

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board ("CARB" or "Plaintiff"), with its principal location at 1001 I Street, Sacramento, California 95814; and Turn 14 Distribution, Inc. ("Turn 14" or "Defendant"), with its principal location at 100 Tournament Drive, Horsham, Pennsylvania 19044 (collectively, the "Parties," or individually, "Party").

RECITALS

WHEREAS, on March 25, 2024, Plaintiff filed a complaint for civil penalties against Turn 14 in the Superior Court of the State of California, Case No. 24STCV07488 ("the Complaint" or "the Action") alleging violations of California law;

WHEREAS, the Complaint seeks relief for alleged violations of Vehicle Code Sections 27156, 38391, and 24005, Health and Safety Code Section 43644 and California Code of Regulations, title 13, Sections 2220, et seq. and 2470 et seq. (collectively "California Antitampering Laws");

WHEREAS, the Complaint seeks an injunction against Defendant pursuant to Health and Safety Code Section 43017;

WHEREAS, on July 12, 2024, Defendant filed an Answer to the Complaint, denying all of Plaintiff's allegations and raising several affirmative defenses;

WHEREAS, CARB alleges that it adopted the *"Add-On Parts and Modified Parts" Regulation* (Cal. Code Regs., tit. 13, §§ 2220-2225) ("Aftermarket Parts Regulation"), as a part of California Antitampering Laws, to ensure that vehicle add-on and modified parts have been evaluated by CARB and do not increase vehicle emissions;

WHEREAS, CARB alleges that California Antitampering Laws prohibit any person from advertising, offering for sale, selling, or installing any device, apparatus, or mechanism that alters or modifies the original design or performance of a motor vehicle air pollution control device, unless it is exempted from Vehicle Code Section 27156(c). (Cal. Code Regs., tit. 13, § 2220; Vehicle Code § 27156.) The Executive Officer may issue a cease and desist order and enjoin violation of the relevant provisions of the Vehicle Code and Aftermarket Parts Regulation. (Cal. Code Regs., tit. 13, § 2225; Health & Saf. Code § 43017);

WHEREAS, CARB conducted a multi-year investigation of Turn 14 and issued Notice of Violation EPES-2022-C00435 (the "NOV") on August 10, 2022;

WHEREAS, CARB alleges that Turn 14 violated California Antitampering Laws by advertising, offering for sale, or selling non-exempted add-on or modified aftermarket parts and devices (the "Alleged Violations");

WHEREAS, CARB asserts that California Antitampering Laws are strict liability, and that if CARB is able to prove violations within its jurisdiction, that may result in penalties up to one thousand five hundred dollars (\$1,500.00 USD) for each violation of the Vehicle Code and, as well, forty-seven thousand three hundred sixty-three dollars (\$47,363.00 USD) per violation;

WHEREAS, Turn 14 states that it worked cooperatively with CARB to respond to information requests before the Complaint was filed and provided additional information to CARB regarding parts sales since filing of the Complaint; and

WHEREAS, Turn 14 denies any liability for the Alleged Violations.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the foregoing and the commitments set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations arising from and related to the Alleged Violations for which penalties or injunctive or other relief could be obtained by proceeding with the Action, and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the Alleged Violations described herein and in the Action, the Parties mutually agree to the Terms and Conditions enumerated below and accept this Settlement Agreement in termination and full settlement of this matter.

1. Effective Date. The Effective Date shall be the date upon which this Settlement Agreement is fully executed by the Parties.
2. Notification Date. The Notification Date shall be the date upon which CARB notifies Turn 14 according to Paragraph 12 (Notices) that the Settlement Agreement is fully executed or when CARB transmits the fully executed Settlement Agreement to Turn 14, whichever is later.
3. Dismissal of the Action. No later than five (5) calendar days after the Notification Date, Plaintiff shall dismiss the Action without prejudice, and the Parties agree to request that the Court retain jurisdiction under Code of Civil Procedure Section 664.6. The date on which the Action is dismissed without prejudice shall be the Dismissal Date. No later than ten (10) calendar days after CARB receives payment(s) from Turn 14 totaling the settlement amount identified in Paragraph 4 (\$1,004,000.00 USD), Plaintiff shall dismiss the Action with prejudice.
4. Settlement Amount. Turn 14 shall pay a civil penalty of one million four thousand dollars (\$1,004,000.00 USD). Turn 14 shall make all payments in accordance with the payment schedule in Paragraph 5 (Payment Plan and Schedule).

5. Payment Plan and Schedule. Pursuant to this Settlement Agreement, Turn 14 shall make payments on or before the dates as listed in the following table:

Days After the Dismissal Date	In the Amount of and Payable To:
30 Days	\$254,000, California Air Resources Board
120 Days	\$250,000, California Air Resources Board
210 Days	\$250,000, California Air Resources Board
300 Days	\$250,000, California Air Resources Board

Any payment deadline stated above that falls on a Saturday, Sunday, or state or federal holiday shall be carried over to the next business day.

6. Civil Penalty Payment Method. Turn 14 may 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. Turn 14 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 Turn 14 in accordance with Paragraph 12 (Notices).
7. Release of Claims. In exchange for the consideration provided herein, CARB, for itself alone and no other State, Federal or Local government agency, board, official or entity, hereby releases, relieves, and forever discharges Turn 14 and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any and all claims, causes of action, demands, and liabilities that CARB may have for the Alleged Violations, from the beginning of time up to and including the Effective Date, but not after, and except as reserved in Paragraph 8. CARB also agrees that it will not refer any claims associated with the Alleged Violations to any prosecuting authority and that it will not recommend that any claims associated with the Alleged Violations should be pursued or otherwise prosecuted criminally. For its part, Defendant hereby releases CARB, any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement, CARB's former, present, and future boards, elected and appointed officials, officers, directors, employees, agents, attorneys, and insurers from any claims it may have concerning the Alleged Violations.

