

## **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 Power Products Unlimited, Inc. (Power Products), with its principal location at 5204 E. Broadway Avenue, Spokane Valley, Washington 99212-0939 (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 motor vehicles. (Health & Saf. Code §§ 43000, 43000.5, 43011.)
- (2) Regulation. CARB adopted the "*Add-On Parts and Modified Parts*" Regulation (Cal. Code Regs., tit. 13, §§ 2220-2225) (Aftermarket Parts Regulation) to ensure that these vehicle add-on and modified parts have been evaluated by CARB and do not alter or modify the original design or performance of any required motor vehicle pollution control device system.
- (3) Regulatory Provisions. The Aftermarket Parts Regulation and Vehicle Code prohibit any person or company doing business in California from advertising, offering for sale, selling, or installing any device, apparatus, or mechanisms that alters or modifies the original design or performance of any required motor vehicle air pollution control device or system, unless it is exempted from Vehicle Code section 27156. (Cal. Code Regs., tit. 13, § 2220; Vehicle Code § 27156.) The Executive Officer may issue a cease and desist order and enjoin the sale, import, install, advertising, supply, distribution, or install in California of any aftermarket part that does not comply with the Aftermarket Parts Regulation. (Cal. Code Regs., tit. 13, § 2225; Health & Saf. Code 43017.) The sale of this product may also be illegal nationwide under the federal Clean Air Act (42 U.S.C. § 7522(a)(3).)
- (4) Penalty Provisions. Failure to comply with the Aftermarket Parts Regulation is a violation of state law that may result in penalties up to one thousand five hundred dollars (\$1,500.00 USD) for each violation and forty-five thousand five hundred sixty-three dollars (\$45,563.00 USD) per action, for strict liability violations, respectively, for each noncompliant aftermarket part. (Cal. Code Regs., tit. 13, §§ 2220-2225; Health & Saf. Code, §§ 43008.6, 43016; Vehicle Code § 27156.)

## CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Power Products was organized under the laws of Washington as a profit corporation conducting business in the State of California.
- (6) Allegations. CARB alleges that Power Products violated the Aftermarket Parts Regulation by advertising, offering for sale, and selling add-on or modified aftermarket parts, resulting in 488 violations, as provided in Notice of Violation (NOV) EPES-2024-C00793. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Power Products for each violation.
- (7) Acknowledgment. Power Products 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, Power Products 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 Power Products for the alleged violations referred to above in the Legal Background and Case Background, and Power Products' agreement to complete all terms and conditions set forth below, CARB and Power Products agree as follows:

- (9) Settlement Amount. Power Products shall pay a civil penalty of one hundred sixty thousand dollars (\$160,000.00 USD). Power Products shall make all payments in accordance with the payment schedule in Paragraph 11 (Payment Plan and Schedule).
- (10) Notification Date. The date upon which CARB notifies Power Products according to Paragraph 16 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to Power Products, whichever occurs first.
- (11) Payment Plan and Schedule. Pursuant to this Settlement Agreement, Power Products shall make payments according to the following table:

<b>Days After the Notification Date</b>	<b>In the Amount of and Payable To:</b>
30 days	\$20,000 - California Air Resources Board
120 days	\$20,000 - California Air Resources Board
210 days	\$20,000 - California Air Resources Board
300 days	\$20,000 - California Air Resources Board
390 days	\$20,000 - California Air Resources Board
480 days	\$20,000 - California Air Resources Board
570 days	\$20,000 - California Air Resources Board
660 days	\$20,000 - California Air Resources Board

- (12) Civil Penalty Payment Method. Power Products 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. Power Products 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 Power Products in accordance with Paragraph 16 (Notices).
- (13) Disclaimer. Power Products shall add the following disclaimer to the advertisements of all non-exempt aftermarket parts advertised, sold, or offered for sale in California with one of the following disclaimers in approximately font size 8 on each page on which any non-exempt aftermarket part appears:
- "NOT LEGAL FOR SALE OR USE IN CALIFORNIA."
  - "NOT LEGAL FOR SALE OR USE IN CALIFORNIA ON ANY POLLUTION CONTROLLED MOTOR VEHICLE."
  - "LEGAL IN CALIFORNIA ONLY FOR RACING VEHICLES WHICH MAY NEVER BE USED, OR REGISTERED OR LICENSED FOR USE, UPON A CALIFORNIA HIGHWAY."
  - "FOR CLOSED COURSE COMPETITION USE ONLY. NOT INTENDED FOR STREET USE."

