

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB) on the one hand, with its principal location at 1001 I Street, Sacramento, California 95814; and FCA US LLC (FCA), on the other hand, with its principal location at 1000 Chrysler Drive, Auburn Hills, Michigan 48326 (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 reduce emissions of oxides of nitrogen (NOx) 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 inter alia, (i) meet the emission standards (either through a direct standard or through a fleet wide phase-in requirement), (ii) cannot contain a defeat device or undisclosed auxiliary emission control device, (iii) must have an Emission Control Label (ECL), (iv) be equipped with an on-board diagnostic system (OBD System), through the use of an onboard computer(s), which is capable of detecting malfunctions of the vehicle's monitored emission systems, and (v) be covered by an emission control system warranty. (Cal. Code Regs., tit. 13, §§ 1900-2048.)
- (4) Definitions.
 - (a) "Approved Emissions Modification" means FCA's recall package VERR V97-C, as submitted by FCA to CARB on June 9, 2023, for the Subject Vehicles.
 - (b) "On-Board Diagnostics System" or "OBD System" means all hardware, components, parts, sensors, subassemblies, software, AECDs,

calibrations, and other elements of design that collectively constitute the system for monitoring emission systems in-use pursuant to California Code of Regulations, title 13, section 1968.2;

- (c) "Pre-Approved OBD Noncompliances" means the OBD Noncompliances listed in Appendix A and as described in the approval letters issued by CARB on December 5, 2014 ("Ref. No. E-14-237") and July 15, 2015 ("Ref. No. E-15-164"), and as described in FCA's presentation submission to CARB on November 17, 2021 ("CARB FCA VF Review 18 Nov 2021 V1.pdf").
 - (d) "Subject Vehicles" means model years 2014-2016 FCA diesel ProMaster 1500, 2500, and 3500 vehicles.
- (5) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to five thousand dollars (\$5,000.00 USD) for each strict liability violation of the Vehicle Standards, respectively. (Health & Saf. Code, §§ 43016, 43154, 43211, and 43212; Cal. Code Regs., tit.13, § 1900 et seq.)

CASE BACKGROUND

- (6) Corporate Entity. At all relevant times, FCA was organized under the laws of Delaware and conducted business in the State of California.
- (7) Allegations. CARB alleges FCA violated the Vehicle Standards by selling, introducing into commerce, importing, delivering, purchasing, renting, leasing, acquiring, or receiving vehicles into California that do not meet the emission standards. The Parties agree that the number of vehicles for which the penalty under this Settlement Agreement as set forth below is assessed, is 611, and the amount of NOx emissions throughout the full useful life of such vehicles for which the penalty under this Settlement Agreement as set forth below is assessed, is 54.9 tons.
 - (a) CARB further alleges that the Subject Vehicles contain undisclosed Auxiliary Emission Control Devices (AECDs).
 - (b) CARB alleges that if the allegations described in paragraphs (1) through (7) were proven, civil penalties could be imposed against FCA for each and every vehicle involved in the violations.
- (8) Acknowledgment. FCA admits to the facts in paragraphs (1) through (7), but denies any liability resulting from said allegations.

- (9) 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, FCA 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 FCA for the alleged violations referred to above in the Legal Background and Case Background, and FCA agreement to complete all terms and conditions set forth below, CARB and FCA agree as follows. Except as otherwise expressly stated herein, the applicable regulatory calculation methods, test procedures, protocols, processes, or procedures shall apply unless an alternative approach is approved by CARB.

- (10) Settlement Amount. FCA shall pay a civil penalty of two million, ninety-two thousand, nine hundred and ten dollars, (\$2,092,910.00 USD), and agrees to fund a Supplemental Environmental Project entitled Marine Vessel Speed Reduction Incentive Program Phase 3 in Ventura County Air Pollution Control District (SEP) in the amount of two million, ninety-two thousand, nine hundred and ten dollars, (\$2,092,910.00 USD), consistent with CARB's SEP Policy, for a total settlement of four million, one hundred eighty-five thousand, eight hundred twenty dollars (\$4,185,820.00 USD). FCA shall make all payments within 60 calendar days from the date CARB notifies FCA of the full execution of the Settlement Agreement.
- (11) Civil Penalty and Mitigation Payment Method. FCA shall pay the civil penalty and mitigation, as well as any applicable payment processing fees, by check, credit card, wire transfer, or portal, payable to CARB, using instructions provided separately by CARB in a Payment Transmittal Form. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty and mitigation 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 FCA in accordance with Paragraph (20) (Notices).
- (12) SEP Payment Method. FCA shall fund the SEP by wire transfer or check payable to the SEP implementer/recipient, Ventura County Air Pollution Control District using instructions provided separately by CARB in a Payment Transmittal Form. FCA is responsible for all payment processing fees. Payment shall be accompanied by the Payment Transmittal Form to ensure proper application. Should payment

instructions change, CARB will provide notice to FCA in accordance with Paragraph (20) (Notices).

