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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996  
COMMISSION FILE NUMBER 1-1043

BRUNSWICK CORPORATION  
(EXACT NAME OF REGISTRANT IN ITS CHARTER)

36-0848180  
DELAWARE (I.R.S. EMPLOYER IDENTIFICATION NO.)  
(STATE OF INCORPORATION)

60045-4811  
1 N. FIELD CT. (ZIP CODE)  
LAKE FOREST, ILLINOIS  
(ADDRESS OF PRINCIPAL EXECUTIVE  
OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (847) 735-4700

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<TABLE>  
<CAPTION>

| TITLE OF EACH CLASS                | NAME OF EACH EXCHANGE<br>ON WHICH REGISTERED                  |
|------------------------------------|---|
| -----                              | -----   |
| <S> Common Stock (\$.75 par value) | <C> New York, Chicago, Pacific,<br>and London Stock Exchanges |

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:  
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 17, 1997, the aggregate market value of the voting stock of the registrant held by non-affiliates was \$2,808,737,719. Such number excludes stock beneficially owned by officers and directors. This does not constitute an admission that they are affiliates.

The number of shares of Common Stock (\$.75 par value) of the registrant outstanding as of March 17, 1997, was 98,944,275.

DOCUMENTS INCORPORATED BY REFERENCE

PART III OF THIS REPORT ON FORM 10-K INCORPORATES BY REFERENCE CERTAIN INFORMATION FROM THE COMPANY'S DEFINITIVE PROXY STATEMENT FOR THE ANNUAL

PART I

ITEM 1. BUSINESS

Brunswick Corporation (the "Company") is a multinational, branded consumer products company serving the outdoor and indoor active recreation markets. Its major brands include Zebco(R), Quantum(R), Browning(R) and Lew's(R) fishing reels and reel/rod combinations; MotorGuide(R) and Thruster(R) trolling motors; Swivl-Eze(R) marine accessories; American Camper(R) and Remington(R) camping gear; Roadmaster(R) and Ride Hard(TM) bicycles; Roadmaster(R) wagons; Flexible Flyer(R) sleds; Brunswick Recreation Centers(R) and Brunswick(R) bowling capital equipment and consumer products; Brunswick(R) billiards tables; Sea Ray(R), Bayliner(R) and Maxum(R) pleasure boats; Boston Whaler(R), Trophy(R) and Robalo(R) offshore fishing boats; Quicksilver(R) marine parts and accessories; Mercury(R), Mariner(R) and Force(R) outboard engines and MerCruiser(R) sterndrives and inboard engines.

Since mid-1995, the Company has been implementing a strategic plan to build its active recreation business by:

- . Expanding its leading brand franchises through the introduction of innovative products and the application of data-based and other marketing efforts;
- . Acquiring active recreation consumer products companies with:
  - leading brands,
  - growth potential, and
  - synergies with the Company's product lineup, such as a high level of customer cross participation;
- . Divesting under-performing businesses; and
- . Improving margins through effective cost management and enhanced operating efficiencies.

The Company operates in two business segments: Recreation and Marine.

Recreation

The Recreation segment consists of the Brunswick Outdoor Recreation Group ("BORG") and the Brunswick Indoor Recreation Group ("BIRG").

BORG markets and manufactures fishing and camping equipment, bicycles, wagons and sleds. The Company believes that it holds the leading domestic market share of fishing reels and reel/rod combinations. BORG also manufactures and sells fishing pedestals, ski tows, pylons and electric trolling motors for fishermen and for use by boat manufacturers including Marine segment operations.

The Company acquired its camping business from Roadmaster Industries, Inc. in March 1996 for approximately \$119 million. Camping products include sleeping bags, tents, backpacks, canvas bags, foul weather gear, waders, propane lanterns and stoves, cookware and utensils. The Roadmaster bicycle, wagon and sled business was acquired in September 1996 for approximately \$190 million.

In January 1997 the Company acquired Igloo Holdings, Inc. for approximately \$143 million. Igloo is the domestic market leader in ice chests, beverage coolers and thermoelectric cooler/warmer products.

BIRG is the leading manufacturer of bowling products including bowling balls and capital equipment such as bowling lanes, automatic pinsetters, ball returns, computerized scoring equipment and seating and locker units.

BIRG operates 123 recreation centers worldwide, and its joint ventures operate 32 recreation centers. Recreation centers offer bowling and, depending on size and location, the following activities and services: billiards, video games, children's playrooms, restaurants and cocktail lounges. The Company

also operates four family entertainment centers, which in addition to the above activities, also offer more extensive recreation alternatives such as basketball courts, in-line skating rinks and interactive video games. Most of the centers offer Cosmic Bowling(R), a glow in the dark bowling experience that transforms bowling into a new and different form of recreation. Most of the recreation centers are owned.

BIRG has a 50 percent interest in Nippon Brunswick K. K., which sells bowling equipment and operates bowling centers in Japan. The Group has other joint ventures (i) to build, own and operate bowling centers and family entertainment centers, which include bowling, billiards and many other games, in Brazil, China, Korea and Thailand; and (ii) to sell bowling equipment in China and Thailand.

The Company's products are distributed through mass merchants, distributors, dealers, bowling centers, and retailers by Company sales personnel and manufacturers' representatives. Recreation products are distributed worldwide from regional warehouses, sales offices and factory stocks of merchandise.

### Marine

The Marine segment consists of the Mercury Marine, US Marine and Sea Ray Divisions. The Company believes its Marine segment has the largest dollar sales volume of recreational marine engines and pleasure boats in the world.

The Mercury Marine Division markets and manufactures a full range of outboard engines, sterndrives and inboard engines and propless water-jet systems under the familiar Mercury, Mariner, Force, MerCruiser and SportJet(R) brand names. A portion of Mercury Marine's outboards and its Quicksilver parts and accessories, including steering systems, instruments, controls, propellers, service aids and marine lubricants, are sold directly to end-users through a dealer network. The remaining outboards and virtually all of the sterndrive and inboard engines and the water-jet systems are sold to boat builders, including the Company's boat divisions.

In 1996 Mercury introduced the OPTIMAX(R) 200-horsepower outboard engine featuring its new direct fuel injection ("DFI") technology. DFI is part of Mercury's plan to reduce engine emissions by 75 percent over a nine-year period beginning in mid-1997 to comply with Environmental Protection Agency requirements. Mercury's line of low emission engines also includes four-cycle versions of its smaller two-cycle outboards, which require no modification to meet reduced emission levels.

Mercury Marine products are manufactured in North America for global distribution. International assembly facilities are located in Belgium and Mexico, and offshore distribution centers are in Belgium, Japan and Australia.

The boat divisions consist of US Marine and Sea Ray, makers and marketers of fiberglass pleasure and offshore fishing boats. US Marine, known for its Bayliner brand of motor yachts, cabin cruisers, sport fishing boats, runabouts and jet powered boats, also markets and manufactures Maxum runabouts and cabin cruisers, Robalo and Trophy sport fishing boats and Quantum(R) fish 'n' ski boats.

The US Marine Division is vertically integrated, producing many of the parts and accessories which make up the boats. Escort boat trailers also are produced by the Division and are sold with smaller boats as part of boat-motor-trailer packages. Outboard motors and sterndrives are purchased from the Mercury Marine Division.

The Sea Ray Division, best recognized for its luxury motor yachts, cabin cruisers, sport fishing boats, sport boats, runabouts, water skiing boats and jet powered boats marketed and manufactured under the same name, also makes and sells Baja(R) high-performance boats and Boston Whaler(R) offshore boats. The Division purchases its outboard motors and most of its sterndrives and gasoline inboard engines from the Mercury Marine Division.

US Marine and Sea Ray boats are sold through worldwide dealer networks.

The Company has a minority interest in Tracker Marine, L.P., a limited partnership, which manufactures and markets boats, motors, trailers and accessories. The Company has various agreements with Tracker Marine, L.P., including contracts to supply outboard motors, trolling motors and various

other Brunswick products for Tracker Marine boats.

The Company's Marine segment sales to unaffiliated customers include sales of the following principal products for the three years ended December 31, 1996, 1995, and 1994:

<TABLE>  
<CAPTION>

|              | 1996                     | 1995      | 1994      |
|--------------|--------------------------|-----------|-----------|
|              | -----                    |           |           |
|              | (IN MILLIONS, UNAUDITED) |           |           |
| <S>          | <C>                      | <C>       | <C>       |
| Boats.....   | \$1,175.2                | \$ 978.4  | \$ 796.0  |
| Engines..... | 1,112.1                  | 1,168.7   | 1,086.6   |
|              | -----                    |           |           |
|              | \$2,287.3                | \$2,147.1 | \$1,882.6 |
|              | =====                    |           |           |

</TABLE>

Boat sales include the value of engines when such engines are sold as a component of a finished boat. Engine sales include sales to boat manufacturers which are not Company-owned, marine dealers and others, when the engine is not sold with a Company-manufactured boat.

The Company's fresh water fishing boat operations, which comprised substantially all of the assets of the Fishing Boat Division, were sold during 1996.

#### RAW MATERIALS

Many different raw materials are purchased from various sources. At the present time, no critical raw material shortages are anticipated. General Motors Corporation is a significant supplier of the gasoline engine blocks used to manufacture the Company's gasoline sterndrives.

#### PATENTS, TRADEMARKS AND LICENSES

The Company has and continues to obtain patent rights, consisting of patents and patent licenses, covering certain features of the Company's products and processes. The Company's patents, by law, have a limited life, and rights expire periodically.

In the Recreation segment, patent rights principally relate to computerized bowling scorers and business systems, bowling lanes and related equipment, game tables, fishing reels, electric trolling motors, camping equipment, bicycles, ice chests, coolers and thermoelectric cooler/warmer products.

In the Marine segment, patent rights principally relate to boats and features of outboard motors and inboard-outboard drives including die-cast powerheads, cooling and exhaust systems, drive train, clutch and gearshift mechanisms, boat/engine mountings, shock absorbing tilt mechanisms, ignition systems, propellers, spark plugs, and fuel and oil injection systems.

Although the Company has important patent and patent license positions, the Company believes that its performance is mainly dependent upon its engineering, manufacturing and marketing capabilities.

The Company has many trademarks associated with its various divisions and applied to its products. Many of these trademarks are well known to the public and are considered valuable assets of the Company.

#### ORDER BACKLOG

Order backlog is not considered to be a significant factor in the businesses of the Company, except for bowling capital equipment. The backlog of bowling capital equipment at December 31, 1996 was \$22.6 million, and the Company expects to fill all of such orders during 1997. The backlog of bowling capital equipment at December 31, 1995 was \$38.3 million.

#### COMPETITIVE CONDITIONS AND POSITION

The Company believes that it has a reputation for quality in its highly-competitive lines of business. The Company competes in its various markets by utilizing efficient production techniques and innovative marketing, advertising and sales efforts, and by providing high-quality products at competitive prices.

Strong competition exists with respect to each of the Company's product groups, but no single manufacturer competes with the Company in all product groups. In each product area, competitors range in size from large, highly diversified companies to small producers. The following paragraphs summarize what the Company believes its position is in each area.

Recreation. The Company competes directly with many manufacturers of recreation products. In view of the diversity of its recreation products, the Company cannot identify the number of its competitors. The Company believes, however, that in the United States, it is one of the largest manufacturers of fishing reels, bicycles, camping equipment, ice chests, beverage coolers and thermoelectric cooler/warmer products. For these recreation products, competitive emphasis is placed on product innovation, quality, marketing activities, pricing and the ability to meet delivery and performance requirements.

The Company believes it is the world's largest manufacturer of bowling capital equipment. Certain bowling products, such as automatic scorers and computerized management systems, represent innovative developments in the market. For other bowling products competitive emphasis is placed on quality, marketing activities and pricing. The Company operates 123 recreation centers and four family entertainment centers worldwide. Each center competes directly with centers owned by other parties in its immediate geographic area. Competitive emphasis is, therefore, placed on customer service, quality facilities and personnel, and prices.

Marine. The Company believes it has the largest dollar sales volume of recreational marine engines and pleasure boats in the world. The domestic marine engine market includes relatively few major competitors. There are approximately 11 competitors in outboard engine markets worldwide, and foreign competition continues in the domestic marine engine market. There are many competitors in the highly competitive marine accessories business. Competitive advantage in the marine engine and accessories markets is a function of product features, technology leadership and effective distribution in addition to pricing.

There are many manufacturers of pleasure and fishing boats, and consequently, this business is highly competitive. The Company competes on the basis of product features and technology, quality, value, performance, durability, styling and price. Demand for pleasure boats and marine engines is influenced by a number of factors, including consumer education about boating, economic conditions and, to some extent, prevailing interest rates and consumer confidence in spending discretionary dollars.

RESEARCH AND DEVELOPMENT

Company-sponsored research activities, relating to the development of new products or to the improvement of existing products, are shown below:

<TABLE>  
<CAPTION>

|                 | 1996          | 1995   | 1994   |
|-----------------|---------------|--------|--------|
|                 | -----         |        |        |
|                 | (IN MILLIONS) |        |        |
|                 | <C>           | <C>    | <C>    |
| Recreation..... | \$11.1        | \$13.9 | \$11.5 |
| Marine.....     | 75.4          | 74.0   | 55.5   |
|                 | -----         |        |        |
|                 | \$86.5        | \$87.9 | \$67.0 |
|                 | =====         |        |        |

</TABLE>

NUMBER OF EMPLOYEES

The number of employees at December 31, 1996 is shown below by industry

segment:

| <S>             | <C>    |
|-----------------|--------|
| Recreation..... | 8,350  |
| Marine.....     | 14,300 |
| Corporate.....  | 150    |
|                 | -----  |
|                 | 22,800 |
|                 | =====  |

</TABLE>

There are approximately 1,800 employees in the Recreation segment and 2,300 employees in the Marine segment who are represented by labor unions. The Company believes that relations with these labor unions are good.

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## ENVIRONMENTAL REQUIREMENTS

The Company is involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other federal and state legislation governing the generation and disposition of certain hazardous wastes. These proceedings, which involve both on- and off-site waste disposal, in many instances seek compensation from the Company as a waste generator under Superfund legislation which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. The Company believes that it has established adequate reserves to cover all known claims.

## ITEM 2. PROPERTIES

The Company's headquarters are located in Lake Forest, Illinois. The Company has numerous manufacturing plants, distribution warehouses, sales offices and test sites. Research and development facilities are division-related, and most are located at individual manufacturing sites.

The Company's plants are deemed to be suitable and adequate for the Company's present needs. The Company believes that all of its properties are well maintained and in good operating condition. Most plants and warehouses are of modern, single-story construction, providing efficient manufacturing and distribution operations.

The Company's plants are operating at approximately 70 percent of current capacity.

The Company's headquarters and all of its principal plants are owned by the Company. Some bowling recreation centers, three small plants, two test facilities and an overseas distribution center are leased.

The Company's primary facilities are in the following locations:

### Mercury Marine Division

Fond du Lac, Hartford and Milwaukee, Wisconsin; Stillwater, Oklahoma; Placida and St. Cloud, Florida; Juarez, Mexico; and Petit Rechain, Belgium.

### US Marine Division

Arlington and Spokane, Washington; Roseburg, Oregon; Miami and Claremore, Oklahoma; Pipestone, Minnesota; Cumberland and Salisbury, Maryland; Dandridge, Tennessee; Valdosta, Georgia; and Tallahassee, Florida.

### Sea Ray Division

Knoxville, Riverview and Vonore, Tennessee; Edgewater, Merritt Island, Sykes Creek and Palm Coast, Florida; Bucyrus, Ohio; Phoenix, Arizona; Cork, Ireland; and Amsterdam, The Netherlands.

### Brunswick Outdoor Recreation Group

Haleyville, Alabama; Olney and Effingham, Illinois; Tulsa, Oklahoma; Starkville, Mississippi; Houston, Katy and Lancaster, Texas; and St. George,

Utah.

Brunswick Indoor Recreation Group

Muskegon, Michigan; Bristol, Wisconsin; Des Moines, Iowa; Stockach, Germany; and 123 bowling centers and four family entertainment centers in the United States, Canada and Europe.

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### ITEM 3. LEGAL PROCEEDINGS

Concord Boat Corporation, et al v. Brunswick Corporation. On December 7, 1995, Independent Boat Builders, Inc. ("IBBI"), a boat materials buying group, and eighteen of its boat building members, brought suit against the Company in the United States District Court for the Eastern District of Arkansas alleging that the Company has unlawfully acquired and maintained a monopoly in the domestic sterndrive marine engine market and has attempted to monopolize the domestic sterndrive recreational boat market through (i) its acquisitions of the Company's current boat companies, (ii) its failure to perform its obligations under an alleged joint venture agreement to manufacture sterndrive engines for Yamaha Motor Co., Ltd., forcing Yamaha to exit the domestic sterndrive marine engine market, (iii) its sterndrive engine buying programs to IBBI members which offer the best discounts to members purchasing at least 70% of their sterndrive engine requirements from the Company, (iv) its negotiation in supply contracts of price cap provisions for IBBI members on sterndrive engines which the Company allegedly knew were going to be discontinued, (v) its alleged disclosure of IBBI members' confidential business information to members' competitors, (vi) its condition that engine and boat dealers purchase a substantial share of their engine and boat requirements from the Company in order to receive the Company's best engine and boat discounts, and (vii) its alleged offer of cash payments to boat dealers to terminate their relationship with competing sterndrive boat manufacturers. The Plaintiffs also maintain that some of this same alleged conduct by the Company constitutes a breach of the Company's sterndrive engine purchasing contract with them, a breach of the Company's covenant of good faith and fair dealing under that contract, and fraudulent misrepresentations. On February 29, 1996, the Plaintiffs and five additional members of IBBI filed an Amended Complaint making similar allegations with respect to the Company's manufacture and sale of outboard engines and boats powered by outboard engines, and asserting that certain of the Company's agreements with its dealers violate the antitrust laws. The Plaintiffs have requested an injunction requiring the Company to divest its boat manufacturing operations and to cease the alleged practices set forth above, as well as actual damages, treble damages, punitive damages, and attorneys' fees and costs.

The Company believes, based upon its assessment of the complaint and in consultation with counsel, that this litigation is without merit and intends to defend itself vigorously. The Company has filed its Answer to the complaint and the parties have begun the discovery process. On February 12, 1996, the Company filed a counterclaim against the Plaintiffs alleging that the Plaintiffs have conspired to restrain trade in violation of federal antitrust law by (i) pressuring the Company to replace its market share sterndrive engine discounts with volume discounts to the disadvantage of smaller sterndrive boat builders who are not members of a buying group, (ii) soliciting the Company to limit its boat building divisions' competition with the Plaintiffs in the manufacture and sale of sterndrive boats, (iii) soliciting the Company to raise the price of its sterndrive engines to certain other buyers to favor the Plaintiffs in competition with those buyers, and (iv) agreeing to limit the display of boats equipped with the Company's sterndrive engines at industry boat shows. The Company's counterclaim seeks injunctive relief against the Plaintiffs and the dissolution of IBBI, actual and treble damages, attorneys' fees and costs.

In December 1996 the Internal Revenue Service notified the Company that it allocated \$190.0 million in short-term capital gains and \$18.1 million in ordinary income to the Company and its subsidiaries for 1990 and 1991 in connection with two partnership investments by the Company. The IRS alleges that these investments lacked economic substance, were prearranged and predetermined, and had no legitimate business purpose. The Company strongly disagrees with the IRS position, and on January 23, 1997 the Company filed petitions in the United States Tax Court contesting the IRS allocations. If the IRS were to prevail, the Company would owe the IRS approximately \$60

million in taxes plus accrued interest. The Company intends to defend itself vigorously and does not believe that this case will have an unfavorable impact on the Company's results of operations.

The Company has agreed to payment of a civil penalty in the amount of \$112,500 to the State of Ohio in settlement of claims relating to air emissions in excess of permitted levels at the Company's former defense plant in Willard, Ohio, during the years 1989 through 1992.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Executive Officers of the Company

The Company's executive officers are listed in the following table:

<TABLE>

<CAPTION>

| OFFICER                 | PRESENT POSITION  | AGE |
|-------------------------|---|-----|
| <C>                     | <S>   | <C> |
| P. N. Larson.....       | Chairman and Chief Executive Officer                                      | 57  |
| P. B. Hamilton.....     | Senior Vice President, Chief Financial Officer and Secretary              | 50  |
| K. J. Chieger.....      | Vice President-Corporate and Investor Relations                           | 48  |
| J. W. Dawson.....       | Corporate Vice President and President-Brunswick Outdoor Recreation Group | 62  |
| F. J. Florjancic, Jr. . | Corporate Vice President and President-Brunswick Indoor Recreation Group  | 50  |
| D. D. Jones.....        | Corporate Vice President and President-Mercury Marine Division            | 53  |
| R. T. McNaney.....      | Vice President and General Counsel  | 62  |
| R. S. O'Brien.....      | Vice President and Treasurer  | 47  |
| V. J. Reich.....        | Vice President and Controller   | 39  |
| K. B. Zeigler.....      | Vice President and Chief Human Resources Officer                          | 48  |
| W. J. Barrington.....   | President-Sea Ray Division  | 46  |
| J. A. Schenk.....       | Staff Vice President-Corporate Planning                                   | 54  |
| R. C. Steinway.....     | President-US Marine Division  | 45  |

</TABLE>

There are no family relationships among these officers. The term of office of all elected officers expires April 23, 1997. The Division Presidents and Staff Vice Presidents are appointed from time to time at the discretion of the Chief Executive Officer.

Peter N. Larson has been Chairman and Chief Executive Officer of the Company since 1995. He was Chairman of the Worldwide Consumer and Personal Care Group, Johnson & Johnson, a leading health care company from 1994 to 1995 and Company Group Chairman, Johnson & Johnson from 1991 to 1994.

Peter B. Hamilton has been Senior Vice President and Chief Financial Officer of the Company since 1995, and Secretary since 1996. He was Vice President and Chief Financial Officer, Cummins Engine Company, Inc., a leading worldwide designer and manufacturer of diesel engines and related products from 1988 to 1995.

Kathryn J. Chieger has been Vice President-Corporate and Investor Relations of the Company since 1996. She was Vice President-Corporate Affairs of Gaylord Container Corporation, a paper manufacturer ("Gaylord"), from 1994 to 1996 and Director of Corporate Affairs of Gaylord from 1989 to 1994.

Jim W. Dawson has been Corporate Vice President since 1994, and President-Brunswick Outdoor Recreation Group since 1996. He was President-Zebco Division from 1989 to 1996.

