

SETTLEMENT AGREEMENT AND RELEASE

This SETTLEMENT AGREEMENT AND RELEASE (hereinafter "Agreement") is entered into by and between the CALIFORNIA AIR RESOURCES BOARD (hereinafter "CARB"), with its principal office located at 1001 I Street, Sacramento, California 95814 and Husqvarna Consumer Outdoor Products N.A., Inc. (hereinafter "HUSQVARNA"), with its principal place of business located at 9335 Harris Corners Parkway, Suite 500 Charlotte, North Carolina 28269 (collectively, "The Parties").

RECITALS

1. The California Health and Safety Code mandates the reduction of the emission of air pollution from off-road engines. (Health & Saf. Code §§ 43013; 43018.)
2. CARB adopted the exhaust emission requirements (Cal. Code Regs., tit. 13, §§ 2400-2407) (hereinafter "Exhaust Emissions Regulation") to reduce hydrocarbon, carbon monoxide, and oxides of nitrogen emissions from off-road spark-ignited small off-road engines rated at equal to or less than 19 kilowatts, and equipment utilizing such engines (hereinafter "SORE engines").
3. CARB adopted evaporative emission requirements (Cal. Code Regs., tit. 13, §§ 2750-2774) (hereinafter "Evaporative Emissions Regulation") to reduce hydrocarbon emissions from SORE engines rated at equal to or less than 19 kilowatts.
4. The Exhaust Emissions Regulation and Evaporative Emissions Regulation both require that, inter alia, SORE engines be certified and labeled according to the requisite requirements of each regulation in order to be (a) manufactured for sale or lease for use or operation in California; (b) sold, leased for use, or operation in California; or (c) delivered or imported into California for introduction into commerce in California. (respectively, and as specified in, Cal. Code Regs., tit. 13, § 2400(a)(2) and Cal. Code Regs., tit. 13, § 2751(a))
5. Failure to comply with any requirement of the Exhaust Emissions Regulation and the Evaporative Emissions Regulation for SORE engines is a violation of state law that may result in civil penalties of up to five hundred thirty-four dollars (\$534) for each noncompliant action. Furthermore, the payment of any assessed penalties and compliance with the applicable emission regulations may be required by CARB as conditions for the continued sale of the subject SORE engine families and products in the state of California. (Health & Saf. Code, § 43016)
6. On July 17, 2019, and also from subsequent communications, HUSQVARNA voluntarily disclosed to CARB that it had sold 130 Jonsered® brand riding mowers ("Subject Mowers") in California equipped with 49-state Briggs & Stratton SORE engines (either engine family JBSXS.8102VS or engine family KBSXS.7242VE) that

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had not been issued exhaust and evaporative emission certification Executive Orders, as required by the Exhaust Emissions Regulation and the Evaporative Emissions Regulation.

7. The Subject Mowers (model numbers YT46 and Z54R) were sold online via Costco Wholesale Corporation dating back to May 2018.
8. CARB alleges that the manufacture, sale, and introduction and delivery into California of the SORE engines equipped in the Subject Mowers were unlawful and in violation of the SORE engine regulations pursuant to Cal. Code Regs., tit. 13, §§ 2400-2407 and Cal. Code Regs., tit. 13, §§ 2750-2774.
9. HUSQVARNA fully cooperated with CARB in the investigation of this subject matter.
10. HUSQVARNA, upon disclosing the Subject Mowers to CARB, promptly began a voluntary buyback and exchange program to remove them from California operation. After the implementation of this program, HUSQVARNA was able to successfully retrieve 90 percent, or 117 of the 130 Subject Mowers.
11. HUSQVARNA is a North Carolina corporation doing business in California.
12. Jonsered® is an outdoor power equipment brand which HUSQVARNA is authorized to use.
13. CARB alleges that if the allegations described in recital paragraphs 1 through 8 were proven, civil penalties could be imposed against HUSQVARNA as provided in Health and Safety Code section 43016.
14. HUSQVARNA admits the facts in recital paragraphs 1 through 8, but denies any liability arising thereunder.
15. 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 Agreement, without the need for formal litigation. HUSQVARNA has taken or agrees to take the actions enumerated below within the Terms and Release for the purpose of settlement and resolution of this matter with CARB. CARB accepts this Agreement in termination and settlement of this matter.

