

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 Cummins Inc. ("Cummins"), with its principal location at 500 Jackson Street, Columbus, Indiana 47201 (collectively, the "Parties," or individually, a "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates the reduction of emission of air pollution from off-road engines. (Health & Saf. Code §§ 43013; 43018.)
- (2) Regulation. CARB adopted the "*Small Off-Road Engines*" Regulation (Cal. Code Regs., tit. 13, §§ 2400-2409) (SORE Regulation) to reduce emissions of, inter alia, oxides of nitrogen (NOx) and hydrocarbons (HC) from off-road spark-ignited small off-road engines (SORE) rated at equal to or less than 19 kilowatts, and equipment utilizing such engines.
- (3) Regulatory Provisions. The SORE Regulation requires all SORE engines that are manufactured for sale, sold, or offered for sale in California, or introduced, delivered, or imported into California for introduction into commerce to be covered by an Executive Order showing the engine meets the exhaust emission standards as determined; was properly tested following all required test procedures; contains an emission control label; meets all defect warranty requirements; and complies with the reporting requirements. (Cal. Code Regs., tit. 13, § 2400-2409.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to six hundred fifty-one dollars (\$651.00 USD) for each strict liability violation of the SORE Regulation, respectively, for each noncompliant SORE engine or equipment. (Cal. Code Regs., tit. 13, § 2407; Health & Saf. Code § 43016.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Cummins was organized under the laws of Indiana as a corporation and sold engines that were incorporated into equipment sold, introduced into commerce, imported, delivered, purchased, rented, leased, acquired, and/or received into California.
- (6) Allegations. CARB alleges that Cummins violated the SORE Regulation by manufacturing for sale in California, selling, offering for sale in California, or introducing, delivering or importing into California for introduction into commerce in California model year 2011 through 2024 SORE engines that failed to comply with the requirements of the SORE Regulation due to the failure to

submit complete or accurate auxiliary emission control device descriptions pursuant to Title 40, Code of Federal Regulations (CFR), section 90.107(d)(2) as incorporated by reference in the "California Exhaust Emission Standards and Test Procedures for 2005-2012 Small Off-Road Engines," adopted July 26, 2004, and as last amended October 25, 2012, and 40 CFR sections 1054.201(b), 1054.255(c)(2), 1065.2(a) and (c), as incorporated by reference in the "California Exhaust Emission Standards and Test Procedures for New 2013 and Later Small Off-Road Engines," adopted October 25, 2012, and amended January 1, 2023, as incorporated by reference in the SORE Regulation (Cal. Code Regs., tit. 13, § 2403(d), resulting in 91,105 engine violations. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Cummins for each and every engine involved in the violations.

- (7) Acknowledgment. Cummins denies the allegations in paragraph 6 and does not admit liability to CARB arising out of or in connection with 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 violations alleged herein, Cummins has taken, or agrees to take, the actions enumerated below within the Terms and Conditions section. 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 Cummins for the alleged violations referred to in Paragraph 6, and Cummins' agreement to complete all terms and conditions set forth below, CARB and Cummins agree as follows:

- (9) Settlement Amount. Cummins shall pay a civil penalty of four hundred fifty-five thousand five hundred twenty-five dollars (\$455,525.00 USD). Cummins shall make all payments within thirty (30) calendar days from the Notification Date, as defined in Paragraph 10.
- (10) Notification Date. The date upon which CARB notifies Cummins according to Paragraph 13 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to Cummins, whichever shall occur first.
- (11) Civil Penalty Payment Method. Cummins 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, which shall be provided within 14 days of the Notification Date. Cummins 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 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 Cummins in accordance with Paragraph 13 (Notices).

- (12) Documents. Cummins shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 13 (Notices).
- (13) 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 / Engine and
Parts Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to Cummins:

Cheryl Gonzalez, Emissions Compliance, Senior Counsel
Cummins Inc.
301 E. Market Street
Indianapolis, Indiana 46204
cheryl.gonzalez@cummins.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.

- (14) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement and CARB is the prevailing party in the civil action, Cummins shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (15) Repeat Violations. Cummins agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (16) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the settlement embodied in this Settlement Agreement and supersedes and replaces any and all prior agreements and understandings of any kind, whether written or oral, between the Parties

concerning the settlement embodied hereof. This Settlement Agreement consists of 8 pages and 34 numbered paragraphs.

- (17) Binding Effect. This Settlement Agreement binds Cummins, 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.
- (18) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (19) 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.
- (20) 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.
- (21) 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.
- (22) 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.
- (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 Cummins and its principals, officers, receivers, directors, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) 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 six hundred fifty-one dollars (\$651.00 USD) per noncompliant SORE engine or equipment under Health and Safety Code section 43016, for violations of the SORE Regulation. (Cal. Code Regs., tit. 13, § 2400 et seq.; Health & Saf. Code § 43016.). This penalty was assessed by CARB as a singular, cumulative violation in consideration of the specific mitigating factors listed in Paragraph 32 below.
- (31) Emissions. The provisions cited in Paragraph 6 (Allegations) above do not prohibit emissions above a specified level. Without information on usage and emission rates, it is not practicable to quantify the excess emissions.
- (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 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. In addition, CARB considered Cummins' voluntary self-disclosure, the expeditious and cooperative correction of the alleged violations by Cummins, CARB's technical determination that no emission impacts were caused by the violations, and the significant deterrent effect of a Consent Decree that the parties entered into in 2024.

(33) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Cummins or confidential settlement communications.

(34) 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 Cummins 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 Cummins with respect to:

(i) Noncompliance with or enforcement of any provision of this Settlement Agreement.

(ii) Facts that were not disclosed by Cummins 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 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, Cummins 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 Cummins 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 Cummins, 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. Cummins is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Cummins' 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 Cummins' 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: Shannon M. Dilley

Title: Chief Counsel

Date: April 14, 2026

Cummins Inc.

Signature: /S/

Name: Jennifer M Bush

Title: President - Power Systems Business

Date: April 2, 2026