Frederick J. Florjancic, Jr. has been Corporate Vice President since 1988, and President-Brunswick Indoor Recreation Group since 1995. He was President-Brunswick Division from 1988 to 1995.



David D. Jones has been Corporate Vice President since 1995 and President-Mercury Marine Division since 1989.

Robert T. McNaney has been Vice President of the Company since 1996 and General Counsel since 1985.

Richard S. O'Brien has been Vice President of the Company since 1996 and Treasurer of the Company since 1988.

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Victoria J. Reich has been Vice President and Controller of the Company since 1996. She was Finance Manager of the General Electric Company's Wiring Devices business from 1994 to 1996, Manager of the G.E. Plastics Customer Financial Services Operation from 1993 to 1994 and Manager of the G.E. Plastics Commercial Finance Unit from 1990 to 1993.

Kenneth B. Zeigler has been Vice President and Chief Human Resources Officer of the Company since 1995. He was Senior Vice President, The Continental Corporation, a property and casualty insurance holding company, from 1992 to 1995.

William J. Barrington has been President-Sea Ray Division and President of Ray Industries, Inc. since 1989.

James A. Schenk has been Staff Vice President-Corporate Planning since 1996. He was Corporate Director of Planning and Development of the Company from 1988 to 1996.

Robert C. Steinway has been President-US Marine Division since 1994. From 1992 to 1994 he was Senior Vice President-Marketing, US Marine Division. From 1989 to 1992 he was General Manager of the Aluminum Fishing Boat Division.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York, Chicago, Pacific, and London Stock Exchanges. Quarterly information with respect to the high and low sales prices for the common stock and the dividends declared on the common stock is set forth in Note 17 on page 39. As of December 31, 1996, there were approximately 18,400 shareholders of record of the Company's common stock.

### ITEM 6. SELECTED FINANCIAL DATA

Net sales, net earnings, earnings per common share, cash dividends declared per common share, assets of continuing operations, and long-term debt are shown in the Six Year Financial Summary on page 42.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis is presented on pages 15 to 18.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's Consolidated Financial Statements are set forth on pages 19 to 39 and are listed in the index on page 14.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to the directors of the Company is set forth on pages 2-4 of the Company's definitive Proxy Statement dated March 20, 1997 (the "Proxy Statement") for the Annual Meeting of Stockholders to be held on

April 23, 1997. All of the foregoing information is hereby incorporated by reference. The Company's executive officers are listed herein on pages 7 and 8.

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#### ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth on pages 5-21 of the Proxy Statement and is hereby incorporated by reference.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to the securities of the Company owned by the directors and certain officers of the Company, by the directors and officers of the Company as a group and by the only persons known to the Company to own beneficially more than 5 percent of the outstanding voting securities of the Company is set forth on pages 6 and 7 of the Proxy Statement, and such information is hereby incorporated by reference.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

##### A) FINANCIAL STATEMENTS AND EXHIBITS

##### FINANCIAL STATEMENTS

Financial statements and schedules are incorporated in this Annual Report on Form 10-K, as indicated in the index on page 14.

<TABLE>

<CAPTION>

##### EXHIBITS

-----

<C> <S>

<C>

- 3.1 Restated Certificate of Incorporation of the Company filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987, and hereby incorporated by reference.
- 3.2 Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995, and hereby incorporated by reference.
- 3.3 By-Laws of the Company.
- 4.1 Indenture dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of Chicago filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987, and hereby incorporated by reference.
- 4.2 Officers' Certificate setting forth terms of the Company's \$125,000,000 principal amount of 7 3/8% Debentures due September 1, 2023 filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993, and hereby incorporated by reference.
- 4.3 Form of the Company's \$250,000,000 principal amount of 6.75% Notes due December 15, 2006 filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 10, 1996 and hereby incorporated by reference.
- 4.4 The Company's Agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference.
- 4.5 Rights Agreement dated as of February 5, 1996, between the Company and Harris Trust and Savings Bank filed as Exhibit 1 to the Company's Registration Statement for Preferred Share Purchase Rights on Form 8-A dated March 13, 1996, and

hereby incorporated by reference.

- 10.1\* Third Amended and Restated Employment Agreement entered as of December 30, 1986, between the Company and Jack F. Reichert filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for 1986 and hereby incorporated by reference.

</TABLE>

<TABLE>

<CAPTION>

EXHIBITS

<C> <S>

<C>

- 10.2\* Amendment dated October 24, 1989, to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989 and hereby incorporated by reference.
- 10.3\* Supplemental Agreement to Employment Agreement dated December 30, 1986, by and between the Company and Jack F. Reichert filed as Exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989 and hereby incorporated by reference.
- 10.4\* Amendment dated February 12, 1991 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for 1990 and hereby incorporated by reference.
- 10.5\* Amendment dated March 20, 1992 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for 1992 and hereby incorporated by reference.
- 10.6\* Amendment dated December 15, 1992 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for 1992 and hereby incorporated by reference.
- 10.7\* Amended and Restated Employment Agreement dated February 3, 1997 by and between the Company and Peter N. Larson.
- 10.8\* Employment Agreement dated December 1, 1995 by and between the Company and Peter B. Hamilton filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.
- 10.9\* Form of Employment Agreement by and between the Company and each of W. J. Barrington, K. J. Chieger, J. W. Dawson, F. J. Florjancic, Jr., P. B. Hamilton, D. D. Jones, R. S. O'Brien, V. J. Reich, J. A. Schenk, R. C. Steinway and K. B. Zeigler filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.
- 10.10\* 1994 Stock Option Plan for Non-Employee Directors filed as Exhibit A to the Company's definitive Proxy Statement dated March 25, 1994 for the Annual Meeting of Stockholders on April 27, 1994 and hereby incorporated by reference.
- 10.11\* 1995 Stock Plan for Non-Employee Directors filed as Exhibit B to the Company's definitive Proxy Statement dated March 19, 1996 for the Annual Meeting of Stockholders on April 24, 1996 and hereby incorporated by reference.
- 10.12\* Supplemental Pension Plan filed as Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989 and hereby incorporated by reference.
- 10.13\* Form of Insurance Policy issued for the life of each of the Company's officers, together with the specifications for each of these policies, filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for 1980 and hereby incorporated by reference. The Company pays the premiums for these policies and will recover these premiums, with some exceptions, from the policy proceeds.
- 10.14\* Insurance policy issued by The Prudential Insurance Company of America insuring all of the Company's officers and certain other senior management employees for medical expenses filed as Exhibit 10.23 to the Company's Annual

Report on Form 10-K for 1980 and hereby incorporated by reference.

</TABLE>

10

<TABLE>

<CAPTION>

EXHIBITS

-----

<C>    <S>

<C>

- 10.15\* Form of Indemnification Agreement by and between the Company and each of N. D. Archibald, M. J. Callahan, J. P. Diesel, M. A. Fernandez, P. Harf, G. D. Kennedy, B. K. Koken, J. W. Lorsch, B. M. Musham, K. Roman and R. W. Schipke filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.
- 10.16\* Indemnification Agreement dated September 16, 1986, by and between the Company and J. F. Reichert filed as Exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.
- 10.17\* Indemnification Agreement dated April 1, 1995 by and between the Company and P. N. Larson filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.
- 10.18\* Form of Indemnification Agreement by and between the Company and each of W. J. Barrington, K. J. Chieger, J. W. Dawson, F. J. Florjancic, Jr., P. B. Hamilton, D. D. Jones, R. T. McNaney, R. S. O'Brien, V. J. Reich, J. A. Schenk, R. C. Steinway, and K. B. Zeigler filed as Exhibit 19.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.
- 10.19\* 1991 Stock Plan filed as Exhibit A to the Company's definitive Proxy Statement dated March 19, 1996 for the Annual Meeting of Stockholders on April 24, 1996 and hereby incorporated by reference.
- 10.20\* Change In Control Severance Plan filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for 1989 and hereby incorporated by reference.
- 10.21\* Brunswick Performance Plan for 1996 filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.
- 10.22\* Brunswick Performance Plan for 1997.
- 10.23\* Brunswick Strategic Incentive Plan for 1994-1996 and 1995-1997 filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for 1993 and hereby incorporated by reference.
- 10.24\* Brunswick Strategic Incentive Plan for 1996-1997 filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.
- 10.25\* Brunswick Strategic Incentive Plan for 1997-1998.
- 21.1 Subsidiaries of the Company.
- 24.1 Powers of Attorney.
- 27.1 Financial Data Schedule.

</TABLE>

#### b) REPORTS ON FORM 8-K

The Company filed the following reports on Form 8-K during the three months ended December 31, 1996.

1. Report on Form 8-K dated November 19, 1996 reporting in Item 5 that the Company had signed a definitive agreement to acquire Igloo Holdings, Inc.
2. Report on Form 8-K dated December 10, 1996 reporting in Item 5 that the Company had closed an offering of 6 3/4% Notes due December 15, 2006.

-----  
\*Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c) of this Report.

## SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Brunswick Corporation

March 27, 1997

By \_\_\_\_\_  
Victoria J. Reich,  
Vice President and Controller

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>

<CAPTION>

| NAME | TITLE |
|------|-------|
| ---- | ----- |

<S>

|                 |  |
|-----------------|--|
| Peter N. Larson | <C><br>Chairman and Chief Executive Officer<br>(Principal Executive Officer) and<br>Director |
|-----------------|--|

|                   |  |
|-------------------|--|
| Peter B. Hamilton | Senior Vice President and Chief Financial<br>Officer (Principal Financial Officer) |
|-------------------|--|

|                   |   |
|-------------------|---|
| Victoria J. Reich | Vice President and Controller (Principal<br>Accounting Officer) |
|-------------------|---|

|                    |          |
|--------------------|----------|
| Nolan D. Archibald | Director |
|--------------------|----------|

|                     |          |
|---------------------|----------|
| Michael J. Callahan | Director |
|---------------------|----------|

|                |          |
|----------------|----------|
| John P. Diesel | Director |
|----------------|----------|

|                     |          |
|---------------------|----------|
| Manuel A. Fernandez | Director |
|---------------------|----------|

|                   |          |
|-------------------|----------|
| George D. Kennedy | Director |
|-------------------|----------|

|                |          |
|----------------|----------|
| Bernd K. Koken | Director |
|----------------|----------|

|               |          |
|---------------|----------|
| Jay W. Lorsch | Director |
|---------------|----------|

</TABLE>

<TABLE>

<CAPTION>

| NAME | TITLE |
|------|-------|
| ---- | ----- |

<S>

|                      |                 |
|----------------------|-----------------|
| Bettye Martin Musham | <C><br>Director |
|----------------------|-----------------|

</TABLE>

<TABLE>

<S>

|                  |                 |
|------------------|-----------------|
| Jack F. Reichert | <C><br>Director |
|------------------|-----------------|

|               |          |
|---------------|----------|
| Kenneth Roman | Director |
|---------------|----------|

|                  |          |
|------------------|----------|
| Roger W. Schipke | Director |
|------------------|----------|

</TABLE>

Victoria J. Reich, as Principal Accounting Officer and pursuant to a Power of Attorney (executed by each of the other officers and directors listed above and filed with the Securities and Exchange Commission, Washington, D.C.), by signing her name hereto does hereby sign and execute this report of Brunswick Corporation on behalf of each of the officers and directors named above in the capacities in which the names of each appear above.

March 27, 1997

\_\_\_\_\_  
Victoria J. Reich

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## BRUNSWICK CORPORATION

### INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

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All other schedules are not submitted because they are not applicable or not required or because the required information is included in the consolidated financial statements or in the notes thereto. These notes should be read in conjunction with these schedules.

The separate financial statements of Brunswick Corporation (the parent company Registrant) are omitted because consolidated financial statements of Brunswick Corporation and its subsidiaries are included. The parent company is primarily an operating company, and all consolidated subsidiaries are wholly owned and do not have any indebtedness (which is not guaranteed by the parent company) to any person other than the parent or the consolidated subsidiaries in an amount that is material in relation to consolidated assets.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW

The Company's strategy is to build its active recreation business and strengthen its positions in leadership brands. Actions taken in 1996 in pursuit of this strategy resulted in increased earnings from continuing operations for the fifth consecutive year.

In the Recreation segment, the Company formed the Brunswick Outdoor Recreation Group and acquired new businesses which have been included in this organization. The group consists of the Zebco, MotorGuide and Browning fishing tackle units; the American Camper operation, which was acquired as the Nelson/Weather-Rite camping unit on March 8, 1996; and the Roadmaster bicycle business, which was acquired on September 6, 1996. On January 3, 1997, the Company added, through acquisition, the Igloo cooler and thermoelectric products business. The Outdoor Recreation Group represents a key growth area for the Company as it pursues additional acquisitions, focusing on consumer products and services aimed at active recreation enthusiasts.

Also included in the Recreation segment is the Brunswick Indoor Recreation Group, which is responsible for the bowling products, recreation centers and billiards businesses. During 1996, the group experienced rapid growth in

equipment sales into China. While these sales did not fully offset a decline in sales into the mature Korean and Taiwanese markets, by the fourth quarter of 1996, the group experienced its first quarter-over-quarter increase from the combined sales to these markets. The group also successfully completed the sale of its golf shaft business which, along with the divestiture of the Circus World pizza operations in 1995, improved the group's product mix.

In the Marine segment, the Company invested in product marketing programs, cost management actions and new product introductions. This is reflected in a \$20.0 million or 23.5 percent increase in capital expenditures and continued investment in research and development activities. The Company improved its product mix by divesting its freshwater fishing boat unit (accounted for as a discontinued operation) and by acquiring the Boston Whaler line of offshore fishing boats on May 31, 1996.

## RESULTS OF OPERATIONS

### Consolidated

The following table sets forth certain ratios and relationships calculated from the consolidated statements of income:

<TABLE>

<CAPTION>

|  | 1996  | 1995  | 1994   |
|--|-------|-------|--------|
|  | ----- | ----- | -----  |
| <S>  | <C>   | <C>   | <C>    |
| Percentage increases in                          |       |       |        |
| Net sales.....                                   | 8.7%  | 12.1% | 22.0%  |
| Operating earnings (1).....                      | 18.0% | 24.8% | 109.6% |
| Earnings from continuing operations (1).....     | 17.6% | 24.3% | 136.2% |
| Earnings per share (1).....                      | 14.6% | 23.3% | 137.5% |
| Expressed as a percentage of net sales           |       |       |        |
| Gross margin.....                                | 27.7% | 27.8% | 27.9%  |
| Research and development expense.....            | 2.7%  | 3.0%  | 2.6%   |
| Selling, general and administrative expense..... | 15.3% | 15.9% | 17.3%  |
| Operating margin (1).....                        | 9.6%  | 8.9%  | 8.0%   |

</TABLE>

(1) Excludes the effect of restructuring charges of \$40.0 million (\$24.4 million, after-tax) recorded in 1995 and reflects results from continuing operations.

Sales increased by \$254.0 million in 1996 and \$314.3 million in 1995. In 1996, the Marine segment recorded a sales increase of \$140.2 million, and the Recreation segment added \$113.8 million. These increases reflect growth in sales of higher-priced large boats and the effect of revenues from the companies acquired in 1996. Double-digit sales gains in both the domestic and international marine markets delivered \$264.5 million of the 1995 sales increase.

The Company's gross margin percentages remained relatively unchanged over the past three years, as benefits from productivity enhancements and product innovations offset cost increases. Acquisitions and

investments in marketing activities resulted in a \$23.1 million increase in selling, general and administrative expenses in 1996. During the past three years, selling, general and administrative expenses as a percentage of sales have decreased from 17.3 percent in 1994, to 15.9 percent in 1995 and 15.3 percent in 1996. This trend is due to effective cost management designed to keep the growth in costs at rates below the growth in revenues. This relationship resulted in operating margin improvement over the three-year period.

In 1996, an 18.0 percent increase in operating earnings was achieved on an 8.7 percent sales gain. These comparisons exclude the effect of restructuring charges recorded in 1995, discussed below. Earnings from continuing operations increased 17.6 percent in 1996 and 24.3 percent in 1995, excluding the effects of the 1995 restructuring charges.

The Company's effective tax rate increased to 36.0 percent in 1996 from 35.5

percent in 1995 and 35.0 percent in 1994 reflecting a changing mix of international earnings. Between 1996 and 1995, weighted average shares outstanding increased to 98.8 million from 96.2 million primarily due to the sale of 1.8 million shares to the master trust of the Company's defined benefit plans in December 1995.

Earnings per share from continuing operations increased to \$1.88 in 1996 from \$1.38 in 1995 and \$1.33 in 1994. Excluding the impact of the 1995 restructuring charges, 1995 earnings per share were \$1.64, resulting in a 14.6 percent increase in 1996 and a 23.3 percent increase in 1995.

Restructuring charges and discontinued operations. In the second quarter of 1995, the Company recorded restructuring charges of \$40.0 million, which reduced earnings from continuing operations by \$24.4 million and earnings per share by \$0.26. The charges included \$25.8 million recorded in the Recreation segment relating to the divestitures of the Circus World and golf shaft businesses, and \$14.2 million for management transition costs included in Corporate expenses.

The Company has accounted for the divested freshwater fishing boat unit and the Technical segment as discontinued operations. In 1995, the Company recorded an after-tax charge of \$7.0 million, or \$0.07 per share, relating to the disposition of the Technical Group.

#### MARINE SEGMENT

The following table pertains to the Marine segment:

<TABLE>  
<CAPTION>

|                           | 1996                  | 1995      | 1994      |     |
|---------------------------|-----------------------|-----------|-----------|-----|
|                           | -----                 | -----     | -----     |     |
|                           | (DOLLARS IN MILLIONS) |           |           |     |
| <S>                       | <C>                   | <C>       | <C>       | <C> |
| Net sales.....            | \$2,287.3             | \$2,147.1 | \$1,882.6 |     |
| Percentage increase.....  | 6.5%                  | 14.0%     | 30.1%     |     |
| Operating earnings.....   | \$ 260.5              | \$ 229.6  | \$ 172.5  |     |
| Percentage increase.....  | 13.5%                 | 33.1%     | 227.9%    |     |
| Operating margin.....     | 11.4%                 | 10.7%     | 9.2%      |     |
| Capital expenditures..... | \$ 105.2              | \$ 85.2   | \$ 66.0   |     |

</TABLE>

The Marine segment posted sales gains of 6.5 percent and 14.0 percent over the past two years. The gain in 1996 was the result of higher boat revenues due to effective marketing programs, investment in new products and acquisitions. The increase was partially offset by a decline in outboard engine sales, as inclement weather dampened retail and wholesale activity in the first half of 1996 versus 1995 and dealers adjusted field inventories.

The 1995 sales increase was favorably affected by growth in international boat sales, primarily in Europe, and strong global demand for marine engines, especially in the first six months of 1995.

Operating earnings for the segment reached \$260.5 million in 1996, \$229.6 million in 1995 and \$172.5 million in 1994. Operating margins improved to 11.4 percent in 1996 from 10.7 percent in 1995. This margin improvement resulted from effective cost management actions and increased investments in product and process improvements.

In 1995, the previously discussed domestic and international sales increases accounted for the improvement in operating earnings, offset in part by increased advertising, marketing and product research and development expenses.

#### RECREATION SEGMENT

The following table pertains to the Recreation segment:

<TABLE>  
<CAPTION>

1996 1995 1994



-----  
(DOLLARS IN  
MILLIONS)

| <S>  | <C>     | <C>     | <C>     | <C> |
|--|---------|---------|---------|-----|
| Net sales.....                             | \$873.0 | \$759.2 | \$709.4 |     |
| Percentage increase.....                   | 15.0%   | 7.0%    | 11.6%   |     |
| Operating earnings (1)..                   | \$ 86.1 | \$ 76.4 | \$ 82.8 |     |
| Percentage increase<br>(decrease) (1)..... | 12.7%   | (7.7)%  | 3.5%    |     |
| Operating margin (1)....                   | 9.9%    | 10.1%   | 11.7%   |     |
| Capital expenditures....                   | \$ 52.7 | \$ 31.1 | \$ 34.5 |     |

</TABLE>

-----  
(1)1995 amounts exclude the \$25.8 million restructuring charge.

In 1996, Recreation segment sales increased 15.0 percent to \$873.0 million while operating earnings, excluding the effects of the 1995 restructuring charge, increased 12.7 percent to \$86.1 million. These gains reflect the contribution of the acquisitions discussed previously, partially offset by a decline in the sale of bowling capital equipment into East Asian markets.

Operating margins for the segment declined slightly to 9.9 percent in 1996 from 10.1 percent in 1995, excluding the 1995 restructuring charge, reflecting the effects of retail inventory reductions in fishing tackle and lower margins experienced in acquired businesses as full benefits of integration activities had not yet been realized.

The Recreation segment's sales increased 7.0 percent in 1995, to \$759.2 million. The improvement resulted primarily from strong East Asian demand for bowling capital equipment and increased domestic sales of the consumer products and billiards product lines. Sales of fishing tackle increased both domestically and internationally.

The Recreation segment operating earnings were \$50.6 million in 1995 compared to \$82.8 million in 1994. Excluding the restructuring charge, 1995 operating earnings were \$76.4 million. The decline resulted from increased research and development, marketing and manufacturing expenses related to the Brunswick Indoor Recreation Group's Frameworkx capital equipment line, where shipments began in the third quarter of 1995, and lower margins on sales of German-manufactured pinsetters due to currency fluctuations. The decline in 1995 was partially offset by higher operating earnings resulting from the previously discussed increase in fishing tackle sales.

## LOOKING TO THE FUTURE

The Company's future performance will be influenced by a number of factors.

Revenues will be affected by the changes in domestic and international marine market conditions. The Company will emphasize new product introductions, marketing initiatives and cost management efforts to mitigate the effects of any adverse changes in market conditions and to enhance its financial performance. The Company will also benefit from the acquisitions completed in 1996 and 1997. While these acquisitions will have an immediate positive effect on the Company's revenues, the full earnings benefits will not be recognized until integration efforts are near completion.

The Company will also continue to evaluate the profit margins of existing businesses, making investments where necessary to improve quality, efficiency and cost; actively managing the supply chain; and adjusting cost structures, if appropriate.

Engine Emissions Regulations. U.S. Environmental Protection Agency (EPA) regulations require that certain exhaust emissions from two-cycle, gasoline marine outboard engines be reduced by 8.3 percent each year for nine years beginning with the 1998 model year. The Company is implementing a plan that meets the EPA compliance schedule. It includes both modifying automotive fuel injection technology for marine use and converting certain two-cycle engines to four-cycle engines. In 1995, the Company introduced a new 200 horsepower DFI (direct fuel injection) outboard engine and will begin offering models in other horsepower

ranges in 1997. The new technology requires adjustments to the design of existing models and will increase manufacturing costs in the near term; however, per unit costs are expected to decline as sales of these engines increase.

## CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

Cash generated from operating activities, available cash balances and selected borrowings are the Company's major sources of funds for investments and dividend payments.

Cash and cash equivalents totalled \$238.5 million at the end of 1996, down from \$344.3 million in 1995.

Cash generated from operating activities totalled \$400.1 million in 1996, up significantly from \$280.1 million in 1995 and \$121.2 million in 1994. The primary components of cash generated from operating activities include the Company's net earnings adjusted for noncash revenues and expenses; the timing of cash flows relating to operating expenses, sales, and income taxes; and the management of inventory levels. The increase in cash generated from operating activities between 1995 and 1996 reflects stronger operating results and improved inventory management. Included in 1995 and 1994 amounts are \$42.2 million and \$40.0 million, respectively, of contributions to the Company's defined benefit plans. Additionally, 1994 includes a payment to the Internal Revenue Service of approximately \$55.0 million in settlement of a prior-year tax audit obligation.

During 1996, the Company invested \$169.9 million in capital expenditures, compared to \$118.0 million in 1995 and \$101.1 million in 1994. The \$51.9 million increase between 1996 and 1995 reflects the Company's emphasis on investing to achieve improved production efficiencies and product quality, growth from new products and expansion of existing product lines. Management anticipates that 1997 capital expenditures could approach \$200.0 million, principally for growth and productivity.

The Company invested \$360.6 million in 1996 to acquire various businesses including the Roadmaster bicycle and American Camper (formerly the Nelson/Weather-Rite camping division) businesses from Roadmaster Industries, Inc., and the Boston Whaler line of boats from Meridian Sports. Management continues to evaluate acquisition opportunities to build the Company's active recreation business.

Total debt at year-end 1996 was \$568.0 million versus \$318.9 million at the end of 1995, with debt-to-capitalization ratios at those dates of 32.2 percent and 23.4 percent, respectively. Excluding \$100.0 million of debt to be retired in April 1997, the debt-to-capitalization ratio would have been 28.1 percent at December 31, 1996. The Company issued \$250.0 million of 10-year notes at 6.75 percent during the fourth quarter of 1996 and, on January 3, 1997, \$143.0 million was used to fund the acquisition of Igloo Holdings, Inc. The remainder will be used to retire \$100.0 million of 8.125 percent notes maturing on April 1, 1997. The cash used to acquire Igloo Holdings, Inc. was classified as unrestricted cash held for acquisition of Igloo Holdings, Inc. on the December 31, 1996, balance sheet.

The Company has a substantial amount of financial flexibility and access to the capital markets stemming from its strong balance sheet, investment-grade credit ratings and ability to generate significant cash from operating activities. The Company has \$400.0 million available under a long-term line of credit with a group of banks (see Note 7-Debt) and \$350.0 million under a universal shelf registration filed in 1996 with the Securities and Exchange Commission for the issuance of equity and/or debt securities.

The Company uses its cash balances and other sources of liquidity to invest in its active recreation businesses to enhance current product lines, to acquire complementary businesses and to improve operating efficiencies. These investments are designed to improve the Company's financial performance and enhance shareholder value.

## FORWARD LOOKING STATEMENTS

Certain statements in this Annual Report are forward looking as defined in the Private Securities Litigation Reform Law. These statements involve certain risks and uncertainties that may cause actual results to differ materially

from expectations as of the Date of this Report. These risks include, but are not limited to, adverse weather conditions retarding sales; inventory adjustments by major retailers; competitive pricing pressures; success of planned acquisitions; marketing and cost-management programs and shifts in market demand.

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BRUNSWICK CORPORATION

CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31

<TABLE>  
<CAPTION>

|   | 1996      | 1995      | 1994      |
|---|-----------|-----------|-----------|
| -----   |           |           |           |
| (IN MILLIONS, EXCEPT PER<br>SHARE DATA)                           |           |           |           |
| <S>   | <C>       | <C>       | <C>       |
| Net sales.....  | \$3,160.3 | \$2,906.3 | \$2,592.0 |
| Cost of sales.....  | 2,285.0   | 2,099.2   | 1,869.2   |
| Selling, general and administrative expense.....                  | 484.0     | 460.9     | 448.9     |
| Research and development expense.....                             | 86.5      | 87.9      | 67.0      |
| Restructuring charges.....  | --        | 40.0      | --        |
| -----   |           |           |           |
| Operating earnings.....   | 304.8     | 218.3     | 206.9     |
| -----   |           |           |           |
| Interest expense.....   | (33.4)    | (32.5)    | (28.5)    |
| Other income and expense.....                                     | 18.9      | 21.0      | 16.9      |
| -----   |           |           |           |
| Earnings before income taxes.....                                 | 290.3     | 206.8     | 195.3     |
| Income tax provision.....   | 104.5     | 73.2      | 68.2      |
| -----   |           |           |           |
| Earnings from continuing operations.....                          | 185.8     | 133.6     | 127.1     |
| Loss on disposition of Technical segment.....                     | --        | (7.0)     | --        |
| Earnings from discontinued operations.....                        | --        | 0.6       | 1.9       |
| -----   |           |           |           |
| Net earnings.....   | \$ 185.8  | \$ 127.2  | \$ 129.0  |
| =====   |           |           |           |
| Earnings (loss) per common share                                  |           |           |           |
| Continuing operations.....  | \$ 1.88   | \$ 1.38   | \$ 1.33   |
| Loss on disposition of Technical segment.....                     | --        | (.07)     | --        |
| Earnings from discontinued operations.....                        | --        | .01       | .02       |
| -----   |           |           |           |
| Net earnings per common share.....                                | \$ 1.88   | \$ 1.32   | \$ 1.35   |
| =====   |           |           |           |
| Average shares used for computation of earnings<br>per share..... | 98.8      | 96.2      | 95.7      |
| =====   |           |           |           |

</TABLE>

The notes are an integral part of these consolidated statements.

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BRUNSWICK CORPORATION

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31

<TABLE>  
<CAPTION>

|  | 1996 | 1995 |
|--|------|------|
| -----                                  |      |      |
| (IN MILLIONS,<br>EXCEPT SHARE<br>DATA) |      |      |
| <S>                                    | <C>  | <C>  |
| ASSETS                                 |      |      |
| Current assets                         |      |      |

|  |           |           |
|--|-----------|-----------|
| Cash and cash equivalents, at cost, which approximates market.....       | \$ 238.5  | \$ 344.3  |
| Marketable securities.....   | 3.6       | 11.2      |
| Accounts and notes receivable, less allowances of \$17.2 and \$16.9..... | 326.9     | 253.2     |
| Inventories  |           |           |
| Finished goods.....  | 225.3     | 195.5     |
| Work-in-process.....   | 137.2     | 127.7     |
| Raw materials.....   | 82.4      | 63.4      |
|  | -----     | -----     |
| Net inventories.....   | 444.9     | 386.6     |
|  | -----     | -----     |
| Prepaid income taxes.....  | 184.4     | 203.8     |
| Prepaid expenses.....  | 33.6      | 34.0      |
| Income tax refunds receivable.....                                       | 9.9       | 15.0      |
|  | -----     | -----     |
| Current assets.....  | 1,241.8   | 1,248.1   |
|  | -----     | -----     |
| Property   |           |           |
| Land.....  | 65.0      | 61.5      |
| Buildings.....   | 404.6     | 369.1     |
| Equipment.....   | 825.7     | 683.1     |
|  | -----     | -----     |
| Total land, buildings and equipment.....                                 | 1,295.3   | 1,113.7   |
| Accumulated depreciation.....  | (670.3)   | (594.1)   |
|  | -----     | -----     |
| Net land, buildings and equipment.....                                   | 625.0     | 519.6     |
| Unamortized product tooling costs.....                                   | 60.4      | 63.3      |
|  | -----     | -----     |
| Net property.....  | 685.4     | 582.9     |
|  | -----     | -----     |
| Other assets   |           |           |
| Unrestricted cash held for acquisition of Igloo Holdings, Inc.....       | 143.0     | --        |
| Goodwill.....  | 352.4     | 119.0     |
| Other intangibles.....   | 137.9     | 158.9     |
| Investments.....   | 87.5      | 85.0      |
| Other long-term assets.....  | 154.4     | 116.7     |
|  | -----     | -----     |
| Other assets.....  | 875.2     | 479.6     |
|  | -----     | -----     |
| Assets of continuing operations.....                                     | 2,802.4   | 2,310.6   |
| Net assets of discontinued operations.....                               | --        | 23.5      |
|  | -----     | -----     |
| Total assets.....  | \$2,802.4 | \$2,334.1 |
|  | =====     | =====     |

</TABLE>

The notes are an integral part of these consolidated statements.

20

BRUNSWICK CORPORATION  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31

<TABLE>  
<CAPTION>

|  | 1996                                   | 1995   |
|--|--|--------|
|  | -----                                  | -----  |
|  | (IN MILLIONS,<br>EXCEPT SHARE<br>DATA) |        |
|  | <C>                                    | <C>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                          |  |        |
| Current liabilities  |  |        |
| Short-term debt, including current maturities of long-term debt..... | \$ 112.6                               | \$ 6.1 |
| Accounts payable.....  | 202.4                                  | 149.6  |
| Accrued expenses.....  | 516.1                                  | 498.4  |
|  | -----                                  | -----  |
| Current liabilities.....   | 831.1                                  | 654.1  |

|  |           |           |
|--|-----------|-----------|
| Long-term debt   |           |           |
| Notes, mortgages and debentures.....   | 455.4     | 312.8     |
| Deferred items   |           |           |
| Income taxes.....  | 155.6     | 157.8     |
| Postretirement and postemployment benefits.....                                    | 131.7     | 138.3     |
| Compensation and other.....  | 30.9      | 28.0      |
| Deferred items.....  | 318.2     | 324.1     |
| Common shareholders' equity  |           |           |
| Common stock; authorized: 200,000,000 shares, \$.75 par value; issued: 102,537,692 | 76.9      | 76.9      |
| Additional paid-in capital.....  | 302.0     | 299.4     |
| Retained earnings.....   | 951.3     | 814.8     |
| Treasury stock, at cost: 4,071,644 shares and 4,633,036 shares.....                | (75.4)    | (85.0)    |
| Cumulative translation adjustments.....  | 11.2      | 13.7      |
| Unamortized ESOP expense and other.....  | (68.3)    | (76.7)    |
| Common shareholders' equity.....   | 1,197.7   | 1,043.1   |
| Total liabilities and shareholders' equity.....                                    | \$2,802.4 | \$2,334.1 |

</TABLE>

The notes are an integral part of these consolidated statements.

21

BRUNSWICK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31

<TABLE>  
<CAPTION>

|   | 1996          | 1995    | 1994    |
|---|---------------|---------|---------|
|   | (IN MILLIONS) |         |         |
| <S>   | <C>           | <C>     | <C>     |
| Cash flows from operating activities  |               |         |         |
| Net earnings.....   | \$185.8       | \$127.2 | \$129.0 |
| Depreciation and amortization.....  | 129.7         | 118.0   | 118.0   |
| Changes in noncash current assets and current liabilities of continuing operations: |               |         |         |
| Change in accounts and notes receivable.....  | (26.9)        | (34.6)  | (48.5)  |
| Change in inventories.....  | 24.2          | 2.7     | (79.1)  |
| Change in prepaid expenses.....   | 2.4           | (1.1)   | (9.5)   |
| Change in accounts payable.....   | 11.7          | (2.5)   | 33.4    |
| Change in accrued expenses.....   | 3.6           | 6.0     | 65.1    |
| Income taxes.....   | 35.2          | 25.6    | (45.4)  |
| Dividends received from equity investments.....                                     | 24.5          | 6.4     | 2.5     |
| Pension funding (in excess of) less than provision....                              | 5.0           | (33.3)  | (32.6)  |
| Other, net.....   | 4.9           | 14.2    | (11.7)  |
| Restructuring charges.....  | --            | 40.0    | --      |
| Loss on discontinued operations.....  | --            | 11.5    | --      |
| Net cash provided by operating activities.....                                      | 400.1         | 280.1   | 121.2   |
| Cash flows from investing activities  |               |         |         |
| Acquisitions of businesses.....   | (360.6)       | (10.3)  | (7.1)   |
| Unrestricted cash held for acquisition of Igloo Holdings, Inc.....                  | (143.0)       | --      | --      |
| Capital expenditures.....   | (169.9)       | (118.0) | (101.1) |
| Proceeds from businesses disposed.....  | 24.1          | 22.0    | --      |
| Investments in marketable securities.....   | 7.6           | 7.0     | (18.2)  |
| Payments advanced for long-term supply arrangements...                              | (44.9)        | --      | --      |
| Other, net.....   | (12.3)        | (5.7)   | (2.9)   |

|  |         |         |         |
|--|---------|---------|---------|
| Net cash used for investing activities.....                                      | (699.0) | (105.0) | (129.3) |
| -----  |         |         |         |
| Cash flows from financing activities   |         |         |         |
| Net proceeds from issuances of long-term debt.....                               | 248.2   | --      | --      |
| Net proceeds from equity issuance to pension plan.....                           | --      | 40.0    | --      |
| Payments of long-term debt.....  | (5.8)   | (6.0)   | (6.2)   |
| Cash dividends paid.....   | (49.3)  | (47.9)  | (42.0)  |
| Other, net.....  | --      | (2.1)   | (7.3)   |
| -----  |         |         |         |
| Net cash provided by (used for) financing activities.....                        | 193.1   | (16.0)  | (55.5)  |
| -----  |         |         |         |
| Net increase (decrease) in cash and cash equivalents...                          | (105.8) | 159.1   | (63.6)  |
| Cash and cash equivalents at beginning of year.....                              | 344.3   | 185.2   | 248.8   |
| -----  |         |         |         |
| Cash and cash equivalents at end of year.....                                    | \$238.5 | \$344.3 | \$185.2 |
| =====  |         |         |         |
| Supplemental cash flow disclosures:  |         |         |         |
| Interest paid.....   | \$ 32.7 | \$ 34.2 | \$ 35.1 |
| Income taxes paid, net.....  | 69.3    | 43.8    | 114.9   |
| Noncash investing and financing activities:                                      |         |         |         |
| Fair market value of treasury stock issued for compensation plans and other..... | \$ 11.8 | \$ 11.9 | \$ 4.0  |

</TABLE>

The notes are an integral part of these consolidated statements.

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BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1996, 1995, and 1994

1. SIGNIFICANT ACCOUNTING POLICIES

Restatement. The Company's consolidated financial statements have been restated to segregate the results of operations and net assets of the Company's divested freshwater fishing boat unit and Technical segment as discontinued operations.

Principles of consolidation. The Company's consolidated financial statements include the accounts of its significant domestic and foreign subsidiaries, after eliminating transactions between Brunswick Corporation and such subsidiaries. Investments in certain affiliates are reported using the equity method.

Use of estimates in the financial statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

Cash and cash equivalents. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories. Approximately 51 percent of the Company's inventories are valued at the lower of first-in, first-out (FIFO) cost or market (replacement cost or net realizable value). Inventories valued at last-in, first-out (LIFO) cost were \$83.6 million and \$83.5 million lower than the FIFO cost of inventories at December 31, 1996 and 1995, respectively. Inventory cost includes material, labor and manufacturing overhead.

Property. Property, including major improvements and product tooling costs, is recorded at cost. Maintenance and repair costs are charged against results of operations as incurred.

Depreciation is charged against results of operations over the estimated service lives of the related assets principally using the straight-line method.

Intangibles. The excess of cost over net assets of businesses acquired is recorded as goodwill and amortized using the straight-line method, principally over 40 years. Accumulated amortization was \$42.8 million and \$35.0 million at December 31, 1996 and 1995, respectively. The costs of other intangible assets are amortized over their expected useful lives using the straight-line method. Accumulated amortization was \$293.2 million and \$266.9 million at December 31, 1996 and 1995, respectively.

Long-lived assets. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of its intangible and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows or, in the case of goodwill, undiscounted operating earnings, over the remaining life of the asset in measuring whether the asset is recoverable.

## 2. ACQUISITIONS

In 1996, the Company acquired the assets of certain businesses, including the Roadmaster bicycle business from Roadmaster Industries, Inc. on September 6, 1996; the Nelson/Weather-Rite camping division (now American Camper) of Roadmaster Industries, Inc. on March 8, 1996; and the Boston Whaler line of boats from Meridian Sports on May 31, 1996. Cash consideration paid in 1996 for these businesses totalled \$198.4 million, \$119.2 million and \$26.6 million, respectively. In January 1997, the Company received an \$8.2 million payment from Roadmaster Industries, Inc. in settlement of the final purchase price adjustment on the bicycle business, which reduces the final cash consideration paid for the business to \$190.2 million.

In addition to the cash consideration paid in 1996 for these businesses, the Company assumed certain liabilities. The acquisitions were accounted for as purchases, and resulted in goodwill of \$241.6 million that will be amortized using the straight-line method over 40 years. The assets and liabilities of the acquired companies have been recorded in the Company's consolidated financial statements at their estimated fair values at the

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## BRUNSWICK CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

acquisition dates. These estimates of fair value are subject to change when final information concerning asset and liability valuations is obtained. The operating results of each acquisition are included in the Company's results of operations since the date of acquisition.

On a pro forma basis, the net sales (unaudited) of the Company would have been \$3,305.4 million in 1996 and \$3,263.5 million in 1995. These pro forma sales amounts assume that the acquisitions of Roadmaster, American Camper and Boston Whaler would have occurred at the beginning of each period presented. On a pro forma basis, the results of operations of the companies acquired would not have had a material effect on the Company's net earnings and earnings per share in 1996 and 1995.

Cash consideration paid for other acquisitions totalled \$16.4 million in 1996, \$10.3 million in 1995, and \$7.1 million in 1994.

On November 18, 1996, the Company signed a definitive agreement to acquire the stock of Igloo Holdings, Inc. The purchase was completed on January 3, 1997. At December 31, 1996, cash of \$143.0 million was classified in long-term assets as unrestricted cash held for acquisition of Igloo Holdings, Inc.

## 3. SEGMENT INFORMATION

The Company is a multinational manufacturer and marketer of branded consumer products designed for outdoor and indoor recreation participants, primarily in fishing, camping, biking, bowling, billiards and pleasure boating. The Company's business segments are Recreation and Marine.

Within the Recreation segment, the Company markets fishing products, including fishing reel and reel/rod combinations, trolling motors and other fishing accessories; camping products, including tents, sleeping bags,





|                    |           |           |           |         |         |         |           |           |           |
|--------------------|-----------|-----------|-----------|---------|---------|---------|-----------|-----------|-----------|
| United States..... | \$2,722.3 | \$2,397.1 | \$2,104.6 | \$312.2 | \$229.3 | \$202.3 | \$1,799.2 | \$1,367.2 | \$1,343.5 |
| Foreign.....       | 438.0     | 509.2     | 487.4     | 34.4    | 50.9    | 53.0    | 222.9     | 183.8     | 163.9     |
| Corporate.....     | --        | --        | --        | (41.8)  | (61.9)  | (48.4)  | 780.3     | 759.6     | 540.9     |
| -----              |           |           |           |         |         |         |           |           |           |
| Total.....         | \$3,160.3 | \$2,906.3 | \$2,592.0 | \$304.8 | \$218.3 | \$206.9 | \$2,802.4 | \$2,310.6 | \$2,048.3 |
| =====              |           |           |           |         |         |         |           |           |           |

</TABLE>

#### SUPPLEMENTAL SALES INFORMATION

<TABLE>

<CAPTION>

|   | 1996          | 1995    | 1994    |
|---|---------------|---------|---------|
|   | -----         |         |         |
|   | (IN MILLIONS) |         |         |
| <S>                                     | <C>           | <C>     | <C>     |
| Intersegment sales                      |               |         |         |
| U.S. to foreign.....                    | \$209.2       | \$237.1 | \$231.2 |
| Foreign to U.S.....                     | 43.7          | 38.5    | 30.3    |
| Export sales.....                       | 346.2         | 288.2   | 188.1   |
| Sales to unconsolidated affiliates..... | 186.8         | 125.0   | 85.8    |

</TABLE>

Sales between domestic and foreign operations generally are priced with reference to prevailing market prices.

Operating earnings of segments do not include the expenses of corporate administration, other expenses and income of a nonoperating nature, and provisions for income taxes.

The Recreation segment's 1995 operating earnings include a \$25.8 million charge for the losses on the divestitures of the golf club shaft business and Circus World Pizza operations.

The Corporate operating expenses for 1995 include \$14.2 million of management transition expenses and costs associated with an early retirement and selective separation program at the Company's corporate office.

Corporate assets consist primarily of cash and marketable securities, prepaid income taxes, unrestricted cash held for acquisition of Igloo Holdings, Inc. and investments in unconsolidated affiliates.

#### 4. COMMITMENTS AND CONTINGENCIES

Financial Commitments. The Company has entered into agreements, which are customary in the marine industry, that provide for the repurchase of its products from a financial institution in the event of repossession upon a dealer's default. Repurchases and losses incurred under these agreements have not had and are not expected to have a significant impact on the Company's results of operations. The maximum potential repurchase commitments at December 31, 1996 and 1995, were approximately \$186.0 million and \$158.0 million, respectively.

The Company also has various agreements with financial institutions that provide limited recourse on marine and bowling capital equipment sales. Recourse losses have not had and are not expected to have a significant impact on the Company's results of operations. The maximum potential recourse liabilities outstanding under these programs were approximately \$39.0 million at December 31, 1996 and 1995.

The Company had outstanding standby letters of credit and financial guarantees of approximately \$35.2 million and \$50.3 million at December 31, 1996 and 1995, respectively, representing conditional commitments whereby the Company guarantees performance to a third party. The majority of these commitments include guarantees of premium payment under certain of the Company's insurance programs and other guarantees issued in the ordinary course of business.

Legal and Environmental. The Company is subject to certain legal and environmental proceedings and claims which have arisen in the ordinary course of its business.

