

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 Crestliner Boats (CRESTLINER), with its principal location at 9040 Quaday Avenue Northeast, Otsego, Minnesota 55330 (collectively, the "Parties," or individually, "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 "*Evaporative Emissions Requirements for Spark-Ignition Marine Watercraft with Gasoline-Fueled Engines*" Regulation (Cal. Code Regs., tit. 13, §§ 2850-2869) (SIMW Evaporative Regulation) to reduce emissions of oxides of nitrogen (NOx) and hydrocarbons (HC) from these off-road engines.
- (3) **Regulatory Provisions.** Manufacturers of new spark-ignition marine watercraft (SIMW) engines that are manufactured for sale, advertised for sale, sold, offered for sale, introduced, delivered or imported for introduction into commerce into California are required to certify these evaporative emissions control system components and obtain an Executive Order (EO) from CARB. The engines must meet the evaporative emission standards or performance or design standards, the SIMW must be registered, not be modified with an aftermarket part unless approved, be labelled, contain warranty statements and meet defect warranty requirements, be properly reported and comply with compliance testing. (Cal. Code Regs., tit. 13, §§ 2850-2869.)
- (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 SIMW Evaporative Regulation, respectively, for each day in which the violation occurs. (Health & Saf. Code, § 43016, 43154; Cal. Code Regs., tit.13, § 2850 et seq.)

CASE BACKGROUND

- (5) **Corporate Entity.** At all relevant times, CRESTLINER was organized under the laws of Minnesota as Brunswick Corporation and conducted business in the State of California.
- (6) **Allegations.** CARB alleges CRESTLINER violated the SIMW Evaporative Regulation by manufacturing for sale, selling, offering for sale, introducing, importing, or delivering for introduction into commerce new SIMW into California, that failed to

comply with the requirements of the SIMW Evaporative Regulation by failing to obtain and EO (Cal. Code Regs., tit. 13, § 2852, 2856); meet the evaporative emission standards (Cal. Code Regs., tit. 13, § 2854, 2855); register (Cal. Code Regs., tit. 13, § 2857); label (Cal. Code Regs., tit. 13, §§ 2859, 2860); provide adequate warranty (Cal. Code Regs. § 2861, 2862); conduct component compliance testing (Cal. Code Regs., tit. 13, §§ 2864, 2865). The evaporative families in violation were model years 2018, 2019, and 2020: JCB1PVSSLTB3, KCB1PVSSLTB3 and LCB1PVSSLTB3. CARB alleges that if the allegations described in paragraphs 1 through 6 were proven, civil penalties could be imposed against CRESTLINER for each and every SIMW involved in the violations.

- (7) Acknowledgment. CRESTLINER admits to the facts in paragraphs 1 through 6, but denies any liability resulting from said 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 described herein, CRESTLINER 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 CRESTLINER for the alleged violations referred to above in the Legal Background and Case Background, and CRESTLINER agreement to complete all terms and conditions set forth below, CARB and CRESTLINER agree as follows:

- (9) Settlement Amount. CRESTLINER shall pay a civil penalty of twenty-seven thousand, seven hundred fifty dollars (\$27,750.00 USD). CRESTLINER shall make all payments within 30 calendar days from the date CARB notifies CRESTLINER of the full execution of the Settlement Agreement.
- (10) Civil Penalty Payment Method. CRESTLINER 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. CRESTLINER 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 CRESTLINER in accordance with Paragraph 12 (Notices).

- (11) Documents. CRESTLINER shall promptly email or mail the signed and dated Settlement Agreement, with copy of proof of payment of the penalty, mitigation, 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 & Consumer Products Enforcement Branch
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to CRESTLINER:

Brian Gross
VP, Product Development & Engineering Aluminum Fish Group
Brunswick New York Mills Operations
Brian.Gross@brunswick.com

As to CRESTLINER's Legal Representation:

Ron Fiesta
Litigation and Commercial Counsel
26125 N. Riverwoods Blvd., Ste 500
Mettawa, Illinois 60045
Ron.Fiesta@brunswick.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, CRESTLINER shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (14) Repeat Violations. CRESTLINER agrees to comply with all regulatory requirements and acknowledges that repeat 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 7 pages and 33 paragraphs.
- (16) Binding Effect. This Settlement Agreement binds CRESTLINER, 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, CRESTLINER 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 the full completion of civil penalty, mitigation and all other undertakings above, CARB hereby releases CRESTLINER 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 sections 43016 and 43154, for violations of the SIMW Evaporative Regulation (Cal. Code Regs., tit.13, §§ 2850 et seq.) The penalty of twenty-seven thousand, seven hundred fifty dollars (\$27,750.00) over an unspecified number of days of violation is for eleven (11) noncompliant SIMW. The per unit penalty in this case is approximately two thousand, five hundred, twenty-two dollars and seventy-three cents (\$2,522.73) per noncompliant unit.
- (31) Emissions. The provisions cited above do prohibit emissions above a specified level. Without information on usage and emission rates, it is not practicable to

quantify the excess emissions. However, since CARB has alleged that the SIMW did not meet the regulatory requirements, all emissions were excess and illegal.

- (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.
- (33) Confidential Business Information. CARB based this penalty in part on confidential business information provided by CRESTLINER 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: Todd P. Sax, D.Env.

Title: Chief, Enforcement Division

Date: April 29, 2022

Crestliner Boats Settlement Agreement
Case Number: C00264

Crestliner Boats

Signature: /S/

Name: Brian Gross

Title: VP of PD&E Brunswick Aluminum Fish Group

Date: March 15, 2022