8. Effect of Settlement/Reservation of Rights. The following shall apply:

(a) Notwithstanding the foregoing paragraphs, CARB does not waive, or grant a release concerning, any claims, rights, or remedies, whether in law or equity against Turn 14 with respect to:

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

(ii) Any transaction resulting in the shipment of a particular part to a particular address in California that Turn 14 did not disclose in writing to CARB in the course of this investigation and action, *unless*, Turn 14, within 30 days of the Effective Date, transmits to CARB a record of the transaction that lists the invoice date, part number, quantity of parts shipped, item description, customer name and address, and "ship-to" name and address which may be in the form of spreadsheets that CARB agrees to treat as confidential business information and exempt from disclosure under the Public Records Act.

(iii) Any claims concerning violations of California Antitampering Laws that Tucker Powersports, or any other acquired company, is alleged to have committed before October 31, 2023.

(iv) Any claims that were concealed by fraud.

(b) This Settlement Agreement does not limit or affect the rights of the Parties to this Settlement Agreement 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 Turn 14, 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.

9. Acceleration. If any payment is more than thirty (30) calendar days late from the indicated payment schedule deadlines, the entire remaining balance is accelerated to become due and payable immediately without notice or demand.

10. Disclaimer. California Code of Regulations, title 13, Section 2222(b)(2) requires that any non-exempted add-on or modified aftermarket parts advertised in California must include a legally adequate disclaimer. When printed in approximately 8-point font on each page on which any non-exempt add-on or modified aftermarket part appears of a print or digital advertisement, the following disclaimers are "model language which satisfies [the] requirements" of section 2222(b)(2). See Cal. Code Regs., tit. 13, § 2222(b)(4).

- "NOT LEGAL FOR SALE OR USE IN CALIFORNIA. THE MANUFACTURE, SALE, OFFER FOR SALE, OR INSTALLATION OF THIS PRODUCT MAY ALSO BE ILLEGAL NATIONWIDE UNDER THE FEDERAL CLEAN AIR ACT (42 U.S.C. § 7522(A)(3))."
 - "NOT LEGAL FOR SALE OR USE IN CALIFORNIA ON ANY POLLUTION CONTROLLED MOTOR VEHICLE. THE MANUFACTURE, SALE, OFFER FOR SALE, OR INSTALLATION OF THIS PRODUCT MAY ALSO BE ILLEGAL NATIONWIDE UNDER THE FEDERAL CLEAN AIR ACT (42 U.S.C. § 7522(A)(3))."
 - "LEGAL IN CALIFORNIA ONLY FOR RACING VEHICLES WHICH MAY NEVER BE USED, OR REGISTERED OR LICENSED FOR USE, UPON A HIGHWAY. THE MANUFACTURE, SALE, OFFER FOR SALE, OR INSTALLATION OF THIS PRODUCT MAY ALSO BE ILLEGAL NATIONWIDE UNDER THE FEDERAL CLEAN AIR ACT (42 U.S.C. § 7522(A)(3))."
 - "FOR CLOSED COURSE COMPETITION USE ONLY. NOT INTENDED FOR STREET USE. THE MANUFACTURE, SALE, OFFER FOR SALE, OR INSTALLATION OF THIS PRODUCT MAY ALSO BE ILLEGAL NATIONWIDE UNDER THE FEDERAL CLEAN AIR ACT (42 U.S.C. § 7522(A)(3))."
11. Documents. Turn 14 shall promptly email or mail the signed and dated Settlement Agreement, 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 / Engine and
Parts Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to Turn 14:

CARB Settlement Contact
Turn 14 Distribution, Inc.
100 Tournament Drive
Horsham, Pennsylvania 19044
CARBSettlement@turn14.com

As to Turn 14's Legal Representation:

Shannon S. Broome
Hunton Andrews Kurth LLP
50 California Street
Suite 1700
San Francisco, California 94111
SBroome@hunton.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. Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Alleged Violations and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Alleged Violations hereof. This Settlement Agreement consists of 9 pages and 27 numbered paragraphs.
14. Binding Effect. This Settlement Agreement binds Turn 14, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and binds CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
15. Modification and Termination. This Settlement Agreement may be modified in writing if signed by the Parties. 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.
16. 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.
17. 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.
18. 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.

19. 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.
20. Venue. The Superior Court of California, located in the County of Los Angeles, shall hear any dispute between the Parties arising from this Settlement Agreement and shall retain jurisdiction under Code of Civil Procedure Section 664.6 until the performance in full of the terms of the settlement.
21. Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures
22. Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

23. Per Unit Penalty. The penalty of \$1,004,000.00 is not based on a per unit penalty. CARB has reduced the civil penalty on the basis of financial hardship.
24. 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.

25. Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Turn 14 or confidential settlement communications.
26. Emissions. The California Antitampering Laws do not prohibit emissions above a specified level. Without information on engine usage and emission rates, it is not practicable to quantify the excess emissions, if any.
27. Severability. If the release of Turn 14 provided by this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, Turn 14's payment obligation set forth herein is unenforceable. If Turn 14's payment obligation is held to be illegal, invalid or unenforceable in any jurisdiction, the release of Turn 14 provided by this Settlement Agreement is unenforceable. Any other provision of this Settlement Agreement is severable, and in the event that any such 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.

[signatures on next page]

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Steven S. Cliff, Ph.D.

Title: Executive Officer

Date: March 3, 2025

Turn 14 Distribution, Inc.

Signature: /S/

Name: Chris Candido

Title: Chief Technology Officer

Date: March 3, 2025