- (13) Prohibition Against Financial Benefit. FCA has agreed that by funding the SEP entitled Marine Vessel Speed Reduction Incentive Program Phase 3 in Ventura County Air Pollution Control District, FCA will not receive any direct or indirect financial benefit, and that whenever FCA publicizes or refers to the SEP or the results of the SEP, FCA 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 implementer, 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, FCA assigns any and all rights against the SEP implementer to CARB.
- (15) Approved Emissions Modification.
- (a) Customer Notification. Prior to installation of the Approved Emissions Modification on any Subject Vehicle, FCA shall mail customers a notification pursuant to California Code of Regulations, title 13, section 2118.
 - (b) FCA shall launch the recall described in the recall package VERR V97-C, as submitted by FCA to CARB on June 9, 2023, within 30 days of the Effective Date.
 - (c) FCA shall provide quarterly reports to CARB no later than 25 days after the close of each calendar quarter, pursuant to California Code of Regulations, title 13, section 2119.
 - (d) The quarterly reports shall contain all the information specified in California Code of Regulations, title 13, section 2119.
 - (e) FCA shall ensure that the Subject Vehicles with the installed Approved Emissions Modification do not have any defeat devices.
 - (f) AECDs modified in the Approved Emissions Modification, were provided to CARB in the Field Fix documentation for 14FF-503, 15FF-500, and 16FF-500.
- (16) OBD Requirements. Except for Pre-Approved OBD Noncompliances, the Subject Vehicles that have been modified with the Approved Emissions Modification shall

comply with the OBD requirements set forth at California Code of Regulations, title 13, section 1968.2.

- (a) New OBD Noncompliances. For each and every OBD noncompliance present in the Subject Vehicles after installation of the Approved Emissions Modification that is not a Pre-Approved OBD Noncompliance, FCA shall pay a stipulated penalty as set forth in Paragraph (18)a.
- (b) Failure of the Inspection and Maintenance Program Testing. For each and every OBD noncompliance present in the Subject Vehicles after installation of the Approved Emissions Modification that could cause the Subject Vehicle to fail or not complete the Inspection and Maintenance program testing (in accordance with Cal. Code Regs., tit. 13, § 1968.5(b)(6)(C)(ii)), FCA shall promptly submit to CARB for review and approval a remedial plan in accordance with California Code of Regulations, title 13, section 1968.5(d) to address each and every OBD noncompliance that could cause the Subject Vehicle to fail the Inspection and Maintenance program. Notwithstanding the foregoing, FCA shall not be subject to this OBD recall requirement if the Subject Vehicle fails or is otherwise not able complete the Inspection and Maintenance program solely because the Subject Vehicle has not accumulated sufficient miles following application of the Approved Emissions Modification to clear any fault codes or Inspection and Maintenance readiness flags.

(17) Extended Emissions Warranty.

- (a) FCA shall provide an extended warranty for each and every Subject Vehicle that receives the Approved Emissions Modification. Such warranty, known as the "Extended Emissions Warranty," shall be for a period of one year or 12,000 miles after the Approved Emissions Modification is installed, whichever comes first, but shall not exceed 10 years from the date of initial sale of the vehicle.
- (b) The Extended Emissions Warranty shall be as described in Appendix B and cover all components, parts, and associated labor as listed therein.
- (c) FCA shall not impose on Subject Vehicle owners or lessees any fees or charges (and must pay any fees or charges imposed on consumers by any Dealer in accordance with the applicable franchise agreements with such Dealers) related to the warranty service.
- (d) Preservation of Remedies. The Extended Emissions Warranty shall be subject to any remedies provided by state or federal laws, such as the Magnuson-Moss Warranty Act, that provide consumers with protections,

including without limitation "Lemon Law" protections, with respect to warranties.

- (e) The Extended Emissions Warranty is associated with the car and remains available to any and all subsequent owners and operators.
- (f) The Extended Emissions Warranty shall not supersede or void any outstanding warranty. To the extent there is a conflict in any provision(s) of this warranty and any outstanding warranty, that conflict shall be resolved to the benefit of the consumer.
- (g) Any waiver of any provision of the Extended Emissions Warranty by an owner is null and void.

(18) Stipulated Penalties.

- (a) OBD Noncompliances. For each and every OBD noncompliance in the Subject Vehicles after installation of the Approved Emissions Modification that is not a Pre-Approved OBD Noncompliance or OBD noncompliance subject to Paragraph (16)b., FCA shall pay to CARB a stipulated penalty of \$200,000 for each and every OBD noncompliance.
- (b) Recall. If FCA fails to launch the recall to deploy the Approved Emissions Modification on or before the deadline described in Paragraph 15(b), then FCA shall pay to CARB a stipulated penalty of \$200,000.
- (c) CARB shall deposit any and all stipulated penalties 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.

(19) Documents. FCA shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph (20) (Notices).