The Independent Boat Builders, Inc. ("IBBI"), a boat materials buying group and a portion of its boat building members, has brought a suit against the Company in United States District Court, alleging that the Company has unlawfully acquired and maintained a monopoly in the domestic sterndrive and outboard engine markets and has attempted to monopolize the domestic sterndrive and outboard recreational boat markets through its acquisition of the Company's current boat companies and its marketing, sales and business practices. The plaintiffs have requested an injunction requiring the Company to divest its boat manufacturing operations and to cease the alleged monopolizing practices, as well as actual and treble damages, punitive damages, and attorneys' fees and costs. The Company has filed its answer to the complaint and the parties have begun the discovery process. The Company filed a counterclaim in this litigation against the plaintiffs alleging that the plaintiffs have unlawfully conspired to restrain trade in violation of Federal antitrust laws. The Company believes, based upon its assessment of the complaint and in consultation with counsel, that this litigation is without merit and plans to aggressively pursue its counterclaim, which seeks injunctive relief, the dissolution of IBBI, actual and treble damages, attorneys' fees and costs.

On February 3, 1995, the Company announced a series of agreements with Genmar Industries, Inc., including settlement of an antitrust lawsuit brought by Genmar against the Company. Agreements were entered to supply Genmar with marine engines manufactured by the Company and to acquire certain investments in Baja Boats, Inc. from Genmar. The Company's total cash payment relating to these agreements was \$22.5 million and had no material impact on the results of operations of the Company.

The Federal Trade Commission has been conducting an investigation since 1993 of whether the formation or operations of Tracker Marine, L.P. and the Company's contracts with Tracker Marine, L.P. violate antitrust laws. The Company has received and responded to subpoenas seeking information relating to the Company's outboard motor sales. The Company understands that other marine companies have received similar subpoenas from the Federal Trade Commission.

In light of existing reserves, the Company's litigation and environmental claims, including those discussed, when finally resolved, will not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position and results of operations.

## 5. FINANCIAL INSTRUMENTS

The Company enters into various financial instruments in the normal course of business and in connection with the management of its assets and liabilities. The Company does not hold or issue financial instruments for trading purposes. The Company prepares periodic analyses of its positions in derivatives to assess the current and projected status of these agreements.

Gains and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and recognized in income, or as adjustments of carrying amounts, when the hedged transaction occurs. Gains and losses on instruments that do not qualify as hedges are recognized as incurred.

The Company monitors and controls market risk from financial instrument activities by utilizing floating rates that historically have moved in tandem with each other, matching positions and limiting the terms of contracts to short durations. To minimize credit risk, the Company enters into contracts with banks and investment firms that the Company has continuing business relationships with and regularly monitors the credit ratings of its

counterparties.

The fair market value of the financial instruments is determined through dealer quotes and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to the volatility of the markets in which they are traded. The impact of financial instruments transactions is not material to the Company's results of operations.

The carrying values of the Company's short-term financial instruments, including cash and cash equivalents, marketable securities, accounts and notes receivable, short-term debt and the current maturities of long-term debt, approximate their fair value because of the short maturity of these instruments.

Interest Rate Swaps. The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on the Company's investments and borrowings.

At December 31, 1996 and 1995, the Company had three outstanding floating-to-floating interest rate swap agreements each with a notional principal amount of \$260.0 million that expire in September 2003. The estimated aggregate market values of these three agreements at December 31, 1996 and 1995, which represents the costs to settle outstanding agreements, were not material.

Forward Exchange Contracts. The Company enters into forward exchange contracts, whose durations are usually less than two years, to hedge the U.S. dollar exposure of its foreign operations. Forward exchange contracts outstanding at December 31, 1996 and 1995, had contract values of \$17.1 million and \$72.0 million, respectively, with fair values which were not materially different from the contract values. The contracts outstanding at December 31, 1996, mature during 1997.

Commodity Swaps. The Company uses commodity swap agreements to hedge anticipated purchases of key raw materials. Commodity swap contracts outstanding at December 31, 1996 and 1995, had a notional value of \$24.0 million and \$32.0 million, respectively, with fair values that approximate the notional values. The contracts outstanding at December 31, 1996, mature through 1998.

## 6. ACCRUED EXPENSES

Accrued expenses at December 31 were as follows:

<TABLE>

<CAPTION>

|  | 1996          | 1995    |
|--|---------------|---------|
|  | -----         | -----   |
|  | (IN MILLIONS) |         |
|  | <C>           | <C>     |
| Payroll and other compensation.....              | \$ 94.1       | \$ 94.5 |
| Product warranties.....                          | 92.7          | 84.8    |
| Dealer allowances and discounts.....             | 79.9          | 68.2    |
| Litigation and claims.....                       | 32.6          | 39.4    |
| Health and liability insurance.....              | 60.7          | 57.1    |
| Disposition costs and restructuring charges..... | 45.3          | 59.2    |
| Taxes, other than income taxes.....              | 15.5          | 15.5    |
| Other.....                                       | 95.3          | 79.7    |
|  | -----         | -----   |
| Accrued expenses.....                            | \$516.1       | \$498.4 |
|  | =====         | =====   |

</TABLE>

## 7. DEBT

Long-term debt at December 31 consisted of the following:

<TABLE>  
<CAPTION>

|  | 1996          | 1995    |     |  |
|--|---------------|---------|-----|--|
|  | -----         | -----   |     |  |
|  | (IN MILLIONS) |         |     |  |
| <S>  | <C>           | <C>     | <C> |  |
| Mortgage notes and other, 3% to 10% payable through 2001.....        | \$ 33.7       | \$ 26.8 |     |  |
| Notes, 6.75% due 2006, net of discount of \$2.2.....                 | 247.8         | --      |     |  |
| Notes, 8.125% due 1997, net of discount of \$0.1.....                | 100.0         | 99.9    |     |  |
| Debentures, 7.375% due 2023, net of discount of \$0.8 and \$0.9..... | 124.2         | 124.1   |     |  |
| Guaranteed ESOP debt, 8.13% payable through 2004.....                | 62.0          | 67.8    |     |  |
|  | -----         | -----   |     |  |
|  | 567.7         | 318.6   |     |  |
|  | -----         | -----   |     |  |
| Current maturities.....  | (112.3)       | (5.8)   |     |  |
|  | -----         | -----   |     |  |
| Long-term debt.....  | \$455.4       | \$312.8 |     |  |
|  | =====         | =====   |     |  |
| Scheduled maturities   |               |         |     |  |
| 1998.....  | \$ 11.2       |         |     |  |
| 1999.....  | 10.3          |         |     |  |
| 2000.....  | 8.3           |         |     |  |
| 2001.....  | 8.6           |         |     |  |
| Thereafter.....  | 417.0         |         |     |  |
|  | -----         |         |     |  |
| Total.....   | \$455.4       |         |     |  |
|  | =====         |         |     |  |

</TABLE>

At December 31, 1996 and 1995, the fair value of the Company's long-term debt was \$450.0 million and \$332.9 million, respectively, as estimated by using quoted market prices or discounted cash flows based on market rates for similar types of debt.

The Company has a \$400.0 million long-term credit agreement with a group of banks that terminates on December 31, 2000.

Under terms of the amended agreement, the Company has multiple borrowing options, including borrowing at a corporate base rate, as announced by The First National Bank of Chicago, or a rate tied to the Eurodollar rate. The Company must pay a facility fee of 0.11% per annum on the agreement.

Under the agreement, the Company is subject to interest coverage, net worth and leverage tests, as well as a restriction on secured debt, as defined. The Company was in compliance with these covenants at December 31, 1996.

On December 10, 1996, the Company sold \$250.0 million of 6.75% notes due December 15, 2006. The proceeds from the sale of the notes were used to purchase Igloo Holdings, Inc. on January 3, 1997 and will be used to repay, at maturity, the Company's \$100.0 million principal amount of 8.125% notes due April 1, 1997. Pending such uses, the net proceeds will be used for general corporate purposes.

## 8. DISCONTINUED OPERATIONS

In April 1996, the Company announced its intention to divest its freshwater fishing boat operations, which comprised substantially all of the assets and certain liabilities of the discontinued Fishing Boat Division in the Marine segment and included the Starcraft, Fisher, MonArk, Spectrum, Astro and Procraft brands. Certain assets and liabilities of discontinued operations, which are being retained by the Company, are reflected in the Company's continuing operations in 1996 and reserves to cover related exposures have been established. These disposition transactions, which were completed in the third quarter of 1996, did not have a significant effect upon the Company's consolidated results of operations.

The net sales of the freshwater fishing boat unit for the years ended December 31, 1996, 1995 and 1994, were \$82.5 million, \$200.2 million and \$175.7 million, respectively. Intercompany sales between the continuing and discontinued operations that were previously eliminated in consolidation have been included in continuing operations.

In April 1995, the Company completed the sale of substantially all of the assets of its Technical Group, which was in the discontinued Technical segment, with the final disposition of remaining assets occurring in June 1996. Certain liabilities of discontinued operations, which were retained by the Company, are reflected in the Company's continuing operations and are adequately covered by existing reserves. In the second quarter of 1995, the Company recorded a provision of \$11.5 million (\$7.0 million after-tax) reflecting a lower than anticipated selling price for the Technical Group. The net sales of the Technical Group were \$7.6 million, \$35.1 million, and \$135.5 million, for the years 1996, 1995 and 1994, respectively. Operating results of the Technical Group for 1996, 1995 and 1994 have been recorded against the divestiture reserve.

## 9. RESTRUCTURING CHARGES

In the second quarter of 1995, the Company recorded restructuring charges of \$40.0 million (\$24.4 million after-tax). The charges consisted of losses of \$25.8 million recorded in the Recreation segment on the divestitures of the golf club shaft business, completed in the second quarter of 1996, and Circus World Pizza operations, completed in 1995. Also included were \$14.2 million of management transition expenses including the costs of an early retirement and selective separation program at the Company's corporate office which was completed in 1995.

The net sales and operating earnings (losses) (excluding divestiture provisions) of the divested businesses for each of the three years ended December 31, 1996 were as follows:

<TABLE>  
<CAPTION>

|                                  | 1996          | 1995    | 1994    |
|----------------------------------|---------------|---------|---------|
|                                  | -----         | -----   | -----   |
|                                  | (IN MILLIONS) |         |         |
|                                  | <C>           | <C>     | <C>     |
| Net sales.....                   | \$10.2        | \$21.0  | \$17.2  |
|                                  | =====         | =====   | =====   |
| Operating earnings (losses)..... | \$ 1.4        | \$(7.6) | \$(6.4) |
|                                  | =====         | =====   | =====   |

</TABLE>

## 10. STOCK PLANS AND MANAGEMENT COMPENSATION

Under the 1991 Stock Plan, the Company may grant stock options, stock appreciation rights, restricted stock and other various types of awards to executives and other management employees. Issuances under the plan may be from either authorized, but unissued shares or treasury shares. The plan provides for the issuance of a maximum of 11,200,000 shares. The option price per share has not been less than the fair market value at the date of grant. The stock options are generally exercisable over a period of 10 years or as determined by the Human Resource and Compensation Committee of the Board of Directors. Options vest over 3 years, although the Company provides for accelerated vesting should certain earnings per share or stock price levels be attained, or immediately in the event of a change in control.

The Company adopted the disclosure-only provision under Statement of Financial Accounting Standards No. 123 (SFAS No. 123), "Accounting for Stock-Based Compensation," as of December 31, 1996, while continuing to measure compensation cost under APB Opinion No. 25, "Accounting for Stock Issued to Employees." If the accounting provisions of SFAS No. 123 had been adopted as of the beginning of 1995, the effect on net earnings for 1996 and 1995 would have been immaterial.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Stock option activities for the three years ending December 31, 1996, were as follows:

<TABLE>  
<CAPTION>

|                           | WEIGHTED<br>STOCK AVERAGE<br>OPTIONS EXERCISE<br>OUTSTANDING PRICE |         |
|---------------------------|--|---------|
|                           | (SHARES IN<br>THOUSANDS)   |         |
| <S>                       | <C>  | <C>     |
| At January 1, 1994.....   | 1,585  | \$ --   |
| Granted.....              | 719  | \$18.22 |
| Exercised.....            | (125)  | \$14.60 |
| Forfeited.....            | (82)   | \$16.40 |
|                           | ----   | ----    |
| At December 31, 1994..... | 2,097  | \$16.27 |
| Granted.....              | 1,396  | \$19.42 |
| Exercised.....            | (114)  | \$15.04 |
| Forfeited.....            | (46)   | \$17.91 |
|                           | ----   | ----    |
| At December 31, 1995..... | 3,333  | \$17.61 |
| Granted.....              | 3,054  | \$21.40 |
| Exercised.....            | (262)  | \$16.33 |
| Forfeited.....            | (184)  | \$22.18 |
|                           | ----   | ----    |
| At December 31, 1996..... | 5,941  | \$19.48 |
|                           | =====  | =====   |

</TABLE>

<TABLE>  
<CAPTION>

|                           | EXERCISABLE WEIGHTED<br>STOCK AVERAGE SHARES<br>OPTIONS EXERCISE AVAILABLE<br>OUTSTANDING PRICE FOR GRANT |         |       |
|---------------------------|---|---------|-------|
|                           | (OPTIONS AND SHARES IN<br>THOUSANDS)  |         |       |
| <S>                       | <C>   | <C>     | <C>   |
| At December 31, 1994..... | 607   | \$14.88 | 2,508 |
| At December 31, 1995..... | 1,386   | \$15.88 | 897   |
| At December 31, 1996..... | 1,969   | \$16.91 | 4,147 |

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 1996.

<TABLE>  
<CAPTION>

| (OPTIONS IN THOUSANDS)  | OPTIONS OUTSTANDING  |         |         |
|-------------------------|--|---------|---------|
|                         | NUMBER<br>OUTSTANDING WEIGHTED WEIGHTED<br>AT AVERAGE AVERAGE<br>RANGE OF EXERCISE<br>PRICE DECEMBER 31, CONTRACTUAL EXERCISE<br>PRICE 1996 LIFE PRICE |         |         |
| <S>                     | <C>  | <C>     | <C>     |
| \$13.88 to \$16.75..... | 1,111  | 5 years | \$15.38 |
| \$16.75 to \$20.25..... | 3,063  | 8 years | \$18.76 |
| \$20.25 to \$25.50..... | 1,767  | 9 years | \$23.31 |

</TABLE>

<TABLE>  
<CAPTION>

OPTIONS EXERCISABLE

| RANGE OF EXERCISE PRICE | NUMBER<br>EXERCISABLE WEIGHTED<br>AT AVERAGE<br>DECEMBER 31, EXERCISE |     | 1996 PRICE |
|-------------------------|---|-----|------------|
|                         | <C>   | <C> |            |
| <S>                     |   |     |            |
| \$13.88 to \$16.75..... | 1,111   |     | \$15.38    |
| \$16.75 to \$20.25..... | 844   |     | \$18.83    |
| \$20.25 to \$25.50..... | 14  |     | \$22.78    |

The Company maintains a leveraged employee stock ownership plan (ESOP). In April 1989, the ESOP borrowed \$100 million to purchase 5,095,542 shares of the Company's common stock at \$19.625 per share. The debt of the ESOP is guaranteed by the Company and is recorded in the Company's financial statements.

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BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The ESOP shares are maintained in a suspense account until released and allocated to participants' accounts. Shares committed-to-be-released, allocated and remaining in suspense at December 31 were as follows:

<TABLE>  
<CAPTION>

|                               | 1996 1995 |       |
|-------------------------------|-----------|-------|
|                               | <C>       | <C>   |
| <S>                           |           |       |
| Committed-to-be-released..... | 301       | 298   |
| Allocated.....                | 1,542     | 1,451 |
| Suspense.....                 | 2,461     | 2,789 |

All ESOP shares are considered outstanding for earnings per share purposes.

Under the grandfather provisions of SOP 93-6, the expense recorded by the Company is based on cash contributed or committed to be contributed by the Company to the ESOP during the year, net of dividends received which are primarily used by the ESOP to pay down debt. The Company's contributions to the ESOP were as follows:

<TABLE>  
<CAPTION>

|                                  | 1996 1995 1994 |        |        |
|----------------------------------|----------------|--------|--------|
|                                  | <C>            | <C>    | <C>    |
| <S>                              |                |        |        |
| Compensation expense.....        | \$ 4.1         | \$ 3.1 | \$ 2.9 |
| Interest expense.....            | 5.3            | 5.8    | 6.2    |
| Dividends.....                   | 1.8            | 2.3    | 2.1    |
| Total debt service payments..... | \$11.2         | \$11.2 | \$11.2 |

</TABLE>

The Company has certain employment agreements and a severance plan that become effective upon a change in control of the Company which will result in compensation expense in the period that a change in control occurs.

11. RETIREMENT AND EMPLOYEE BENEFIT COSTS

The Company has pension and retirement plans covering substantially all of its employees, including certain employees in foreign countries. Plan benefits are based on years of service, and for some plans, the average compensation

prior to retirement. Pension costs, which are primarily computed using the projected unit credit method, are generally funded based on the legal requirements, tax considerations and investment opportunities for the Company's domestic pension plans and in accordance with local laws and income tax regulations for foreign plans. Plan assets generally consist of debt and equity securities, real estate and investments in insurance contracts.

Pension costs of continuing operations for 1996, 1995 and 1994, included the following components:

<TABLE>  
<CAPTION>

|   | 1996          | 1995   | 1994   |
|---|---------------|--------|--------|
|   | -----         | -----  | -----  |
|   | (IN MILLIONS) |        |        |
|   | <C>           | <C>    | <C>    |
| Service cost-benefits earned during the period..... | \$16.0        | \$11.6 | \$11.7 |
| Interest cost on projected benefit obligation.....  | 43.1          | 34.2   | 31.2   |
| Actual return on assets.....                        | (91.9)        | (90.8) | 3.0    |
| Net amortization and deferral.....                  | 41.9          | 57.7   | (34.7) |
|   | -----         | -----  | -----  |
| Net pension cost.....                               | \$ 9.1        | \$12.7 | \$11.2 |
|   | =====         | =====  | =====  |

</TABLE>

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BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The funded status of the plans and the amounts recognized in the Company's balance sheets at December 31 were as follows:

<TABLE>  
<CAPTION>

|                             | 1996  | 1995     |           |          |
|-----------------------------|---|----------|-----------|----------|
|                             | -----   | -----    | -----     | -----    |
|                             | PLANS WHOSE PLANS WHOSE PLANS WHOSE PLANS WHOSE<br>ASSETS ACCUMULATED ASSETS ACCUMULATED<br>EXCEED BENEFITS EXCEED BENEFITS<br>ACCUMULATED EXCEED ACCUMULATED EXCEED<br>BENEFITS ASSETS BENEFITS ASSETS |          |           |          |
|                             | (IN MILLIONS)   |          |           |          |
|                             | <C>   | <C>      | <C>       | <C>      |
| Actuarial present value of: |   |          |           |          |
| Vested benefit              |   |          |           |          |
| obligation.....             | \$(461.4)   | \$(26.1) | \$(440.1) | \$(43.9) |
| Nonvested benefit           |   |          |           |          |
| obligation.....             | (29.7)  | (0.3)    | (30.5)    | (0.4)    |
|                             | -----   | -----    | -----     | -----    |
| Accumulated benefit         |   |          |           |          |
| obligation.....             | (491.1)   | (26.4)   | (470.6)   | (44.3)   |
| Effects of anticipated      |   |          |           |          |
| future compensation levels  |   |          |           |          |
| and other events.....       | (60.9)  | (8.0)    | (59.3)    | (7.5)    |
|                             | -----   | -----    | -----     | -----    |
| Projected benefit           |   |          |           |          |
| obligation.....             | (552.0)   | (34.4)   | (529.9)   | (51.8)   |
| Plan assets at fair value.. | 616.9   | 2.5      | 543.3     | 13.7     |
|                             | -----   | -----    | -----     | -----    |
| Plan assets in excess of    |   |          |           |          |
| (less than) projected       |   |          |           |          |
| benefit obligation.....     | 64.9  | (31.9)   | 13.4      | (38.1)   |
| Unrecognized net transition |   |          |           |          |
| obligation (asset).....     | (0.7)   | 1.3      | (6.6)     | 1.6      |
| Unrecognized prior service  |   |          |           |          |
| cost.....                   | 17.7  | (0.3)    | 17.2      | (0.1)    |
| Net unrecognized (gain)     |   |          |           |          |
| loss from past experience   |   |          |           |          |
| different from assumed and  |   |          |           |          |



|   |         |          |         |          |
|---|---------|----------|---------|----------|
| effects of changes in assumptions.....                            | (2.9)   | 5.0      | 60.4    | 10.0     |
| Adjustment to recognize minimum liability.....                    | --      | (0.5)    | --      | (6.1)    |
| Pension asset (liability) recognized in financial statements..... | \$ 79.0 | \$(26.4) | \$ 84.4 | \$(32.7) |

</TABLE>

The projected benefit obligations were determined primarily using assumed weighted average discount rates of 7.75% in 1996 and 7.25% in 1995, and an assumed compensation increase of 5.5% in 1996 and 1995. The assumed weighted average long-term rate of return on plan assets was primarily 9% in 1996 and 1995.

Two of the Company's salaried pension plans provide that in the event of a termination, merger or transfer of assets of the plans during the five years following a change in control of the Company occurring on or before April 1, 2001, benefits would be increased so that there would be no excess net assets. The Company's supplemental pension plan provides for a lump sum payout to plan participants equal to the present value of accumulated benefits upon a change in control of the Company.

The Company also sponsors other defined contribution retirement plans whose costs are not material.

In addition to providing benefits to present employees, the Company currently provides certain health care and life insurance benefits for eligible retired employees that have fulfilled specific age and service requirements. The Company monitors the cost of these plans and reserves the right to make additional changes or terminate these benefits in the future. The plans contain requirements for retiree contributions generally based on years of service as well as other cost sharing features such as deductibles and copayments. The Company's plans are not funded; claims are paid as incurred.

BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Net periodic postretirement benefit cost of continuing operations for 1996, 1995 and 1994 included the following components:

<TABLE>  
<CAPTION>

|   | 1996          | 1995  | 1994  |
|---|---------------|-------|-------|
|   | ---           | ---   | ---   |
|   | (IN MILLIONS) |       |       |
| <S>   | <C>           | <C>   | <C>   |
| Service cost-benefits attributed to service during the period.....  | \$1.7         | \$1.2 | \$1.5 |
| Interest cost on accumulated postretirement benefit obligation..... | 4.0           | 4.3   | 4.2   |
| Net amortization and deferral.....                                  | (0.7)         | (1.0) | (0.4) |
| Net periodic postretirement benefit cost.....                       | \$5.0         | \$4.5 | \$5.3 |

</TABLE>

The postretirement benefit amounts recognized in the Company's balance sheets at December 31 were as follows:

<TABLE>  
<CAPTION>

| 1996          | 1995 |
|---------------|------|
| ---           | ---  |
| (IN MILLIONS) |      |

|  | <C>    | <C>    |
|--|--------|--------|
| Accumulated postretirement benefit obligation:                 |        |        |
| Retirees.....  | \$33.9 | \$40.9 |
| Fully eligible active plan participants.....                   | 5.7    | 6.5    |
| Other active plan participants.....                            | 28.5   | 29.3   |
|  | -----  | -----  |
| Total.....   | 68.1   | 76.7   |
| Unrecognized prior service cost.....                           | 3.1    | 2.4    |
| Unrecognized net gains.....                                    | 14.7   | 6.9    |
|  | -----  | -----  |
| Postretirement liability recognized in financial statements... | \$85.9 | \$86.0 |

</TABLE>

The accumulated postretirement benefit obligation was determined using weighted average discount rates of 7.75% in 1996 and 7.25% in 1995, and an assumed compensation increase of 5.5% in 1996 and 1995. The health care cost trend rates were assumed to be 9% and 6% in 1997 for pre-65 and post-65 benefits, respectively, gradually declining to 5% after five years and one year, respectively, and remaining at that level thereafter. The health care cost trend rates were assumed to be 9.7% and 7% in 1996 for pre-65 and post-65 benefits, respectively, gradually declining to 5% after six years and two years, respectively, and remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by \$8.6 million at December 31, 1996 and the net periodic cost by \$1.1 million for the year then ended.

The Company also provides postemployment benefits to qualified former or inactive employees. The liability for these benefits has been recognized in the financial statements. The cost of providing these benefits is not material. The Company does not fund these benefits and has the right to modify these plans in the future.

## 12. INCOME TAXES

The sources of earnings before income taxes are presented as follows:

<TABLE>  
<CAPTION>

|                                   | 1996          | 1995    | 1994    |
|-----------------------------------|---------------|---------|---------|
|                                   | -----         | -----   | -----   |
|                                   | (IN MILLIONS) |         |         |
|                                   | <C>           | <C>     | <C>     |
| United States.....                | \$284.9       | \$195.8 | \$188.5 |
| Foreign.....                      | 5.4           | 11.0    | 6.8     |
|                                   | -----         | -----   | -----   |
| Earnings before income taxes..... | \$290.3       | \$206.8 | \$195.3 |
|                                   | =====         | =====   | =====   |

</TABLE>

## BRUNSWICK CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The income tax provision (benefit) consisted of the following:

<TABLE>  
<CAPTION>

|                      | 1996          | 1995   | 1994   |
|----------------------|---------------|--------|--------|
|                      | -----         | -----  | -----  |
|                      | (IN MILLIONS) |        |        |
|                      | <C>           | <C>    | <C>    |
| CURRENT TAX EXPENSE  |               |        |        |
| U.S. Federal.....    | \$ 73.4       | \$56.4 | \$47.3 |
| State and local..... | 3.4           | 8.5    | 2.4    |
| Foreign.....         | 8.8           | 7.7    | 8.4    |
|                      | -----         | -----  | -----  |
| Total current.....   | 85.6          | 72.6   | 58.1   |
|                      | -----         | -----  | -----  |

| DEFERRED TAX EXPENSE |         |        |        |
|----------------------|---------|--------|--------|
| U.S. Federal.....    | 11.1    | 2.0    | 4.2    |
| State and local..... | 6.9     | (2.4)  | 6.6    |
| Foreign.....         | 0.9     | 1.0    | (0.7)  |
|                      | -----   |        |        |
| Total deferred.....  | 18.9    | 0.6    | 10.1   |
|                      | -----   |        |        |
| Total provision..... | \$104.5 | \$73.2 | \$68.2 |
|                      | =====   |        |        |

</TABLE>

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31 are as follows:

<TABLE>  
<CAPTION>

|   | 1996          | 1995    |     |
|---|---------------|---------|-----|
|   | -----         |         |     |
|   | (IN MILLIONS) |         |     |
| <S>   | <C>           | <C>     | <C> |
| DEFERRED TAX ASSETS                             |               |         |     |
| Litigation and claims.....                      | \$ 14.2       | \$ 18.3 |     |
| Product warranty.....                           | 37.2          | 36.9    |     |
| Dealer allowance and discounts.....             | 16.5          | 15.2    |     |
| Bad debts.....                                  | 9.3           | 9.5     |     |
| Sales of businesses.....                        | 10.2          | 16.1    |     |
| Insurance reserves.....                         | 31.3          | 28.9    |     |
| Restructuring.....                              | 9.0           | 13.5    |     |
| Loss carryforwards and carrybacks.....          | 12.3          | 14.4    |     |
| Compensation and benefits.....                  | 10.7          | 8.9     |     |
| Other.....                                      | 34.0          | 45.3    |     |
| Valuation allowance.....                        | (0.3)         | (3.2)   |     |
|   | -----         |         |     |
| Total deferred tax assets.....                  | \$184.4       | \$203.8 |     |
|   | =====         |         |     |
| DEFERRED TAX LIABILITIES (ASSETS)               |               |         |     |
| Depreciation and amortization.....              | \$ 28.7       | \$ 32.6 |     |
| Postretirement and postemployment benefits..... | (24.2)        | (22.1)  |     |
| Other assets and investments.....               | 87.7          | 84.7    |     |
| Other.....                                      | 63.4          | 62.6    |     |
|   | -----         |         |     |
| Total deferred tax liabilities.....             | \$155.6       | \$157.8 |     |
|   | =====         |         |     |

</TABLE>

No other valuation allowances were deemed necessary as all deductible temporary differences will be utilized primarily by carryback to prior years' taxable income or as charges against reversals of future taxable temporary differences. Based upon prior earnings history, it is expected that future taxable income will be more than sufficient to utilize the remaining deductible temporary differences.

Deferred taxes have been provided, as required, on the undistributed earnings of foreign subsidiaries and unconsolidated affiliates.

The difference between the actual income tax provision and the tax provision computed by applying the statutory Federal income tax rate to earnings before taxes is attributable to the following:

<TABLE>  
<CAPTION>

|   | 1996          | 1995   | 1994   |
|---|---------------|--------|--------|
|   | -----         |        |        |
|   | (IN MILLIONS) |        |        |
| <S>   | <C>           | <C>    | <C>    |
| Income tax provision at 35%.....                    | \$101.6       | \$72.4 | \$68.4 |
| State and local income taxes, net of Federal income |               |        |        |

|   |         |        |        |
|---|---------|--------|--------|
| tax effect.....                                     | 6.7     | 4.0    | 5.6    |
| Foreign sales corporation benefit.....              | (2.5)   | (1.7)  | (1.5)  |
| Taxes related to foreign income, net of credits.... | 1.2     | 0.8    | (2.3)  |
| Goodwill and other amortization.....                | 0.9     | 0.8    | 0.8    |
| Other.....  | (3.4)   | (3.1)  | (2.8)  |
|   | -----   | -----  | -----  |
| Actual income tax provision.....                    | \$104.5 | \$73.2 | \$68.2 |
|   | =====   | =====  | =====  |
| Effective tax rate.....                             | 36.0%   | 35.5%  | 35.0%  |
|   | =====   | =====  | =====  |

</TABLE>

In December 1996, the Company received notification that the income allocation and tax basis of assets distributed from two partnership investments are being challenged by the IRS. Should the IRS prevail, it may result in a cash payment of up to approximately \$60 million for taxes due plus accrued interest. The Company strongly disagrees with the IRS position and will vigorously contest it. Although the outcome cannot be predicted with certainty, it is not expected to have an unfavorable impact on the Company's results of operations.

In January 1994, the Company reached an agreement with the U.S. Internal Revenue Service regarding the issue of deductibility of approximately \$500 million of acquired intangible assets. Under the terms of the agreement, the IRS agreed to allow amortization deductions for virtually all of the acquired intangible assets, and the Company agreed to increase the amortizable lives of most of the acquired intangible assets.

The revised lives for the acquired intangible assets resulted in an initial obligation by the Company to pay the IRS approximately \$55 million representing taxes and interest, net of taxes for the years 1986 through 1993. This agreement had no impact on the Company's consolidated results of operations.

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BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

13. CONSOLIDATED COMMON SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

|                        | UNAMORTIZED                          |                |                   |                |                |             |          |
|------------------------|--------------------------------------|----------------|-------------------|----------------|----------------|-------------|----------|
|                        | ADDITIONAL                           | COMMON PAID-IN | RETAINED EARNINGS | CUMULATIVE     | TREASURY STOCK | ESOP        | ESOP     |
|                        | STOCK                                | CAPITAL        | EARNINGS          | TREASURY STOCK | ADJUSTMENTS    | TRANSLATION | EXPENSE  |
|                        | AND OTHER TOTAL                      |                |                   |                |                |             |          |
|                        | -----                                |                |                   |                |                |             |          |
|                        | (IN MILLIONS, EXCEPT PER SHARE DATA) |                |                   |                |                |             |          |
| <S>                    | <C>                                  | <C>            | <C>               | <C>            | <C>            | <C>         | <C>      |
| Balance, December 31,  |                                      |                |                   |                |                |             |          |
| 1993.....              | \$75.5                               | \$261.4        | \$648.5           | \$(102.7)      | \$ 7.9         | \$(86.2)    | \$ 804.4 |
|                        | -----                                | -----          | -----             | -----          | -----          | -----       | -----    |
| 1994                   |                                      |                |                   |                |                |             |          |
| Net earnings.....      | --                                   | --             | 129.0             | --             | --             | --          | 129.0    |
| Dividends declared     |                                      |                |                   |                |                |             |          |
| (\$.44 per common      |                                      |                |                   |                |                |             |          |
| share).....            | --                                   | --             | (42.0)            | --             | --             | --          | (42.0)   |
| Compensation plans and |                                      |                |                   |                |                |             |          |
| other.....             | --                                   | 0.1            | --                | 4.4            | --             | 5.9         | 10.4     |
| Deferred               |                                      |                |                   |                |                |             |          |
| compensation--ESOP...  | --                                   | --             | --                | --             | --             | 5.0         | 5.0      |
| Currency translation.. | --                                   | --             | --                | --             | 3.9            | --          | 3.9      |
|                        | -----                                | -----          | -----             | -----          | -----          | -----       | -----    |
| Balance, December 31,  |                                      |                |                   |                |                |             |          |
| 1994.....              | \$75.5                               | \$261.5        | \$735.5           | \$(98.3)       | \$11.8         | \$(75.3)    | \$ 910.7 |
|                        | -----                                | -----          | -----             | -----          | -----          | -----       | -----    |
| 1995                   |                                      |                |                   |                |                |             |          |
| Net earnings.....      | --                                   | --             | 127.2             | --             | --             | --          | 127.2    |
| Dividends declared     |                                      |                |                   |                |                |             |          |
| (\$.50 per common      |                                      |                |                   |                |                |             |          |
| share).....            | --                                   | --             | (47.9)            | --             | --             | --          | (47.9)   |

|   |        |         |         |           |        |          |           |
|---|--------|---------|---------|-----------|--------|----------|-----------|
| Compensation plans and other.....                   | --     | (0.7)   | --      | 13.3      | --     | (6.6)    | 6.0       |
| Deferred compensation--ESOP...                      | --     | --      | --      | --        | --     | --       | 5.2 5.2   |
| Purchase of stock by pension plan master trust..... | 1.4    | 38.6    | --      | --        | --     | --       | 40.0      |
| Currency translation..                              | --     | --      | --      | --        | 1.9    | --       | 1.9       |
| -----   |        |         |         |           |        |          |           |
| Balance, December 31, 1995.....                     | \$76.9 | \$299.4 | \$814.8 | \$ (85.0) | \$13.7 | \$(76.7) | \$1,043.1 |
| -----   |        |         |         |           |        |          |           |
| 1996  |        |         |         |           |        |          |           |
| Net earnings.....                                   | --     | --      | 185.8   | --        | --     | --       | 185.8     |
| Dividends declared (\$ .50 per common share).....   | --     | --      | (49.3)  | --        | --     | --       | (49.3)    |
| Compensation plans and other.....                   | --     | 2.6     | --      | 9.6       | --     | 2.5      | 14.7      |
| Deferred compensation--ESOP...                      | --     | --      | --      | --        | --     | --       | 5.9 5.9   |
| Currency translation..                              | --     | --      | --      | --        | (2.5)  | --       | (2.5)     |
| -----   |        |         |         |           |        |          |           |
| Balance, December 31, 1996.....                     | \$76.9 | \$302.0 | \$951.3 | \$ (75.4) | \$11.2 | \$(68.3) | \$1,197.7 |
| =====   |        |         |         |           |        |          |           |

</TABLE>

At December 31, 1996, 1995 and 1994, the Company had no preferred stock outstanding (Authorized: 12.5 million shares, \$.75 par value at December 31, 1996).

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#### BRUNSWICK CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Common and treasury stock activities were as follows:

<TABLE>

<CAPTION>

|   | COMMON STOCK         | TREASURY STOCK |
|---|----------------------|----------------|
|   | (SHARES IN MILLIONS) |                |
| <S>   | <C>                  | <C>            |
| Balance, December 31, 1993.....                     | 100.7                | (5.4)          |
| -----   |                      |                |
| 1994  |                      |                |
| Compensation plans and other.....                   | --                   | 0.2            |
| -----   |                      |                |
| Balance, December 31, 1994.....                     | 100.7                | (5.2)          |
| -----   |                      |                |
| 1995  |                      |                |
| Compensation plans and other.....                   | --                   | 0.6            |
| Purchase of stock by pension plan master trust..... | 1.8                  | --             |
| -----   |                      |                |
| Balance, December 31, 1995.....                     | 102.5                | (4.6)          |
| -----   |                      |                |
| 1996  |                      |                |
| Compensation plans and other.....                   | --                   | 0.5            |
| -----   |                      |                |
| Balance, December 31, 1996.....                     | 102.5                | (4.1)          |
| =====   |                      |                |

</TABLE>

#### 14. LEASES

The Company has various lease agreements for offices, branches, factories, distribution and service facilities, certain Company-operated bowling centers,

and certain personal property. These obligations extend through 2032.

Most leases contain renewal options and some contain purchase options. Many leases for Company-operated bowling centers contain escalation clauses, and many provide for contingent rentals based on percentages of gross revenue. No leases contain restrictions on the Company's activities concerning dividends, additional debt or further leasing.

Rent expense consisted of the following:

<TABLE>  
<CAPTION>

|                         | 1996          | 1995   | 1994   |
|-------------------------|---------------|--------|--------|
|                         | -----         | -----  | -----  |
|                         | (IN MILLIONS) |        |        |
|                         | <C>           | <C>    | <C>    |
| <S>                     |               |        |        |
| Basic expense.....      | \$29.6        | \$21.5 | \$21.1 |
| Contingent expense..... | 0.4           | 0.5    | 0.5    |
| Sublease income.....    | (1.1)         | (1.9)  | (1.7)  |
|                         | -----         | -----  | -----  |
| Rent expense, net.....  | \$28.9        | \$20.1 | \$19.9 |
|                         | =====         | =====  | =====  |

</TABLE>

Future minimum rental payments at December 31, 1996, under agreements classified as operating leases with noncancelable terms in excess of one year, are as follows:

<TABLE>  
<CAPTION>  
(IN MILLIONS)

| <S>   | <C>    |
|---|--------|
| 1997.....   | \$17.1 |
| 1998.....   | 16.5   |
| 1999.....   | 14.0   |
| 2000.....   | 12.6   |
| 2001.....   | 9.6    |
| Thereafter.....   | 13.7   |
|   | -----  |
| Total (not reduced by minimum sublease rentals of \$1.4 million). | \$83.5 |
|   | =====  |

</TABLE>

#### 15. PREFERRED SHARE PURCHASE RIGHTS

In February 1996, the Board of Directors declared a dividend of one Preferred Share Purchase Right (Right) on each outstanding share of the Company's common stock. Under certain conditions, each holder of Rights may purchase one one-thousandth of a share of a new series of junior participating preferred stock at an exercise price of \$85 for each Right held. The Rights expire on April 1, 2006.

The Rights become exercisable at the earlier of (1) a public announcement that a person or group acquired or obtained the right to acquire 15% or more of the Company's common stock or (2) fifteen days (or such later time as determined by the Board of Directors) after commencement or public announcement of an offer for more than 15% of the Company's common stock. After a person or group acquires 15% or more of the common stock of the Company, other shareholders may purchase additional shares of the Company at fifty percent of the current market price. These Rights may cause substantial ownership dilution to a person or group who attempts to acquire the Company without approval of the Company's Board of Directors.

The Rights, which do not have any voting rights, may be redeemed by the Company at a price of \$.01 per Right at any time prior to a person's or

group's acquisition of 15% or more of the Company's common stock. A Right also will be issued with each share of the Company's common stock that becomes outstanding prior to the time the Rights become exercisable or expire.

In the event that the Company is acquired in a merger or other business combination transaction, provision will be made so that each holder of Rights will be entitled to buy the number of shares of common stock of the surviving Company, which at the time of such transaction would have a market value of two times the exercise price of the Rights.

#### 16. UNCONSOLIDATED AFFILIATES AND SUBSIDIARIES

The Company has certain unconsolidated foreign and domestic affiliates that are accounted for using the equity method.

Summary financial information of the unconsolidated affiliates is presented below:

<TABLE>  
<CAPTION>

|                                      | 1996          | 1995     | 1994     |
|--------------------------------------|---------------|----------|----------|
|                                      | -----         |          |          |
|                                      | (IN MILLIONS) |          |          |
| <S>                                  | <C>           | <C>      | <C>      |
| Net sales.....                       | \$ 489.5      | \$ 414.4 | \$ 392.3 |
|                                      | -----         |          |          |
| Gross margin.....                    | \$ 83.8       | \$ 62.9  | \$ 80.4  |
|                                      | -----         |          |          |
| Net earnings.....                    | \$ 32.1       | \$ 17.8  | \$ 26.0  |
|                                      | -----         |          |          |
| Company's share of net earnings..... | \$ 14.7       | \$ 11.5  | \$ 10.1  |
|                                      | -----         |          |          |
| Current assets.....                  | \$ 199.3      | \$ 200.1 | \$ 178.5 |
| Noncurrent assets.....               | 153.0         | 123.5    | 114.2    |
|                                      | -----         |          |          |
| Total assets.....                    | 352.3         | 323.6    | 292.7    |
| Current liabilities.....             | (170.1)       | (157.4)  | (134.9)  |
| Noncurrent liabilities.....          | (27.7)        | (17.8)   | (27.2)   |
|                                      | -----         |          |          |
| Net assets.....                      | \$ 154.5      | \$ 148.4 | \$ 130.6 |
|                                      | =====         |          |          |

</TABLE>

The net sales of affiliates include an insignificant amount of sales to the Company.

#### BRUNSWICK CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONCLUDED)

#### 17. QUARTERLY DATA (UNAUDITED)

<TABLE>  
<CAPTION>

|   | QUARTER                              |          |          |          |           |
|---|--------------------------------------|----------|----------|----------|-----------|
|   | -----                                |          |          |          |           |
|   | 1ST                                  | 2ND      | 3RD      | 4TH      | YEAR      |
|   | -----                                |          |          |          |           |
|   | (IN MILLIONS, EXCEPT PER SHARE DATA) |          |          |          |           |
| <S>   | <C>                                  | <C>      | <C>      | <C>      | <C>       |
| 1996  |                                      |          |          |          |           |
| Net sales.....                                    | \$ 738.9                             | \$ 858.3 | \$ 763.6 | \$ 799.5 | \$3,160.3 |
| Gross margin.....                                 | 214.9                                | 256.4    | 207.5    | 196.5    | 875.3     |
|   | -----                                |          |          |          |           |
| Earnings from continuing operations.....          | \$ 46.4                              | \$ 69.8  | \$ 40.5  | \$ 29.1  | \$ 185.8  |
| Earnings (loss) from discontinued operations..... | (1.0)                                | 1.0      | --       | --       | --        |
|   | -----                                |          |          |          |           |
| Net earnings.....                                 | \$ 45.4                              | \$ 70.8  | \$ 40.5  | \$ 29.1  | \$ 185.8  |

| EARNINGS (LOSS) PER COMMON SHARE                  |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Continuing operations.....                        | \$ .47  | \$ .71  | \$ .41  | \$ .29  | \$ 1.88 |
| Earnings (loss) from discontinued operations..... | (.01)   | .01     | --      | --      | --      |
| Net earnings.....                                 | \$ .46  | \$ .72  | \$ .41  | \$ .29  | \$ 1.88 |
| Dividends declared.....                           | \$ .125 | \$ .125 | \$ .125 | \$ .125 | \$ .50  |

| COMMON STOCK PRICE (NYSE)                         |          |          |          |          |           |
|---|----------|----------|----------|----------|-----------|
| High.....   | \$24 5/8 | \$23 3/4 | \$24 5/8 | \$25 3/4 | \$25 3/4  |
| Low.....  | 21 1/4   | 20       | 18 1/8   | 23 1/2   | 18 1/8    |
| 1995  |          |          |          |          |           |
| Net sales.....                                    | \$ 742.5 | \$803.7  | \$ 694.6 | \$ 665.5 | \$2,906.3 |
| Gross margin.....                                 | 209.0    | 237.3    | 188.6    | 172.2    | 807.1     |
| Earnings from continuing operations.....          | \$ 40.2  | \$ 36.0  | \$ 35.0  | \$ 22.4  | \$ 133.6  |
| Loss on disposition of Technical segment.....     | --       | (7.0)    | --       | --       | (7.0)     |
| Earnings (loss) from discontinued operations..... | --       | 1.1      | (0.3)    | (0.2)    | 0.6       |
| Net earnings.....                                 | \$ 40.2  | \$ 30.1  | \$ 34.7  | \$ 22.2  | \$ 127.2  |

| EARNINGS (LOSS) PER COMMON SHARE              |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Continuing operations.....                    | \$ .42  | \$ .37  | \$ .36  | \$ .23  | \$ 1.38 |
| Loss on disposition of Technical segment..... | --      | (.07)   | --      | --      | (.07)   |
| Earnings from discontinued operations.....    | --      | .01     | --      | --      | .01     |
| Net earnings.....                             | \$ .42  | \$ .31  | \$ .36  | \$ .23  | \$ 1.32 |
| Dividends declared.....                       | \$ .125 | \$ .125 | \$ .125 | \$ .125 | \$ .50  |

| COMMON STOCK PRICE (NYSE) |        |          |          |       |        |
|---------------------------|--------|----------|----------|-------|--------|
| High.....                 | \$ 21  | \$23 1/2 | \$21 3/8 | \$ 24 | \$ 24  |
| Low.....                  | 18 7/8 | 16 3/8   | 16 7/8   | 19    | 16 3/8 |

The 1996 and 1995 results have been restated to segregate the results of operations of the Company's divested freshwater fishing boat unit as discontinued operations. Second quarter net earnings in 1995 include after-tax restructuring charges of \$24.4 million for losses on the divestitures of the golf club shaft business and Circus World Pizza operations in the Recreation segment and management transition expenses and the cost of an early retirement and selective separation program at the Company's corporate office.