TERMS AND RELEASE

In consideration of CARB not filing a legal action against HUSQVARNA for the violations alleged above, and in consideration of the other terms set out below, CARB and HUSQVARNA agree as follows:

1. Penalty. HUSQVARNA shall pay a civil penalty of pay thirteen thousand dollars (\$13,000 USD) of the total amount to the California Air Pollution Control Fund within 30 calendar days from full execution of this Agreement.
2. SEP. In addition, HUSQVARNA agrees to pay thirteen thousand dollars (\$13,000 USD) to undertake a SEP entitled "Placer County Community Based SEP Phase 2" as described in the SEP Summary consistent with CARB's SEP Policy within 30 calendar days from full execution of this Agreement.
3. CARB Penalty Payment Method(s). HUSQVARNA agrees to pay by check, credit card, wire transfer, or portal, using instructions provided separately by CARB in a Payment Transmittal Form. Payments shall be made to the address that correlates to the payment method elected, and shall be accompanied by the Payment Transmittal Form to ensure proper application:

For payments made by check or credit card, mail to:

California Air Resources Board
Accounting Branch
P.O. Box 1436
Sacramento, California 95812

For payments made by wire transfer:

State of California Air Resources Board
c/o Bank of America, Inter Branch to 0148
Routing No. 0260-0959-3 Account No. 01482-80005
Notice of Transfer: Edna Murphy, Fax: (916) 322-9612
Reference: CARB Case No. C00256

Wire Transfer Fee: Vendor is responsible for any bank charges incurred for processing wire transfers

For payments made via the First Data payment portal:

Information to assist you with making online payments via the First Data payment portal is available at this link on CARB's website:

<https://ww2.arb.ca.gov/payments>

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4. SEP Payment Method(s). As stated in Terms and Release paragraph 2 above, within 30 calendar days of full execution of this Agreement, HUSQVARNA shall pay \$13,000 USD by wire transfer or check payable to the Placer County Air Pollution Control District, using instructions provided separately by CARB in a Payment Transmittal Form. For payment to the Placer County Air Pollution Control District, HUSQVARNA shall send the payment to:

Placer County Air Pollution Control District
ATTN: A.J. Nunez, ASO
RE: Placer County Community Based SEP Phase 2
110 Maple Street, Auburn, California 95603

5. Documents. HUSQVARNA shall promptly email and then mail the original signed and dated Agreement, with copy of proof of payment of the civil penalty and the SEP, and a copy of the Payment Transmittal Form for each to:

Mr. Dean Hermano
Staff Air Pollution Specialist
California Air Resources Board
Enforcement Division
9480 Telstar Avenue, Suite 4
El Monte, California 91731

6. Prohibition Against Financial Benefit. HUSQVARNA has agreed that by funding the SEP, HUSQVARNA will not receive any direct or indirect financial benefit, and that whenever HUSQVARNA publicizes or refers to the SEP or the results of the SEP, HUSQVARNA will state that the SEP is being undertaken as part of the settlement of a CARB enforcement action.
7. 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 California Air Pollution Control Fund. Accordingly, HUSQVARNA assigns any and all rights against the SEP implementer to CARB.
8. Facsimile or photocopied signatures shall be considered as valid signatures as of the date hereof, although the original signature pages shall thereafter be appended to this Agreement.
9. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and such counterparts together shall constitute one and

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the same instrument.

10. HUSQVARNA represents that it understands the legal requirements applicable to the manufacture and sale of SORE engines in California and agrees that it will not introduce or deliver such engines or equipment equipped with them into commerce in California unless the SORE engines are properly certified in accordance with the regulations cited in Recital paragraphs 2 and 3 of this Agreement.
11. Effect of Untimely Payment. If any payment or payment installment is not tendered within 30 calendar days of full execution of this Agreement, the entire remaining balance, plus a penalty interest rate of 10% per annum on the entire remaining balance from the date initially due shall become immediately due and payable without notice or demand. In addition, if the Attorney General files a civil action to enforce the Agreement, HUSQVARNA shall pay all costs of investigation and prosecuting the action, including expert fees, reasonable attorney's fees, and costs, provided the Attorney General prevails in that action.
12. It is agreed that the civil penalty described in Terms and Release paragraph 1 is punitive in nature, rather than compensatory. Furthermore, this penalty is payable to and for the benefit of CARB, a governmental unit. Therefore, it is agreed that this penalty imposed on HUSQVARNA by CARB arising from the facts described in Recital paragraphs 1 through 8 are nondischargeable under 11 U.S.C § 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, and is not compensation for actual pecuniary loss, other than certain types of tax penalties.
13. This Agreement shall apply to and be binding upon HUSQVARNA and its principals, officers, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, predecessors, and upon CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.
14. Now, therefore, in consideration of the payments by HUSQVARNA to the California Air Pollution Control Fund and the subject SEP in the amounts specified above, CARB hereby fully and finally releases HUSQVARNA and its principals, officers, shareholders, directors, agents, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and predecessors from any and all claims that CARB has or may have relating to the Subject Units or based on the allegations described in Recital paragraphs 1 through 8.
15. This Agreement constitutes the entire agreement and understanding between

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CARB and HUSQVARNA concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between CARB and HUSQVARNA concerning these claims.