(20) 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, Consumer Products Enforcement Branch / Vehicle Enforcement
Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov (Proof of Payment)

As to FCA:

Christopher J. Pardi
General Counsel
FCA US LLC
1000 Chrysler Dr
CMIS 485-14-96
Auburn Hills, Michigan 48326
christopher.pardi@stellantis.com

Also as to FCA:

Cheryl Stark
Senior Vice President
Technical Safety and Regulatory Compliance
FCA US LLC
800 Chrysler Drive
CIMS 482-00-71
Auburn Hills, Michigan 48326
cheryl.stark@stellantis.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.

- (21) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, FCA shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (22) Repeat Violations. FCA agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.

- (23) 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 14 pages and 42 numbered paragraphs.
- (24) Binding Effect. This Settlement Agreement binds FCA, 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.
- (25) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (26) 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.
- (27) 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.
- (28) 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.
- (29) 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.
- (30) Not Tax Deductible. For purposes of this Settlement Agreement, FCA 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.
- (31) 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.
- (32) 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.

- (33) 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.
- (34) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (35) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (36) Release. In consideration of the full completion of civil penalty, mitigation and all other undertakings above, CARB hereby releases FCA 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.
- (37) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (38) Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum of five thousand dollars (\$5,000.00 USD) per action under Health and Safety Code section 43016, 43154, 43211, and 43212, for violations of the Vehicle Standards (Cal. Code Regs., tit.13, §§ 1900 et seq.). The penalty of \$4,185,820.00 is for 611 vehicles. The per unit penalty in this case is approximately \$6,850.77 per unit.
- (39) Emissions. The provisions cited above do prohibit emissions above a specified level. CARB calculated excess emissions at 54.9 tons of Oxides of Nitrogen (NOx) for the full useful life of the vehicles.
- (40) 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. Mitigating factors include the following specific examples:

- (a) FCA identified process changes and implemented the necessary improvements to prevent the occurrence of undisclosed AECDs in the future;
 - (b) FCA is mitigating the environmental impact of the alleged violations by developing and agreeing to deploy the Approved Emissions Modification;
 - (c) Based on vehicle testing performed by FCA, there is no impact on the durability of the emission control system for vehicles that receive the Approved Emissions Modification; and
 - (d) FCA communicated with CARB on numerous occasions to promptly respond to questions, provide clarification, and present findings.
- (41) Confidential Business Information. CARB based this penalty in part on confidential business information provided by FCA and confidential settlement communications, neither of which are retained by CARB in the ordinary course of business.
- (42) 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 FCA 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 FCA with respect to:

- (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by FCA 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, FCA 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 FCA 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 FCA, 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. FCA is responsible for achieving and maintaining compliance with all

applicable federal, State, and local laws, regulations, and permits; FCA '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 FCA'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: Steven S. Cliff, Ph.D.

Title: Executive Officer

Date: January 22, 2024

FCA US LLC

Signature: /S/

Name: Cheryl Stark

Title: Senior Vice President, Technical Safety and Regulatory Compliance

Date: December 21, 2023

APPENDIX B - Extended Emissions Warranty

Subject to standard limitations that must be identified to Owners, which may set forth exclusions like accident, abuse, neglect, or installation of noncertified parts, and applicable existing warranty provisions that will remain in effect, the Extended Emissions Warranty shall cover the cost of all parts and labor needed to repair or replace the items listed below.

Catalyst

- Diesel Oxidation Catalyst / Diesel Particulate Filter (DOC/DPF)
- Selective Catalyst Reduction (SCR) Catalyst

Diesel Exhaust Fluid (DEF) System

- DEF Injector
- DEF Heater Control Unit (HCU)
- DEF Storage Tank
- DEF Delivery Lines
- DEF Concentration Sensor (2016 Model Year only - comes as part of the DEF tank assembly)
- DEF Supply Module, Pump, and Temperature Sensor Unit

Parts of the Fuel System

- Fuel Injectors
- Fuel Rail
- High Pressure Fuel Line
- High Pressure Injection Pump & Regulator Unit (Metering Unit)
- High Pressure Fuel Pressure Sensor
- High Pressure Control Valve (PCV)

Parts of the Exhaust Gas Recirculation (EGR) System

- EGR Cooler Tubes
- EGR Cooler
- EGR Valve
- EGR Temperature Sensor

Other Components

- Oxygen Sensors
- NOx Sensors
- Intake Manifold Temperature Sensor
- Particulate Matter Sensor
- Mass Airflow Sensor
- Boost Pressure Sensor
- Throttle Valve
- Exhaust Temperature Sensors

Engine Control Module (Computer)
Turbocharger System, including all related hoses and pipes, sensors,
and actuators
Charge Air Cooling System, including all related hoses and temperature
sensors
Alternator

Additionally, the Extended Warranty shall cover the cost of any OBD Diagnostic Scan for malfunctions that trigger the OBD Malfunction Indicator Light (MIL), regardless of whether the malfunction is attributable to a part that is covered under the Extended Warranty.