18. SUBSEQUENT EVENT (UNAUDITED)

On March 18, 1997, the Company received notification from the Federal Trade Commission that the investigation referenced in footnote 4 "Commitments and Contingencies" on page 26 had been concluded, with no action warranted by the Commission.

REPORT OF MANAGEMENT

The financial data in this report, including the audited financial statements, have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and include some amounts that are based upon management's best estimates and judgments to present fairly the results of operations.

The Company maintains accounting and related internal control systems which professional finance managers are responsible for implementing and overseeing. These systems are intended to provide reasonable assurance, at reasonable cost, that assets are safeguarded and to produce accurate financial records. A staff of corporate auditors periodically reviews these systems and controls



and compliance therewith.

The Audit and Finance Committee of the Board of Directors, comprised entirely of outside directors, meets regularly with the independent public accountants, management and internal auditors to review the results of their work and confirm that they are properly fulfilling their responsibilities.

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#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Brunswick Corporation:

We have audited the accompanying consolidated balance sheets of Brunswick Corporation (a Delaware Corporation) and Subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brunswick Corporation and Subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois  
January 29, 1997

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#### BRUNSWICK CORPORATION

#### SIX-YEAR FINANCIAL SUMMARY

<TABLE>

<CAPTION>

1996 1995 1994 1993 1992 1991

-----

(IN MILLIONS, EXCEPT RATIOS AND PER SHARE DATA)

<S> <C> <C> <C> <C> <C> <C>

Results of Operations

Data

Net sales..... \$3,160.3 \$2,906.3 \$2,592.0 \$2,125.0 \$1,980.5 \$1,756.3

Depreciation and  
amortization..... 129.7 118.0 118.0 116.0 113.8 123.0

Restructuring charges. -- 40.0 -- -- -- --

Operating earnings

(loss)..... 304.8 218.3 206.9 98.7 80.4 (13.5)

|  |          |          |          |         |           |           |
|--|----------|----------|----------|---------|-----------|-----------|
| Earnings (loss) before income taxes.....   | 290.3    | 206.8    | 195.3    | 85.4    | 62.6      | (35.5)    |
| Earnings (loss) from continuing operations before extraordinary item, cumulative effect of accounting changes and discontinued operations..... | \$ 185.8 | \$ 133.6 | \$ 127.1 | \$ 53.8 | \$ 40.1   | \$ (31.9) |
| Cumulative effect on prior years of changes in accounting principles.....  | --       | --       | --       | (14.6)  | (38.3)    | --        |
| Extraordinary loss from retirement of debt.....  | --       | --       | --       | (4.6)   | --        | --        |
| Discontinued operations  |          |          |          |         |           |           |
| Loss on disposition of Technical segment.....  | --       | (7.0)    | --       | (12.2)  | (26.0)    | --        |
| Earnings (loss) from discontinued operations.....  | --       | 0.6      | 1.9      | 0.7     | (2.1)     | 8.2       |
| Net earnings (loss).....   | \$ 185.8 | \$ 127.2 | \$ 129.0 | \$ 23.1 | \$ (26.3) | \$ (23.7) |

Per Common Share Data

|  |         |         |         |        |          |          |
|--|---------|---------|---------|--------|----------|----------|
| Earnings (loss) from continuing operations before extraordinary item, cumulative effect of accounting changes and discontinued operations..... | \$ 1.88 | \$ 1.38 | \$ 1.33 | \$ .56 | \$ .43   | \$ (.36) |
| Cumulative effect on prior years of changes in accounting principles.....  | --      | --      | --      | (.15)  | (.41)    | --       |
| Extraordinary loss from retirement of debt.....  | --      | --      | --      | (.05)  | --       | --       |
| Discontinued operations  |         |         |         |        |          |          |
| Loss on disposition of Technical segment.....  | --      | (.07)   | --      | (.13)  | (.28)    | --       |
| Earnings (loss) from discontinued operations.....  | --      | .01     | .02     | .01    | (.02)    | .09      |
| Net earnings (loss).....   | \$ 1.88 | \$ 1.32 | \$ 1.35 | \$ .24 | \$ (.28) | \$ (.27) |

|                        |        |        |        |        |        |        |
|------------------------|--------|--------|--------|--------|--------|--------|
| Dividends declared.... | \$ .50 | \$ .50 | \$ .44 | \$ .44 | \$ .44 | \$ .33 |
| Dividends paid.....    | .50    | .50    | .44    | .44    | .44    | .44    |
| Book value.....        | 12.16  | 10.66  | 9.55   | 8.44   | 8.65   | 8.79   |

Balance Sheet Data

|                                      |          |          |          |         |         |         |
|--------------------------------------|----------|----------|----------|---------|---------|---------|
| Capital expenditures..               | \$ 169.9 | \$ 118.0 | \$ 101.1 | \$ 94.3 | \$ 87.6 | \$ 73.8 |
| Assets of continuing operations..... | 2,802.4  | 2,310.6  | 2,048.3  | 1,922.0 | 1,829.4 | 1,721.9 |
| Debt                                 |          |          |          |         |         |         |
| Short-term.....                      | \$ 112.6 | \$ 6.1   | \$ 8.2   | \$ 11.9 | \$ 10.4 | \$ 6.3  |
| Long-term.....                       | 455.4    | 312.8    | 318.8    | 324.5   | 310.1   | 315.9   |
| Total debt.....                      | 568.0    | 318.9    | 327.0    | 336.4   | 320.5   | 322.2   |
| Common shareholders' equity.....     | 1,197.7  | 1,043.1  | 910.7    | 804.4   | 822.5   | 778.7   |
| Total                                |          |          |          |         |         |         |

capitalization..... \$1,765.7 \$1,362.0 \$1,237.7 \$1,140.8 \$1,143.0 \$1,100.9

Other Data

|   |           |        |           |           |           |           |
|---|-----------|--------|-----------|-----------|-----------|-----------|
| Return on beginning shareholders' equity. | 17.8%     | 14.7%  | 15.8%     | 6.5%      | 5.1%      | (3.9)%    |
| Effective tax rate (benefit).....         | 36.0%     | 35.5%  | 35.0%     | 37.0%     | 36.0%     | (10.1)%   |
| Debt-to-capitalization rate.....          | 32.2%     | 23.4%  | 26.4%     | 29.5%     | 28.0%     | 29.3%     |
| Common Stock Price (NYSE)                 |           |        |           |           |           |           |
| High.....                                 | \$ 25 3/4 | \$ 24  | \$ 25 1/8 | \$ 18 1/2 | \$ 17 3/4 | \$ 16 1/8 |
| Low.....                                  | 18 1/8    | 16 3/8 | 17        | 12 1/2    | 12 1/4    | 8 3/4     |
| Close.....                                | 24        | 24     | 18 7/8    | 18        | 16 1/4    | 13 7/8    |

The Notes to Consolidated Financial Statements should be read in conjunction with the above summary.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 29, 1997, included in this Form 10-K, into the Company's previously filed registration statements on Form S-8 (File No. 33-4683), Form S-3 (File No. 33-61512), Form S-8 (File No. 33-55022), Form S-8 (File No. 33-56193), Form S-8 (File No. 33-61835), Form S-8 (File No. 33-65217), Form S-8 (File No. 333-04289) and Form S-3 (File No. 333-9997).

Arthur Andersen LLP

Chicago, Illinois  
March 27, 1997

BRUNSWICK CORPORATION

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

<TABLE>  
<CAPTION>

|           | CHARGES TO BALANCE AT PROFIT                  |                     |               |          |            |            | BALANCE AT END OF |        |
|-----------|---|---------------------|---------------|----------|------------|------------|-------------------|--------|
|           | ALLOWANCES FOR POSSIBLE LOSSES ON RECEIVABLES | BEGINNING OF PERIOD | AND OF PERIOD | AND LOSS | WRITE-OFFS | RECOVERIES | OTHER             | PERIOD |
|           | (IN MILLIONS)                                 |                     |               |          |            |            |                   |        |
| <S>       | <C>   | <C>                 | <C>           | <C>      | <C>        | <C>        | <C>               | <C>    |
| 1996..... | \$16.9  | \$5.3               | \$(7.0)       | \$ 0.4   | \$ 1.6*    |            |                   | \$17.2 |
| 1995..... | \$18.1  | \$5.1               | \$(6.4)       | \$ 0.4   | \$(0.3)    |            |                   | \$16.9 |
| 1994..... | \$15.8  | \$5.9               | \$(4.3)       | \$ 1.1   | \$(0.4)    |            |                   | \$18.1 |

\* Includes \$2.1 million relating to acquisitions

This schedule reflects only the financial information of continuing operations.

<CAPTION>  
DEFERRED TAX ASSET VALUATION ALLOWANCE

| <S>       | <C>    | <C>   | <C>   | <C>     | <C>   | <C>    |
|-----------|--------|-------|-------|---------|-------|--------|
| 1996..... | \$ 3.2 | \$ -- | \$ -- | \$(2.9) | \$ -- | \$ 0.3 |
| 1995..... | \$ 3.2 | \$ -- | \$ -- | \$ --   | \$ -- | \$ 3.2 |
| 1994..... | \$ 5.8 | \$ -- | \$ -- | \$(2.6) | \$ -- | \$ 3.2 |

</TABLE>

This account reflects the adoption of SFAS No. 109, "Accounting for Income Taxes", which was adopted effective January 1, 1992. The Company utilized \$2.6 million of foreign tax credits in 1994 and \$2.9 million of capital loss carryforwards in 1996 to reduce income tax expense for the year.

This schedule reflects only the financial information of continuing operations.

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EXHIBIT INDEX

| Exhibit<br>Number | Description  |
|-------------------|--|
| 3.1               | Restated Certificate of Incorporation of the Company filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987 and hereby incorporated by reference.  |
| 3.2               | Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.  |
| 3.3               | By-Laws of the Company.  |
| 4.1               | Indenture dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of Chicago filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987 and hereby incorporated by reference. |
| 4.2               | Officers' Certificate setting forth terms of the Company's \$125,000,000 principal amount of 7-3/8% Debentures due September 1, 2023 filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993 and hereby incorporated by reference.                         |
| 4.3               | Form of the Company's \$250,000,000 principal amount of 6.75% Notes due December 15, 2006 filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 10, 1996 and hereby incorporated by reference.   |
| 4.4               | The Company's Agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980 and hereby incorporated by reference.                                       |
| 4.5               | Rights Agreement dated as of February 5, 1996, between the Company and Harris Trust and Savings Bank filed as Exhibit 1 to the Company's Registration Statement for Preferred Share Purchase Rights on Form 8-A dated March 13, 1996 and hereby incorporated by reference.   |
| 10.1*             | Third Amended and Restated Employment Agreement entered as of December 30, 1986, between the Company and Jack F. Reichert filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for 1986 and hereby incorporated by reference.                                   |
| 10.2*             | Amendment dated October 24, 1989, to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989 and hereby incorporated by reference.                |
| 10.3*             | Supplemental Agreement to Employment Agreement dated December 30, 1986, by and between the Company and Jack F. Reichert filed as Exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989 and hereby incorporated by reference.  |

10.4\* Amendment dated February 12, 1991 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for 1990 and hereby incorporated by reference.

10.5\* Amendment dated March 20, 1992 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for 1992 and hereby incorporated by reference.

10.6\* Amendment dated December 15, 1992 to Employment Agreement by and between the Company and Jack F. Reichert filed as Exhibit 10.6 to the

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Company's Annual Report on Form 10-K for 1992 and hereby incorporated by reference.

10.7\* Amended and Restated Employment Agreement dated February 3, 1997 by and between the Company and Peter N. Larson.

10.8\* Employment Agreement dated December 1, 1995 by and between the Company and Peter B. Hamilton filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.

10.9\* Form of Employment Agreement by and between the Company and each of W. J. Barrington, K. J. Chieger, J. W. Dawson, F. J. Florjancic, Jr., P. B. Hamilton, D. D. Jones, R. S. O'Brien, V. J. Reich, J. A. Schenk, R. C. Steinway and K. B. Zeigler filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.

10.10\* 1994 Stock Option Plan for Non-Employee Directors filed as Exhibit A to the Company's definitive Proxy Statement dated March 25, 1994 for the Annual Meeting of Stockholders on April 27, 1994 and hereby incorporated by reference.

10.11\* 1995 Stock Plan for Non-Employee Directors filed as Exhibit B to the Company's definitive Proxy Statement dated March 19, 1996 for the Annual Meeting of Stockholders on April 24, 1996 and hereby incorporated by reference.

10.12\* Supplemental Pension Plan filed as Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989 and hereby incorporated by reference.

10.13\* Form of Insurance Policy issued for the life of each of the Company's officers, together with the specifications for each of these policies, filed as Exhibit 10.21 to the Company's Annual

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Report on Form 10-K for 1980 and hereby incorporated by reference. The Company pays the premiums for these policies and will recover these premiums, with some exceptions, from the policy proceeds.

10.14\* Insurance policy issued by The Prudential Insurance Company of America insuring all of the Company's officers and certain other senior management employees for medical expenses filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for 1980 and hereby incorporated by reference.

10.15\* Form of Indemnification Agreement by and between the Company and each of N. D. Archibald, M. J. Callahan, J. P. Diesel, M. A. Fernandez, P. Harf, G. D. Kennedy, B. K. Koken, J. W. Lorsch, B. M. Musham, K. Roman and R. W. Schipke filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.

10.16\* Indemnification Agreement dated September 16, 1986, by and between

the Company and J. F. Reichert filed as Exhibit 19.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.

10.17\* Indemnification Agreement dated April 1, 1995 by and between the Company and P. N. Larson filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.

10.18\* Form of Indemnification Agreement by and between the Company and each of W. J. Barrington, K. J. Chieger, J. W. Dawson, F. J. Florjancic, Jr., P. B. Hamilton, D. D. Jones, R. S. O'Brien, V. J. Reich, J. A. Schenk, R. C. Steinway, and K. B. Zeigler filed as

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Exhibit 19.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1986 and hereby incorporated by reference.

10.19\* 1991 Stock Plan filed as Exhibit A to the Company's definitive Proxy Statement dated March 19, 1996 for the Annual Meeting of Stockholders on April 24, 1996 and hereby incorporated by reference.

10.20\* Change In Control Severance Plan filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for 1989 and hereby incorporated by reference.

10.21\* Brunswick Performance Plan for 1996 filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.

10.22\* Brunswick Performance Plan for 1997.

10.23\* Brunswick Strategic Incentive Plan for 1994-1996 and 1995-1997 filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for 1993 and hereby incorporated by reference.

10.24\* Brunswick Strategic Incentive Plan for 1996-1997 filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for 1995 and hereby incorporated by reference.

10.25\* Brunswick Strategic Incentive Plan for 1997-1998.

21.1 Subsidiaries of the Company.

24.1 Power of Attorney.

27.1 Financial Data Schedule

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EXHIBIT 3.3

-----  
BRUNSWICK CORPORATION

BY-LAWS

ARTICLE I

OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices in the City of Lake Forest, State of Illinois, and at such other places as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Meetings of stockholders may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. An annual meeting of stockholders shall be held at such time and on such day in the month of April or in such other month as the board of directors may specify by resolution. At the annual meeting the stockholders shall elect by a plurality vote of those stockholders voting at the meeting, by ballot, a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 4. At least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election arranged in alphabetical order, shall be prepared or caused to be prepared by the secretary. Such list shall be open at the place where the election is to be held for said ten days, to the examination of any stockholder, and shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called

by the chairman of the board and shall be called by the president or secretary at the request in writing of a majority of the board of directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders stating the place, date and hour of meeting, and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the shares of the capital stock of the corporation, issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation or by these by-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present

in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation or of these by-laws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 10. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation. Except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which shall have been transferred on the books of the corporation within twenty days next proceeding such election of directors.

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### ARTICLE III

#### DIRECTORS

Section 1. The number of directors shall be fourteen, but the number of directors may, from time to time, be altered by amendment of these by-laws in accordance with the certificate of incorporation.

Section 2. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not later than (a) with respect to an election to be held at an annual meeting of stockholders, ninety days prior to the anniversary date of the immediately preceding annual meeting, and (b) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is the holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (v) the consent of each nominee to serve as a director of the corporation if so elected. The presiding officer of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 3. The property and business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be



exercised or done by the stockholders.

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#### MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board shall be held immediately after, and at the same place as, the annual meeting of stockholders at which such board shall have been elected, for the purpose of electing officers, and for the consideration of any other business that may properly be brought before the meeting. No notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. Regular meetings of the board of directors shall be held on such dates, not less often than once each calendar quarter, as may be fixed from time to time by resolution of the board of directors. No notice need be given of such meetings, provided that notice of such resolution has been furnished to each director. Such meetings shall be held at the Lake Forest office of the corporation or at such other place as is stated in the notice of the meeting. Upon the assent, given either verbally or in writing, of a majority of the whole board, any regular meeting may be cancelled, the time changed, or may be held at such other place and time, as a majority of the whole board may designate, either verbally or in writing, upon reasonable notice given to each director, either personally or by mail or by telegram.

Section 7. Special meetings of the board of directors may be called by the chairman of the board, or by the secretary on the written request of two directors, to be held either at the Lake Forest office of the corporation or at such other place as may be convenient and may be designated by the officer calling the meeting. Reasonable notice of such special meeting shall be given to each director, either personally or by mail or telegram; provided, that a majority of the whole board of directors present at a meeting called by any of said officers, in matters requiring prompt attention by the board, may hold a valid meeting and transact business without the giving of notice to each director as above provided.

Section 8. At all meetings of the board the presence of a majority of the whole board shall be necessary and sufficient to constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation or by these by-laws. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

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#### EXECUTIVE COMMITTEE

Section 9. (a) The board of directors of the corporation at the annual or any regular or special meeting may, by resolution adopted by a majority of the whole board, designate three or more directors, one of whom shall be either the chairman of the board or the president of the corporation, to constitute an executive committee. Vacancies in the executive committee may be filled at any meeting of the board of directors. Each member of the executive committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from office or shall cease to be a director. Any member of the executive committee may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. The compensation, if any, of members of the executive committee shall be established by resolution of the board of directors.

(b) The executive committee shall have and may exercise all of the authority of the board of directors in the management of the corporation, provided such committee shall not have the authority of the board of directors in reference to amending the certificate of incorporation, adopting a plan of merger or consolidation with another corporation or corporations, recommending

to the stockholders the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the property and assets of the corporation if not made in the usual and regular course of its business, recommending to the stockholders a voluntary dissolution of the corporation or a revocation thereof, amending, altering or repealing the by-laws of the corporation, electing or removing officers of the corporation or members of the executive committee, fixing the compensation of officers, directors, or any member of the executive committee, declaring dividends, amending, altering or repealing any resolution of the board of directors which by its terms provides that it shall not be amended, altered or repealed by the executive committee, the acquisition or sale of companies, businesses or fixed assets where the fair market value thereof or the consideration therefor exceeds \$10,000,000, authorizing the issuance of any shares of the corporation, or authorizing the creation of any indebtedness for borrowed funds, in excess of \$2,000,000.

(c) The executive committee shall have power to authorize the seal of the corporation to be affixed to all papers which may require it. Minutes of all meetings of the executive committee shall be submitted to the board of directors of the corporation at each meeting following a meeting of the executive committee. The minute books of the executive committee shall at all times be open to the inspection of any director.

(d) The executive committee shall meet at the call of the chairman of the executive committee, chairman of the board, the president, or any two members of the executive committee. Three members of the executive committee shall constitute a quorum for the transaction of business and the act of a majority of those present shall constitute the act of the committee.

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#### AUDIT COMMITTEE

Section 10. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more independent directors to constitute an audit committee and appoint one of the directors so designated as the chairman of the audit committee. Membership on the audit committee shall be restricted to those directors who are independent of the management of the corporation and are free from any relationship that, in the opinion of the corporation's board of directors, would interfere with the exercise of independent judgment as a member of the committee. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign or shall have been removed from the audit committee by the board or shall cease to be a director. Any member of the audit committee may be removed from the committee by resolution adopted by a majority of the whole board of directors whenever in its judgment (1) such person is no longer an independent director or free from any relationship with the corporation or any of its officers prohibited by this section, or (2) the best interests of the corporation would be served thereby. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The audit committee shall be responsible for recommending to the board of directors the appointment or discharge of independent auditors, reviewing with management and the independent auditors the terms of engagement of independent auditors, including the fees, scope and timing of the audit and any other services rendered by such independent auditors; reviewing with independent auditors and management the corporation's policies and procedures with respect to internal auditing, accounting and financial controls, and dissemination of financial information; reviewing with management, the independent auditors and the internal auditors, the corporation's financial statements, audit results and reports and the recommendations made by the auditors with respect to changes in accounting procedures and internal controls; reviewing the results of studies of the corporation's system of internal accounting controls; and performing any other duties or functions deemed appropriate by the board of directors. The committee shall have such powers and rights as may be necessary or desirable to fulfill these responsibilities including, the power and right to consult with legal counsel and to rely upon the opinion of such legal counsel. The audit committee is authorized to communicate directly with the corporation's financial officers and employees, internal auditors and independent auditors on such matters as it deems desirable and to have the internal auditors and independent auditors perform such additional procedures as it deems appropriate. The audit committee shall periodically report to the board of directors on its activities.

(c) Minutes of all meetings of the audit committee shall be submitted to the board

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of directors of the corporation. The minute books of the committee shall at all times be open to the inspection of any director.

(d) The audit committee shall meet at the call of its chairman or any two members of the committee. Two members of the audit committee shall constitute a quorum for the transaction of business and the act of a majority of those present, but no less than two members, shall constitute the act of the committee.