- (14) Acceleration. If any payment is more than thirty (30) calendar days late from the payment schedule deadline, the entire remaining balance is accelerated to become due and payable immediately without notice or demand.
- (15) Documents. Power Products shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 16 (Notices).
- (16) 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 Section  
P.O. Box 2815  
Sacramento, California 95812-2815  
[Settlement\\_Agreement@arb.ca.gov](mailto:Settlement_Agreement@arb.ca.gov)

As to Power Products:

Taylor Hall, CFO  
Power Products Unlimited, Inc.  
5204 East Broadway Avenue  
Spokane Valley, Washington 99212  
[taylor@dieselpowerproducts.com](mailto:taylor@dieselpowerproducts.com)

As to Power Products' Legal Representation:

Michael Vergara  
Downey Brand LLP  
621 Capitol Mall, 18th Floor  
Sacramento, California 95814  
[mvergara@downeybrand.com](mailto:mvergara@downeybrand.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.

- (17) Repeat Violations. Power Products agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (18) 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 9 pages and 36 numbered paragraphs.

- (19) Binding Effect. This Settlement Agreement binds Power Products, 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.
- (20) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (21) 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.
- (22) 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.
- (23) 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.
- (24) 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.
- (25) 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.
- (26) 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.

- (27) Intent to be Bound. The Parties represent the following: (1) They have participated fully in the review and drafting of this Settlement Agreement; (2) understand and accept all terms; (3) enter into this Settlement Agreement freely and voluntarily; (4) have had an opportunity to consult with legal counsel; (5) are fully informed of the terms and effect of this Settlement Agreement; (6) have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and (7) knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
- (28) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (29) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (30) Release. In consideration of full payment of the civil penalty, and all other undertakings above, CARB hereby releases Power Products 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 Paragraph 6 (Allegations) above.
- (31) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

### **PENALTY BASIS**

- (32) Per Unit Penalty. The per unit penalty in this case is a maximum of forty-five thousand five hundred sixty-three dollars (\$45,563.00 USD) per action under Health and Safety Code section 43016, and/or one thousand five hundred dollars (\$1,500.00 USD) per unit under California Health and Safety Code section 43008.6, for violations of the Aftermarket Parts Regulation and Vehicle Code section 27156. (Cal. Code Regs., tit. 13, §§ 2220-2225.) The penalty of \$160,000 over an unspecified number of days of violation is for 488 noncompliant aftermarket parts. The per unit penalty in this case is approximately \$328 per violation.
- (33) Emissions. The provisions cited in Paragraph 6 (Allegations) above 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.
- (34) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including the statutory factors as described in CARB's Enforcement Policy. CARB considered

the following factors: (1) whether the violator came into compliance quickly and cooperated with the investigation; (2) the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; (3) compliance history; (4) 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; (5) efforts to attain, or provide for, compliance prior to violation; (6) action taken to mitigate the violation; (7) financial burden to the violator; and (8) 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.

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

(36) 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 Power Products 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 Power Products with respect to:
  - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
  - (ii) Facts that were not disclosed by Power Products 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, Power Products 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 Power Products 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 Power Products, 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. Power Products is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Power Products' 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 Power Products' 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: March 23, 2026

**Power Products Unlimited, Inc.**

Signature: /S/

Name: Taylor Hall

Title: Chief Financial Officer

Date: March 16, 2026