (\$37,500) for each strict liability violation of the Vehicle Standards, respectively, for each day in which the violation occurs. (Health & Saf. Code, §§ 43016, 43154, 43211, 43212; Cal. Code Regs., tit.13, § 1900 et seq.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, GM was organized under the laws of the State of Delaware as a limited liability company, and conducted business in the State of California.
- (6) Allegations. This Settlement Agreement resolves Notice of Violation (NOV) EPES-

2021-C00194, which was issued on May 21, 2021. CARB alleges GM violated the Vehicle Standards by the use of an unapproved emission test procedure and by the application of unapproved changes to an engine covered by an Executive Order, resulting in 436 violations of each for 2018 model year engine family JGMXE06.0584, as outlined in Notice of Violation EPES-2021-C00194. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against GM for each and every vehicle involved in the violations.

- (7) Acknowledgment. GM acknowledges it self-disclosed to CARB in 2018 certification procedural issues on the part of one of its agents giving rise to CARB's allegations referenced in paragraph 6, which GM is resolving with this agreement. GM denies any wrongdoing in this matter, and any liability arising from these allegations.
- (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 alleged violations described herein, GM 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 GM for the alleged violations referred to above in the Legal Background and Case Background, and GM's agreement to complete all terms and conditions set forth below, CARB and GM agree as follows:

- (9) Settlement Amount. GM shall pay a civil penalty of one hundred ten thousand ninety dollars (\$110,090 USD). GM shall make all payments within 30 calendar days from the date CARB notifies GM of the full execution of the Settlement Agreement.
- (10) Civil Penalty Payment Method. GM shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to CARB, using instructions provided separately by CARB in a Payment Transmittal Form. GM 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 GM in accordance with Paragraph 12 (Notices).
- (11) Documents. GM shall promptly email or mail the signed and dated Settlement Agreement, with copy of proof of payment of the penalty, mitigation, and/or SEP (if applicable), a copy of the Payment Transmittal Form(s) (if applicable), and the signed

and dated Compliance Plan (if applicable) to the address or email in Paragraph 12 (Notices).

- (12) 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
Vehicle, Parts, and Consumer Products Enforcement Branch / Engine and
Parts Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to GM:

John Turrettini
Environmental Counsel
300 Renaissance Center
Detroit, Michigan 48243
John.Turrettini@gm.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.

- (13) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, GM shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (14) Future Violations. GM agrees to comply with all regulatory requirements and acknowledges that future violations could result in increased penalties in the future.
- (15) 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 six pages and 33 paragraphs.

- (16) Binding Effect. This Settlement Agreement binds GM, 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.
- (17) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (18) 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.
- (19) 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.
- (20) 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.
- (21) 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.
- (22) Not Tax Deductible. For purposes of this Settlement Agreement, GM shall not deduct any monies spent to comply with any provision of this Settlement Agreement in calculating and submitting its federal, state, or local income tax.
- (23) 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.
- (24) 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.

- (25) 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.
- (26) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (27) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (28) Release. In consideration of full payment of the civil penalty, and all other undertakings above, CARB hereby releases GM 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 all paragraphs contained in the Case Background above.
- (29) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (30) Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum of thirty-seven thousand, five hundred dollars (\$37,500) per action under Health and Safety Code section 43154 and 43212, for the alleged violations of the Vehicle Standards (Cal. Code Regs., tit.13, §§ 1900 et seq.). The penalty of one hundred ten thousand ninety dollars (\$110,090) is for 436 allegedly noncompliant engines. The per unit penalty in this case is approximately \$252.50 per noncompliant unit that CARB alleges.
- (31) Emissions. The provisions cited above prohibit emissions above a specified level. CARB is not alleging the existence of excess emissions from these engines.
- (32) 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 alleged 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.

Mitigating factors in this case include but are not limited to the following specific examples, one or more of which may apply to each specific issue:

- a. GM voluntarily disclosed the alleged violations herein to CARB;
- b. GM came into compliance quickly and fully cooperated with the investigation;
- c. GM provided information on whether the alleged violations affected emissions and maintains that there were no excess emissions from the engines in question; and
- d. GM's compliance history with CARB.

- (33) Confidential Business Information. CARB based this penalty in part on confidential business information provided by GM and confidential settlement communications, neither of which are retained by CARB in the ordinary course of business.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Richard W. Corey

Title: Executive Officer

Date: March 16, 2022

General Motors LLC

Signature: /S/

Name: Barbara Kiss

Title: Director of Emissions Certification and Compliance

Date: March 11, 2022