#### COMPENSATION COMMITTEE

Section 11. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a compensation committee and appoint one of the directors so designated as the chairman of the compensation committee. Membership on the compensation committee shall be restricted to disinterested persons which for this purpose shall mean any director, who, during the time he is a member of the compensation committee is not eligible, and has not at any time within one year prior thereto been eligible, for selection to participate in any of the compensation plans administered by the compensation committee, except for the 1988 Stock Plan for Non-Employee Directors. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director or a disinterested person. Any member of the compensation committee may be removed by resolution adopted by a majority of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the compensation committee shall constitute a quorum and an act of the majority of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the compensation committee. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The compensation committee shall administer the CEO Incentive Plan, Brunswick Performance Plan, Strategic Incentive Plan, 1971 Stock Option Plan, 1984 Restricted Stock Plan, 1988 Stock Plan for Non-Employee Directors, 1991 Stock Plan, and Supplemental Pension Plan. The compensation committee shall have the power and authority vested in it by any plan of the corporation which the committee administers. The compensation committee shall from time to time recommend to the board of directors the compensation of the officers of the corporation except for assistant officers whose compensation shall be fixed by the officers of the corporation. The compensation committee shall also make recommendations to the board of directors with regard to the

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compensation of the board of directors and its committees except the compensation committee.

#### CORPORATE GOVERNANCE COMMITTEE

Section 12. (a) The board of directors of the corporation at the annual or any regular or special meeting shall, by resolution adopted by a majority of the whole board, designate three or more directors to constitute a corporate governance committee of the board of directors and appoint one of the directors so designated as its chairman. Members on the corporate governance committee of the board of directors shall be restricted to disinterested persons which for this purpose shall mean any director who, during the time the director is a member of the corporate governance committee of the board of directors, is neither an officer or employee of the corporation. Vacancies in the committee may be filled at any meeting of the board of directors. Each member of the

committee shall hold office until his successor shall have been duly elected, or until his death or resignation, or until he shall have been removed from the committee by the board of directors, or until he shall cease to be a director. Any member of the corporate governance committee of the board of directors may be removed by resolution of the whole board of directors whenever in its judgment the best interests of the corporation would be served thereby. A majority of the corporate governance committee of the board of directors shall constitute a quorum and an act of the majority of the members present at any meeting at which a quorum is present, or an act approved in writing by each of the members of the committee without a meeting, shall be the act of the corporate governance committee. The compensation, if any, of members of the committee shall be established by resolution of the board of directors.

(b) The corporate governance committee of the board of directors shall be responsible for all matters of corporate governance and director affairs including, but not limited to:

(i) considering and making recommendations to the board with regard to changes in the size of the board;

(ii) developing and maintaining appropriate criteria for the composition of the board of directors and its nominees;

(iii) overseeing the selection of and making recommendations to the board regarding nominees for election as directors to be submitted to the stockholders and nominees to fill vacancies on the board of directors as they occur;

(iv) coordinating an annual evaluation by the board, with input from

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senior management, of the structure of the board and its committees and the processes employed in their deliberations; and

(v) periodically evaluating the performance of members of the board.

(c) Nothing in this by-law is intended to prevent any individual director from making a recommendation of a person to be a director of the corporation either to the corporate governance committee or to the board.

#### OTHER COMMITTEES

Section 13. The board of directors may from time to time create and appoint such committees in addition to the executive, audit, compensation and nominating committees as it deems desirable. Each additional committee shall bear such designation, shall have such powers and shall perform such duties, not inconsistent with these by-laws or with law, as may be assigned to it by the board of directors; provided that no such additional committee may exercise the powers of the board of directors in the management of the business and affairs of the corporation except such as shall be expressly delegated to it. The board of directors shall have the power to change the members of any such additional committee at any time, to fill vacancies, and to discharge any such additional committee at any time. The compensation, if any, of members of any such committee shall be established by resolution of the board of directors.

#### COMPENSATION OF DIRECTORS

Section 14. Directors shall receive such fees and reimbursement of reasonable expenses as may be fixed from time to time by resolution of the board. Members of special or standing committees shall also be allowed such fees and reimbursements for reasonable expenses in connection with service on such committees as may from time to time be fixed by resolution of the board. Such fees may be fixed on the basis of meetings attended or on an annual basis or both and may be payable currently or deferred.

#### ACTION BY WRITTEN CONSENT

Section 15. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a

meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

#### ACTION BY TELEPHONE OR OTHER COMMUNICATIONS EQUIPMENT

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Section 16. Directors may participate in a meeting of the board or any committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

#### ALTERNATE COMMITTEE MEMBERS

Section 17. The board of directors may designate one or more directors as alternate members of any committee, any of whom may be selected by the chairman of a committee to replace any absent or disqualified member at any meeting of a committee. In the absence or disqualification of a member of a committee and of the alternate members of such committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitutes a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

#### ARTICLE IV

##### NOTICES

Section 1. Except as may be otherwise provided for in these by-laws, whenever under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram or telex.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation, or of these by-laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

#### ARTICLE V

##### OFFICERS

Section 1. The officers of the corporation shall be elected by the board of directors and shall be a chairman of the board, a president, one or more vice presidents, a secretary, a treasurer and a general counsel. The board of directors may also elect a senior vice president, an executive vice president, a controller and one or more assistant

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vice presidents, assistant secretaries, assistant treasurers and assistant general counsels. Two or more offices may be held by the same person, except as where the offices of president and secretary are held by the same person, such person shall not hold any other office.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders shall elect a chairman of the board from among the directors, and shall elect a president, one or more vice presidents, a secretary and a treasurer, none of whom need be a member of the board.

Section 3. The board of directors may elect such other officers as it shall deem necessary, who shall hold their offices for such terms and shall exercise

such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The board of directors shall fix the salaries of all officers of the corporation, except that the salaries of the assistant vice presidents, assistant secretaries, and assistant treasurers may be fixed by the chairman of the board or the president of the corporation.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors.

#### THE CHAIRMAN OF THE BOARD

Section 6. The chairman of the board shall be an officer of the corporation and shall preside at all meetings of the stockholders and the board of directors and shall perform such other duties as appertain to the office of the chairman of the board and as may be assigned to him from time to time by the board of directors.

#### THE PRESIDENT

Section 7. The president shall be the chief executive officer of the corporation and, subject to the board of directors and the executive committee, shall be in general charge of the affairs of the corporation and shall possess such powers and perform such duties as usually appertain to the chief executive officer in business corporations. In the absence of the chairman of the board, he shall preside at all meetings of the stockholders and the board of directors and shall perform such other duties as may from time to time be assigned to him by the board of directors. He shall see that all orders and resolutions of the board of directors and the executive committee are carried into effect.

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#### THE EXECUTIVE VICE PRESIDENT

Section 8. The executive vice president shall exercise such supervision over the business and affairs of the corporation as shall be prescribed from time to time by the board of directors or by the president. In the absence or disability of the president, and unless otherwise determined by the board of directors, the executive vice president shall perform the duties and exercise the powers of the president.

#### THE VICE PRESIDENTS

Section 9. The vice presidents shall perform such duties and have such powers as the board of directors may from time to time prescribe.

#### THE SECRETARY AND ASSISTANT SECRETARIES

Section 10. The secretary shall attend all meetings of the board of directors, the executive committee, and all meetings of the stockholders, and shall record all of the proceedings of said meetings in books to be kept for that purpose, and shall perform like duties for the standing committees when required. The secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or the chairman of the board, under whose supervision the secretary shall be. The secretary may sign with the president or a vice president, in the name of the corporation, all contracts and instruments of conveyance authorized by the board of directors, and the secretary shall keep in safe custody the seal of the corporation and, when authorized by the board of directors, affix the same to any instrument requiring it and, when so affixed, it shall be attested by the signature of the secretary or an assistant secretary, and the secretary shall in general perform all the duties incident to the office of secretary. The secretary shall have charge of the stock certificate books, transfer books and

stock ledgers; provided, however, that the secretary may employ corporate transfer agents and registrars whom the secretary reasonably believes to be financially responsible and competent in the performance of their duties to maintain such stock certificate books, transfer books and stock ledgers and such other books and paper as may be appropriate and all of such records may be kept either in the form of writings, punch cards, magnetic tape, photographs, micro-photographs or any other information storage device as appropriate, so long as the form of such records is designed to allow reasonably prompt and appropriate access thereto and retrieval of information in clearly legible form therefrom.

Section 11. An assistant secretary shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary. The assistant

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secretaries shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### THE TREASURER AND ASSISTANT TREASURERS

Section 12. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The board of directors, in its discretion, may delegate its responsibilities regarding the designation of depositories contained in this section to any officer or officers of the corporation. The treasurer shall in general perform all the duties incident to the office of the treasurer.

Section 13. He shall be responsible for the disbursement of the funds of the corporation and shall take proper vouchers for such disbursements, and upon the request of the president or the board of directors, shall render an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 14. If required by the board of directors, he shall give the corporation a bond, which shall be renewed regularly, in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 15. The assistant treasurers, unless otherwise determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### THE CONTROLLER

Section 16. The controller shall maintain adequate records of all assets, liabilities, and other financial transactions of the corporation and, in general, shall perform all the duties ordinarily connected with the office of controller and such other duties as, from time to time, may be assigned to him by the board of directors or the president.

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#### THE GENERAL COUNSEL AND ASSISTANT GENERAL COUNSELS

Section 17. The general counsel shall be in charge of the law department and patent functions, shall supervise all legal matters affecting the corporation and render all necessary advice in connection therewith and shall give such legal advice as may be appropriate to the directors, officers and employees of the corporation. He may retain such law firms and other legal counsel who are not employees of the corporation as he considers desirable for the purpose of effectively carrying out his duties as general counsel.

Section 18. The assistant general counsels shall perform such duties and have such powers as the board of directors may from time to time prescribe.

## ARTICLE VI

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The corporation may indemnify to the fullest extent that is lawful, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, taxes, penalties and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Section 2. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not he would be entitled to indemnity against the same liability under the provisions of this article.

Section 3. The corporation may enter into an indemnity agreement with any director, officer, employee or agent of the corporation, upon terms and conditions that the board of directors deems appropriate, as long as the provisions of the agreement are not inconsistent with this article.

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## ARTICLE VII

### CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the chairman of the board, the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, designations, preferences and relative, participating, optional and other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions or such preferences and rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock; provided, however, that, to the full extent allowed by law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and rights.

Section 2. If such certificate is countersigned (1) by a transfer agent, or (2) by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

### LOST CERTIFICATES

Section 3. The board of directors may authorize the transfer agents and registrars of the corporation to issue and register, respectively, new



certificates in place of any certificates alleged to have been lost, stolen or destroyed, and in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems necessary to protect the corporation and said transfer agents and registrars.

#### TRANSFERS OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to

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issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

#### REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

#### ARTICLE VIII

#### GENERAL PROVISIONS

#### DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from

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time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. The board of directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

#### CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate. The board of directors, in its discretion, may delegate its responsibilities contained in this section to any officer or officers of the corporation.

#### FISCAL YEAR

Section 5. The fiscal year of the corporation shall begin on the first day of January, and terminate on the thirty-first day of December, in each year.

#### SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Incorporated Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### ARTICLE IX

##### TENNESSEE AUTHORIZED CORPORATION PROTECTION ACT

Section 1. This corporation shall be subject to Section 24(a) of Chapter 30 of the Tennessee Business Corporation Act.

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#### ARTICLE X

##### AMENDMENTS

Section 1. The holders of shares of capital stock of the corporation entitled at the time to vote for the election of directors shall have the power to adopt, alter, amend, or repeal the by-laws of the corporation by vote of such percentage of such shares as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than 66-2/3% of such shares. The board of directors shall also have the power to adopt, alter, amend or repeal the by-laws of the corporation by vote of such percentage of the entire board as is required by the Certificate of Incorporation, or if no percentage is specified by the Certificate of Incorporation, by vote of not less than a majority of the entire board.

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Exhibit 10.7

-----  
AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT  
-----

This Agreement, made and entered into as of February 3, 1997 (the "Effective Date"), by and between BRUNSWICK CORPORATION, a Delaware corporation (the "Company"), and Peter N. Larson (the "Executive");

WITNESSETH THAT:  
-----

WHEREAS, the Executive has been employed by the Company as its Chief Executive, immediately prior to the Effective Date, pursuant to an employment agreement dated April 1, 1995 (the "Prior Agreement"); and

WHEREAS, the parties hereto desire to enter into this Agreement pertaining to the continued employment of the Executive by the Company;

NOW, THEREFORE, in consideration of the mutual covenants set forth below, it is hereby covenanted and agreed by the Executive and the Company as follows:

1. Performance of Services. The Executive's employment with the Company shall be subject to the following:

(a) Subject to the terms of this Agreement, the Company hereby agrees to employ the Executive as its Chief Executive during the Agreement Term (as defined below), and the Executive hereby agrees to remain in the employ of the Company during the Agreement Term. During the Agreement Term, the Executive shall be a member and Chairman of the Board of Directors of the Company (the "Board").

(b) During the Agreement Term, while the Executive is employed by the Company, the Executive shall devote his best efforts and full business time exclusively to the business affairs of the Company and the Affiliates (as defined below) and shall perform his duties faithfully and efficiently, subject to the direction of the Board. The Executive, however, may engage in charitable, civic or other similar pursuits and, subject to Board approval, may become a director of other corporations, to the extent that such activities do not interfere with his devoting his best efforts to his duties to the Company. For

purposes of the preceding sentence, Board approval is deemed to be granted to the Executive to serve on the board of directors of Compaq Computer Corp.

(c) The Executive's performance shall be reviewed annually by the Board, taking into account such financial and non-financial factors as the Board determines to be pertinent, with the results of such review to be discussed with the Executive. Approximately six months through each annual performance review cycle, the Board shall review the Executive's performance on an interim basis, with the interim review focusing primarily on non-financial factors, and the results of such interim review to be discussed with the Executive.

(d) For purposes of this Agreement, the term "Affiliate" means (i) any corporation, partnership, joint venture or other entity during any period in which it owns, directly or indirectly, at least fifty percent of the voting power of all classes of stock of the Company (or successor to the Company) entitled to vote; and (ii) any corporation, partnership, joint venture or other entity during any period in which at least a thirty percent voting or profits interest is owned, directly or indirectly, by the Company, by any entity that is a successor to the Company, or by any entity that is an Affiliate by reason of clause (i) next above.

(e) The "Agreement Term" shall be the period, the first day of which shall be the Effective Date and the last day of which shall be April 1, 1999. The Agreement Term shall be automatically extended for an additional one-year period on each April 1, beginning with April 1, 1999, unless either party

gives six month prior written notice to the other party of a decision not to extend the term.

2. Compensation. In consideration of the services rendered by the Executive to the Company, in consideration of the Executive's agreement to remain in the employ of the Company during the Agreement Term, and subject to the terms of this Agreement, the Company shall compensate the Executive during the Agreement Term, while the Executive is employed by the Company, as follows:

(a) One-Time Payment. To compensate the Executive for the forfeiture of compensation and other employment benefits resulting from his resignation from his prior employer, the

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Company has provided to the Executive the following one-time payments:

(i) The Executive has previously received an award of 149,079 share units of common stock of the Company ("Company Stock"), with such share units to be settled in shares of Common Stock in accordance with the provisions of paragraph 2(p) of this Agreement. The Executive shall be fully vested in the share units, and their resulting settlement in shares, described in this paragraph (i).

(ii) The Executive has previously received a non-qualified stock option award to purchase of 500,000 shares of Company Stock, which is subject to terms comparable to those included in stock options granted under the Brunswick Corporation 1991 Stock Plan (the "1991 Plan") to other officers of the Company. The purchase price under such option is \$20.125, the option exercise period expires ten years after grant (or such earlier time following termination of employment as provided in stock options granted to officers under the 1991 Plan). On April 1, 1996, the option became exercisable with respect to 60,000 shares of Company Stock. The remaining portion of the option shall become exercisable in accordance with the following schedule:

| If the Executive is employed through the following date:<br>----- | The option shall become exercisable with respect to the following number of shares on and after that date:<br>----- |
|---|---|
| April 1, 1997   | 60,000  |
| April 1, 1998   | 80,000  |

The first date on which the Stock Price attains \$25.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive quarters during which aggregate

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|  |        |
|--|--------|
| net earnings for such four quarters exceeds \$2.00 per share | 90,000 |
|--|--------|

|   |        |
|---|--------|
| The first date on which the Stock Price attains \$30.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive quarters during which aggregate net earnings for such four quarters exceeds \$2.35 per share | 90,000 |
|---|--------|

The first date on which the Stock Price attains \$35.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive

quarters during which aggregate  
net earnings for such four  
quarters exceeds \$2.70 per share 120,000

As of the effective date of this Agreement, the foregoing schedule shall supersede the schedule set forth in paragraph 2(a)(ii) of the Prior Agreement. The net earnings per share shall be such amount as determined for purposes of the Company's public financial reporting obligations. The Compensation Committee of the Board, in consultation with the Executive, shall adjust the net earnings per share requirement and the Stock Price requirement applicable to Company Stock under this paragraph 2(a)(ii) as appropriate from time to time to reflect material mergers, consolidations, recapitalizations, reclassifications, stock dividends, stock splits, combinations of shares, other capital adjustments and other unusual and extraordinary events. If the Executive's employment by the Company continues through April 1, 1998, then any portion of the option described in this paragraph 2(a)(ii) not previously exercisable shall become exercisable on April 1, 1998. For purposes of this paragraph 2(a)(ii), the "Stock Price" for any date shall be the closing market composite price for the Company Stock (as reported for the New York Stock Exchange - Composite Transactions).

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The stock option award described in this paragraph 2(a)(ii) shall be subject to terms substantially comparable to the terms set forth in the stock option agreement included in Supplement A, which is attached to and forms a part of this Agreement. As soon as practicable after the Effective Date, the terms of the option agreement set forth in paragraph 5 of Supplement A (relating to transferability of the option) shall be modified to permit transfer to the Executive's family members (as set forth in Supplement A). To the extent that the express terms of this Agreement are inconsistent with the terms of the 1991 Plan or awards granted thereunder, the terms of this paragraph (ii) and other applicable terms of this Agreement shall govern the awards made under this paragraph.

(b) One-Time Stock Option Award. The Company shall provide to the Executive the following one-time stock option award, which shall be a non-qualified stock option award to purchase of 100,000 shares of Company Stock, subject to terms comparable to those included in stock options granted under the 1991 Plan to other officers of the Company; provided that the purchase price shall equal the fair market value of the stock as of the date this Agreement is fully executed by the Executive (but not earlier than the date the option is approved by the Compensation Committee), with the option exercise period expiring on the tenth anniversary of such date (or such earlier time following termination of employment as provided in stock options granted to officers under the 1991 Plan), and the option shall be exercisable in accordance with the following schedule:

| If the Executive is<br>employed through<br>the following date:<br>----- | The option shall<br>become exercisable with<br>respect to the following<br>number of shares on<br>and after that date:<br>----- |
|---|---|
| April 1, 1997   | 30,000  |
| April 1, 1998   | 30,000  |
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| April 1, 1999   | 40,000  |

The stock option award described in this paragraph 2(b) shall be subject to terms substantially comparable to the terms set forth in the stock option agreement included in Supplement B, which is attached to and forms a part of this Agreement. To the extent that the express terms of this Agreement are inconsistent with the terms of the 1991 Plan or awards granted thereunder, the terms of this paragraph (b) and other applicable terms of this Agreement shall govern the awards made under this paragraph. If the stock options granted under this paragraph 2(b) are granted under the 1991 Plan (or any successor plan

providing for administration by a committee of the Board), or if any other awards are made pursuant to this Agreement under the 1991 Plan (or any such successor plan), then any action with respect to such awards that is required of the Board may instead be taken by the committee administering the applicable plan.

- (c) Salary. The Executive's annual base salary rate shall be \$800,000, which shall not be increased or reduced during the Agreement Term (determined without extensions after March 31, 1999). The salary shall be payable monthly or more frequently in accordance with Company practice and shall be subject to all normal deductions and withholdings.
- (d) Bonus. The Executive shall participate in an annual bonus program. The bonus program shall provide for a maximum bonus amount of 200% of the Executive's annual salary. The performance goals shall be established by the Board in consultation with the Executive. Half of the value for each bonus award will be distributed in fully-vested shares of Company Stock, with the remainder distributed in cash; provided, however, that if the Executive has satisfied the Company's applicable stock ownership guidelines on the date such award is determined, the Executive may elect (on or before the date such award is determined) to receive the entire award in cash. The value of Company Stock distributed as a bonus in accordance with this paragraph (d) shall be determined as of the last business day prior to the date on which the amount of the bonus is determined by the Board. For the fiscal year ending December 31, 1995, the Executive has received an award under the annual bonus program of share

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units to be settled in Company Stock in accordance with the provisions of paragraph 2(p) of this Agreement, with such share units representing Company Stock having a value of \$960,000, determined as of the last business day prior to the date on which the amount of the bonus was determined by the Board. The Executive shall be fully vested in the share units, and their resulting settlement in shares, described in this paragraph (d).

- (e) Long-Term Incentive Share Award. The Executive was entitled to a Long-Term Incentive Share Award of Company Stock for the fiscal year ending December 31, 1995, and shall be entitled to a Long-Term Incentive Share Award of Company Stock for the fiscal year ending December 31, 1996, subject to the following:

- (i) The Executive has previously received a Long-Term Incentive Share Award of Company Stock for the fiscal year ending December 31, 1995, based on Company performance for that year. The award was made in share units of Company Stock, with such share units to be settled in shares of Company Stock in accordance with the provisions of paragraph 2(p). The share units had a market value of \$720,000 as of the last business day prior to the date on which the amount of the award was determined by the Board. To the extent that the express terms of this Agreement are inconsistent with the terms of the 1991 Plan or awards granted thereunder, the terms of this paragraph (e)(i) and other applicable terms of this Agreement shall govern the awards made under this paragraph.

- (ii) The Executive shall be entitled to a Long-Term Incentive Share Award of Company Stock for the fiscal year ending December 31, 1996, based on Company performance for that year, and subject to the requirements set forth in Supplement C, which is attached to, and forms a part of this Agreement. The market value of the Company Stock granted pursuant to such award shall be determined as of the last business day prior to the date on which the amount of the award is determined by the Board.

- (iii) Except as otherwise provided in paragraph 5, the Executive's vesting of benefits described in paragraph (e)(i) shall be subject to the following:

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- (A) The Executive shall forfeit the shares granted under paragraph (e)(i) as of his Date of Termination, if such Date of Termination occurs prior to April 1, 1998 under circumstances other than those described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to

the Executive's disability), paragraph 3(e) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause).