16. The effective date of this Agreement shall be the date upon which it is fully executed.
17. No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all Parties to this Agreement.
18. Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.
19. This 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.
20. Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable in any jurisdiction, the remainder of this Agreement remains in full force and effect.
21. This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either party on the ground that said party drafted it.
22. The failure of any Party to enforce any provision of this 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 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 Agreement or otherwise provided by law.
23. The terms and conditions set forth in this Agreement will remain valid and enforceable notwithstanding any future violations that may occur.
24. This Agreement shall further serve to toll any statute of limitations until all terms and conditions of this Agreement have been fulfilled.

25.SB 1402 Statement

Senate Bill 1402 (Dutton, Chapter 413, statutes of 2010, Health and Safety Code section 39619.7) requires CARB to provide information on the basis for the penalties it seeks. This required information, which is provided throughout this settlement agreement, is summarized here.

The provision of law the penalty is being assessed under and why that provision is most appropriate for that violation.

The penalty provisions being applied in this case is Health and Safety Code section 43016, because HUSQVARNA manufactured, sold, and delivered or imported into California SORE engines that failed to comply with the Exhaust Emissions Regulation and the Evaporative Emissions Regulation, in violation of Cal. Code Regs., tit. 13, §§ 2400-2407 and Cal. Code Regs., tit. 13, §§ 2750-2774., both of which CARB adopted under the authority of Health and Safety Code section 43013, which is in Part 4 of Division 26 of the Health and Safety Code.

The manner in which the penalty amount was determined, including aggravating and mitigating factors and per unit basis for the penalty.

Penalties must be set at levels sufficient to discourage violations. The penalties in this matter were determined in consideration of all relevant circumstances, including the eight factors specified in Health and Safety Code section 43024. The maximum per unit penalty in this case is five hundred thirty-four dollars (\$534) per unit per strict liability violation for the manufacture, sale, and delivery or importation of uncertified SORE engines in California. The final penalty obtained in this case is two hundred dollars (\$200) per mower for the 130 Subject Mowers equipped with uncertified SORE engines. This amount reflects the fact that HUSQVARNA voluntarily disclosed the violation in writing within 21 days of discovery, the quick implementation of an extensive buyback and exchange program implemented by HUSQVARNA for the Subject Mowers, and HUSQVARNA's full and immediate cooperation with CARB's investigation.

The penalties in this matter were determined in consideration of all relevant circumstances, including the eight statutory factors, (Health & Saf. Code § 42403), including the unique circumstances of this matter, considered together with the need to remove any economic benefit from noncompliance, the goal of deterring future violations and obtaining swift compliance, the consideration of past penalties in similar case negotiation, and CARB's assessment of the relative strength of its case against HUSQVARNA, the desire to avoid the uncertainty, burden and expense of litigation, obtain swift compliance with the law and remove any unfair advantage that HUSQVARNA may have secured from its alleged actions. Penalties in other cases may be smaller or larger depending on the unique circumstances of each case.

Whether the penalty is being assessed under a provision of law that prohibits the emission of pollution at a specified level, and, if so a quantification of excess emissions, if it is practicable to do so.

The provisions cited above prohibit emissions above a specified level. However, it is not practicable to quantify these emissions, to the extent there are any, because the information necessary to do so, such as emission rates and time of use, would require a large expenditure of resources by the Parties to obtain. There are no testing results readily available that would indicate how much emissions increased, if at all, as a result of the use of the Subject Mowers impacted by the facts and allegations described in Recital paragraphs 1 through 8 above. However, since the SORE engines in the Subject Mowers are deemed to be not certified for sale in California, all emissions attributable to them are illegal. In the interests of settlement and because of the time and expense involved, the Parties elected not to do such testing.

26. HUSQVARNA acknowledges that CARB has complied with Health and Safety Code section 39619.7, and considered the relevant factors in Health and Safety Code sections 42403 and 43024.
27. The penalty in this case was based in part on confidential business information provided by HUSQVARNA that is not retained by CARB in the ordinary course of business. The penalty in this case was also based on confidential settlement communications between CARB and HUSQVARNA that CARB does not retain in the ordinary course of business either.

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28. Each of the undersigned represents that he or she has full power and authority to enter this Agreement.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

By: _____ /S/ _____

Name: Dr. Todd P. Sax

Title: Chief, Enforcement Division

Date: 5/21/2020

**Husqvarna Consumer Outdoor
Products N.A., Inc.**

By: _____ /S/ _____

Name: John E. Grupp

Title: VP and General Counsel

Date: 5/12/2020

By: _____ /S/ _____

Name: Robert Tesch

Title: VP and CFO

Date: 5/12/2020