(B) The Executive shall become vested on his Date of Termination in the shares granted under paragraph (e)(i) if such Date of Termination occurs prior to April 1, 1998 under circumstances described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to the Executive's disability), paragraph 3(e) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause).

(C) The Executive shall become vested on April 1, 1998 in the shares granted under paragraph (e)(i) if the Executive remains employed by the Company through such date.

(iv) Except as otherwise provided in paragraph 5, the Executive's vesting of benefits described in paragraph (e)(ii) shall be subject to the following:

(A) The Executive shall forfeit the shares granted under paragraph (e)(ii) as of his Date of Termination, if such Date of Termination occurs prior to February 15, 1998 under circumstances other than those described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to the Executive's disability), paragraph 3(e) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause).

(B) The Executive shall become vested on his Date of Termination in the shares granted under paragraph (e)(ii) if such Date of Termination occurs prior to February 15, 1998

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under circumstances described in paragraph 3(a) (relating to the death of the Executive), paragraph 3(b) (relating to the Executive's disability), paragraph 3(e) (relating to termination by the Executive for Good Reason), paragraph 3(f) (relating to termination following a Change in Control), or paragraph 3(g) (relating to termination by the Company for reasons other than Cause).

(C) The Executive shall become vested on February 15, 1998 in the shares granted under paragraph (e)(ii) if the Executive remains employed by the Company through such date.

The Executive shall be entitled to dividends for dividend record dates on or after the date of grant with respect to shares of Company Stock granted under this paragraph (e), to the extent that the dividends are payable with respect to dates prior to termination of employment, regardless of the reason for such termination.

(f) SIP. For periods after December 31, 1996, the Executive shall not be entitled to any Long-Term Incentive Share Awards, but shall be entitled to participate in the Strategic Incentive Plan (the "SIP") in accordance with its terms as in effect from time to time; subject to the following:

(i) The amount of the maximum award opportunity for the Executive under the SIP for each SIP performance period shall be not less than 100% of the Executive's salary for the period of the entire performance period, with the minimum value of the award for the period not less than 75% of the Executive's salary for the performance period if the target goals established by the Board for the performance period are achieved.

(ii) Notwithstanding the provisions of the SIP to the contrary, the Executive's rights to benefits under the SIP on termination of employment shall be determined in accordance with the provisions of paragraph 4 of this Agreement.

(g) Stock Options.

(i) Yearly Grant. In each calendar year, beginning with the 1996 calendar year, the Executive shall be entitled to a grant of a non-qualified stock option. The option granted for each

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calendar year under this paragraph (g)(i) shall have a grant-date value (determined using the Black-Scholes methodology, but excluding any discount for deferred vesting, or other contingencies) of \$750,000 (determined as of the date of grant). Stock options to be granted in any calendar year under this paragraph (g)(i) shall be granted at the time stock options are granted to other officers of the Company during the calendar year, provided that if the Company makes more than one option grant to officers during any calendar year, the Company shall not be required to grant stock options under this paragraph (g)(i) (but determined without regard to the grant under paragraph (g)(ii)) having an aggregate value of more than \$750,000 per calendar year. Subject to paragraph 4, the Executive shall not be entitled to a stock option award under this paragraph (g)(i) during any calendar year if he is not employed by the Company on the date that such award would otherwise be granted under this paragraph (g)(i). In January, 1996 (prior to the Effective Date of this revised Agreement), an option to purchase 72,255 shares of Company Stock was granted to the Executive, which was in satisfaction of the requirement under this paragraph (g)(i) to grant a stock option to the Executive in calendar year 1996 (and was also in satisfaction of the obligation under paragraph 2(e) of the Prior Agreement to grant a stock option for the fiscal year ending December 31, 1995).

(ii) July 1996 Grant. In July, 1996, the Executive was granted a non-qualified stock option to purchase 90,000 shares of Company Stock (which was in addition to the other options granted under this Agreement). The option award described in this paragraph is in lieu of the award for the calendar year beginning January 1, 1999, and the Executive shall not be entitled to a stock option award under this paragraph (g) for the 1999 calendar year.

(iii) General Option Terms. Stock options granted under paragraph (g)(i) or paragraph (g)(ii) shall be subject to the following:

(A) Each option granted under this paragraph (g) shall be subject to terms comparable to those included in stock options granted under the 1991 Plan (or any successor or substitute plan) to other officers of the Company; provided that the option shall permit purchase of shares of Company Stock at a

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price equal to the fair market value of such stock as of the date of grant, and the exercise period shall expire ten years after grant, or such earlier time following termination of employment as provided in stock options granted to officers under the 1991 Plan, or successor to the 1991 Plan.

(B) Each option granted under this paragraph (g) shall be exercisable in accordance with the following schedule:

| If the Executive is employed through the following date:<br>----- | The option shall become exercisable with respect to the following number of shares on and after that date:<br>----- |
|---|---|
| 1st anniversary of grant date                                     | 30% of grant  |
| 2nd anniversary of grant date                                     | 30% of grant  |
| 3d anniversary of grant date                                      | 40% of grant  |

(C) To the extent that the express terms of this Agreement are inconsistent with the terms of the 1991 Plan or awards granted thereunder, the terms of this paragraph (g) and other applicable terms of this



Agreement shall govern the awards made under this paragraph.

(iv) Exercisability on Termination. If the Executive's employment with the Company continues through April 1, 1998, all options which were granted to the Executive pursuant to paragraph (g)(i) prior to January 1, 1998, and the option granted to the Executive pursuant to paragraph (g)(ii), shall become (or remain) exercisable until the earlier of (A) the expiration date of the option or (B) five years following termination of the Executive's employment. If the Executive's employment with the Company continues through April 1, 1999, all options which were granted to the Executive pursuant to paragraph (g)(i) after December 31, 1997 shall become (or remain) exercisable until the earlier of (i) the expiration date of the option or (ii) five years following termination of the Executive's employment.

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- (h) Life Insurance. The Company shall provide aggregate life insurance death benefit coverage to the Executive of at least 3-1/2 times the Executive's base salary rate, reduced by the face value of any life insurance policy rolled out to the Executive under the Company's Split Dollar Life Insurance Plan. At any time after the Effective Date, the Executive may reduce the amount of coverage required to be provided under this paragraph (h), in which case the Executive will be entitled to receive the net amount of any life insurance premium reduction provided to the Company as a result of such reduction in coverage, with such amount to be paid by the Company to the Executive in cash from time to time.
- (i) Supplemental Pension. The Executive shall be entitled to receive benefits under the Brunswick Supplemental Pension Plan (the "Supplemental Plan") or, in the discretion of the Company, under another non-qualified plan maintained by the Company, in an amount which, when added to the benefits otherwise payable to or on behalf of the Executive under the Supplemental Plan and the Brunswick Pension Plan for Salaried Employees, will provide the Executive with the benefits that would have been payable to or on behalf of the Executive under the Supplemental Plan and the Brunswick Pension Plan for Salaried Employees if he had, in addition to his actual Years of Service, completed an additional 15 Years of Service with the Company. The monthly benefit payable under this paragraph (i) in the form of a single life annuity for the life of the Executive commencing at his age 65 shall be reduced (but not below zero) by the following:
- (i) the monthly amount of the total Social Security benefit payable to the Executive as a single life annuity for the life of the Executive commencing at his age 65; and
  - (ii) \$15,369.10, which is the monthly amount of the benefit payable to the Executive under the Retirement Plan of Johnson & Johnson and Affiliated Companies and the Excess Benefit Plan of Johnson & Johnson and Affiliated Companies (collectively, the "Predecessor Employer Plan"), based on its being paid in the form of a single life annuity for the life of the Executive commencing at his age 65).

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If the pension benefits are payable to the Executive pursuant to this paragraph (i) are paid in a form other than a single life annuity for the life of the Executive commencing at his age 65, then such benefits shall be actuarially equivalent to the value of the benefit determined in accordance with the foregoing provisions of this paragraph (i), with the actuarial equivalency determined using the actuarial assumptions in effect under the Brunswick Pension Plan for Salaried Employees as of the date of commencement of such benefit payments. The Executive, by filing a written election with the Company not later than thirty days after the Executive's Date of Termination, may elect to receive the benefits otherwise payable to him under the Supplemental Plan and this paragraph (i) in the form of an actuarially equivalent lump sum. Payments under this paragraph (i) shall be made (or shall commence if not in the form of a lump sum) on the 60th day after the Date of Termination (or the first business day occurring after such 60th day); provided that no such payment shall be made prior to such 60th day.

- (j) Retiree Medical Benefits. The Executive shall be entitled to retiree

medical benefit coverage to the same extent as other executives leaving the employ of the Company at the time of the Executive's Date of Termination, determined as though the Executive had then satisfied any applicable service requirements for such coverage. However, to the extent that, as of the Executive's Date of Termination, the amount of required employee contributions under the retiree medical benefit plan is based on an employee's service with the Company, the Executive shall be deemed to have service with the Company equal to his actual service with the Company plus 15 years.

- (k) Security Protection. The Company shall make security protection available to the Executive and his family on a reasonable basis for business and personal use.
- (l) Vacation. The Executive shall be entitled to paid vacations in accordance with the applicable policy of the Company as in effect from time to time, but in no event shall the Executive be entitled to less than four weeks paid vacation per year.
- (m) Benefits. The Executive shall be a participant in any and all plans maintained by the Company from time to time to provide

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benefits for its senior executives, or for its salaried employees generally, including, without limitation, any pension, profit sharing, employee stock ownership or retirement plan, any life, accident, medical, hospital or similar group insurance program, and any plans or arrangements providing tax planning or financial planning. However, the Company shall not be required to provide a benefit under this paragraph (m) if such benefit would duplicate (or otherwise be of the same type as) a benefit specifically required to be provided under another provision of this Agreement.

- (n) Perquisites. The Executive shall be entitled to all perquisites generally provided by the Company to its senior executives. However, the Company shall not be required to provide perquisites under this paragraph (n) if such perquisites would duplicate (or otherwise be of the same type as) a perquisite specifically required to be provided under another provision of this Agreement.
- (o) Expenses. The Executive has been reimbursed for all reasonable expenses incurred in performing his obligations under this Agreement.
- (p) Elective Deferral. The Executive shall be entitled, by agreement with the Company under terms established by the Board and acceptable to the Executive, to defer receipt of any part of the salary, cash bonus, or other cash incentive compensation payments, and to defer the receipt of any part of the Company Stock otherwise due to him from the Company subject to the following:
  - (i) Electively deferred cash payments under this paragraph (p) shall be credited to a deferred compensation account (the Executive's "Elective Deferral Account", which was referred to in the Prior Agreement as the "Account") maintained by the Company in his name. The opening balance of such Elective Deferral Account on the Effective Date shall be the amount credited to the Participant's Account in accordance with paragraph 2(n) of the Prior Agreement immediately prior to the Effective Date of this Agreement (with the adjustment for investment returns and interest to take into account such returns and interest both before and after this Agreement becomes effective). The portion

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of the Executive's Elective Deferral Account that is not invested in accordance with paragraph 2(p)(ii) shall be credited as of the last day of each calendar month with interest for that month at the prime rate in effect at The First National Bank of Chicago on the first day of the month or, if greater, the Company's short-term borrowing rate.

- (ii) The Company, after consultation with the Executive, may invest amounts credited to his Elective Deferral Account in securities and other assets as the Company may determine. The Company and its agents

shall not incur any liability by reason of purchasing, or failing to purchase, any security or other asset in good faith. The Executive's Elective Deferral Account shall be charged or credited as of the last day of each fiscal year of the Company, and at such other times as the balance in the Elective Deferral Account shall be determined, to reflect (A) dividends, interest or other earnings on any such investments, reduced by the cost of funds (for the period of deferral) for the amount of any taxes incurred by the Company with respect thereto; (B) any gains or losses (whether or not realized) on such investment; (C) the cost of funds (for the period of deferral) for the amount of any taxes incurred with respect to net gains realized on any such investments, taking into account any applicable capital loss carryovers and carrybacks, provided that in computing such taxes, capital gains and losses on assets of the Company other than such investments shall be disregarded; and (D) any direct expenses incurred by the Company in such fiscal year or other applicable period which would not have been incurred but for the investment of amounts pursuant to the provisions of this paragraph (ii) (provided that this clause (D) shall not be construed to permit a reduction for the cost of taxes).

- (iii) The Executive shall be entitled to any dividends payable with respect to shares of Company Stock during the period in which receipt of those shares is electively deferred by the Executive. Such dividends shall be treated as being reinvested in additional shares of Company Stock (based on the value of the

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stock at the time of the dividend), which shares shall be delivered to the Executive at the same time as delivery of other shares electively deferred by the Executive.

- (iv) By providing reasonable advance notice to the Company, the Executive may elect to receive interest and dividends earned with respect to deferred cash and stock distributions as such interest and dividends are earned.
- (v) The Brunswick Corporation Supplemental Pension Plan (the "Supplemental Plan") provides that certain amounts deferred under a "Deferred Compensation Agreement" shall be taken into account for purposes of determining a Participant's plan benefits. For purposes of the Supplemental Plan, salary and bonus amounts that are electively deferred by the Executive in accordance with this paragraph (p) shall be treated as deferred under a Deferred Compensation Agreement, and shall be taken into account under the Supplemental Plan to the extent provided in that plan.
- (vi) The Company will distribute the shares of Company Stock described below in this paragraph (vi) as soon as practicable (but not more than ten business days) after the Executive's Date of Termination. Subject to paragraph 2(p)(iv), during the period of deferral, any dividends will be deemed reinvested in accordance with paragraph 2(p)(iii) above. The deferral under this paragraph (vi) shall apply to:
  - (A) The one-time stock award described in paragraph 2(a)(i) of the Prior Agreement, with the period of deferral to begin as of the Effective Date.
  - (B) The Long-Term Incentive Stock Award for the 1995 fiscal year, as described in paragraph 2(d)(i) of the Prior Agreement, with the period of deferral to begin as of January 1, 1996.
  - (C) The portion of the bonus for the 1995 fiscal year payable in Company Stock, as described in paragraph 2(c) of the Prior Agreement with the period of

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deferral to begin as of the date on which stock bonuses are distributable to other officers for the 1995 year or, if no such awards are distributable, as of February 15, 1996.

(vii) The Executive's entitlement to distributions under this paragraph (p) shall include the right to receive amounts deferred under paragraph (n) of the Prior Agreement, to the extent such deferred amounts were not distributed prior to the Effective Date of this Agreement.

(q) Automatic deferral. The Executive and the Company shall enter into an agreement in the form set forth in Supplement D (relating to automatic deferral), which is attached to and forms a part of this Agreement.

3. Termination. The Executive's employment with the Company may be terminated by the Company or the Executive only under the circumstances described in paragraphs 3(a) through 3(g):

(a) Death. The Executive's employment hereunder will terminate upon his death.

(b) Disability. If the Executive is Disabled, the Company may terminate the Executive's employment with the Company. For purposes of the Agreement, the Executive shall be deemed to be "Disabled" if he has a physical or mental disability that renders him incapable, after reasonable accommodation, of performing his duties under this Agreement.

(c) Cause. The Company may terminate the Executive's employment hereunder at any time for Cause. For purposes of this Agreement, the term "Cause" shall mean the Executive's gross misconduct or willful and material breach of this Agreement.

(d) Termination by Executive. The Executive may terminate his employment hereunder as of the end of the Agreement Term. The delivery of a notice by the Executive to the Company in accordance with paragraph 1(e) indicating that the Executive will not extend the Agreement Term shall be treated as the delivery of Notice of Termination by the Executive, with the Executive's employment treated as being terminated immediately following the end of the Agreement Term under this paragraph

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(d) (except to the extent that the notice indicates that the failure to renew is for Good Reason, and the circumstances conform to the requirements of paragraph 3(e)).

(e) Termination by Executive for Good Reason. The Executive may resign for Good Reason (as defined in this paragraph (e)). For purposes of this Agreement, "Good Reason" shall mean, without the Executive's express written consent, the occurrence of any of the following circumstances unless, in the case of paragraphs (i), (iii), (iv), (v), (vi) or (vii) below, such circumstances are fully corrected within a reasonable period (not to exceed 10 business days) following delivery of the Notice of Termination given in respect thereof:

(i) The assignment to the Executive of any duties materially inconsistent with the Executive's position as Chief Executive and Chairman of the Board, or a substantial adverse alteration in the nature of the Executive's responsibilities from those in effect on the Effective Date.

(ii) Relocation of the Executive's office to a location that is greater than fifty miles from the Executive's office as of the Effective Date.

(iii) A reduction in the Executive's annual base salary or bonus opportunities as of the Effective Date, except for across-the-board uniform bonus reductions affecting all senior executives of the Company, or a reduction in any benefit required to be provided to the Executive under this Agreement to a level below the level required under this Agreement.

(iv) The failure of the Company, without the Executive's consent, to pay to the Executive any portion of the Executive's compensation due under this Agreement, within 10 business days of the date such payment is due.

(v) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement.

- (vi) Any purported termination of the Executive's employment that is not effected pursuant to a Notice of Termination satisfying the requirements of paragraph (h) below (and for purposes of this Agreement, no such purported termination shall be effective).
- (vii) A reasonable determination by the Executive that, as a result of a change in circumstances regarding his duties, he is unable to exercise the authorities, powers, functions or duties attached to his position and contemplated by paragraph 1(a).
- (viii) The failure of the Executive to be retained as a member and Chairman of the Board.

Except as otherwise expressly provided in this paragraph 3(e) or paragraph 3(f), nothing in this Agreement shall be construed to authorize or permit the resignation of the Executive during the Agreement Term.

- (f) Termination following Change in Control. The Executive may elect to terminate his employment with the Company during the first six months following a Change in Control for any reason.
- (g) Termination by Company. The Company may terminate the Executive's employment hereunder at any time for any reason, and the Company shall not be required to specify a reason for the termination unless termination occurs under paragraph 3(a), 3(b), or 3(c). Termination of the Executive's employment by the Company shall be deemed to have occurred under this paragraph 3(g) only if it is not for reasons described in paragraph 3(a), 3(b) or 3(c). The delivery of a notice by the Company to the Executive in accordance with paragraph 1(e) indicating that the Company will not extend the Agreement Term shall be treated as the delivery of Notice of Termination by the Company, with the Executive's employment treated as being terminated immediately following the end of the Agreement Term under this paragraph (g) (except to the extent that the notice indicates that the failure to renew is for Cause, or because of the Executive's death or the Executive's being Disabled, and the circumstances conform to the requirements of paragraph 3(c), paragraph 3(a) or paragraph 3(b), respectively).

- (h) Notice of Termination. Any termination of the Executive's employment by the Company or the Executive must be communicated by a written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" means a dated notice which indicates the specific termination provision in this Agreement relied on and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated (except to the extent that such facts and circumstances are not required under paragraph 3(d), 3(f), or 3(g)).
- (i) Date of Termination. "Date of Termination" means the last day the Executive is employed by the Company, provided that the Executive's employment is terminated in accordance with the foregoing provisions of this paragraph 3.

4. Rights Upon Termination. The Executive's right to payment and benefits under this Agreement for periods after his Date of Termination shall be determined in accordance with the following provisions of this paragraph 4:

- (a) Death or Disability. If the Executive's Date of Termination occurs under circumstances described in paragraph 3(a) (relating to the Executive's death) or paragraph 3(b) (relating to the Executive's being Disabled), then, except as otherwise provided in paragraph 2(e), paragraph 4(e) or otherwise agreed in writing between the Executive and the Company, the Executive shall be entitled to:
  - (i) Any unpaid salary for days worked prior to the Date of Termination, and payment for unused vacation (determined in accordance with the policies of the Company as in effect from time to time for Company officers) earned prior to the Date of Termination.

- (ii) A pro-rata payment with respect to the bonus described in paragraph 2(d) for the performance period in which the Date of Termination occurs (including the portion of such performance period, if any, occurring under the Prior Agreement). In determining the amount of the bonus payable under this paragraph (ii), the performance through the end of the performance period

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shall be extrapolated based on the performance through the Date of Termination.

- (iii) A pro-rata distribution of the Long-Term Incentive Share Award shares described in paragraph 2(e) with respect to the performance period in which the Date of Termination occurs (including the portion of such performance period, if any, occurring under the Prior Agreement). In determining the amount of the Long-Term Incentive Share Award payable under this paragraph (iii), the performance through the end of the performance period shall be extrapolated based on the performance through the Date of Termination.
- (iv) A pro-rata payment with respect to the SIP award described in paragraph 2(f) for the performance period in which the Date of Termination occurs (including the portion of such performance period, if any, occurring under the Prior Agreement). In determining the amount of the SIP award payable under this paragraph (iv), the performance through the end of the performance period shall be extrapolated based on the performance through the Date of Termination.
- (v) Lapse of exercise restrictions with respect to stock options; provided, however, that with respect to stock options granted pursuant to paragraph 2(a)(ii), the lapse of restrictions shall apply only to non-performance exercise restrictions. For purposes of this Agreement, exercise restrictions with respect to options shall be considered to be "non-performance" if it is substantially certain, at the Date of Termination, that the restrictions would have lapsed if the Executive had continued in the employ of the Company for two years after that date.
- (vi) The performance-related exercise restrictions with respect to stock options granted pursuant to paragraph 2(a)(ii) shall lapse to the extent that the Board, in its discretion, determines that the lapse is appropriate. The determination by the Board shall be based on such factors as the Board determines to be appropriate, including the progress toward the performance goals that have been achieved as of the

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Date of Termination.

- (vii) The portion of any stock option granted to the Executive that is exercisable immediately prior to the Date of Termination, as well as the portion of any stock option that becomes exercisable by reason of this paragraph (a), shall remain exercisable for five years after the Date of Termination, but in no event later than the date fixed for expiration of the option (determined without regard to Executive's termination of employment).
- (b) Termination by Company without Cause. If the Executive's Date of Termination occurs under circumstances described in paragraph 3(g) (relating to termination by the Company without Cause), if the Executive resigns for Good Reason, or if the Executive resigns in accordance under circumstances described in paragraph 3(f) (relating to termination following a Change in Control), then, subject to paragraph 2(e), paragraph 4(e), and except as otherwise agreed in writing between the Executive and the Company, the Executive shall be entitled to benefits in accordance with paragraphs (i) through (viii) below, determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination:

- (i) The Executive shall be entitled to the salary amount described in paragraph 2(c), as in effect on his Date of Termination, determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination.
- (ii) The Executive shall be entitled to the bonus payments described in paragraph 2(d), determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination; provided that the Executive will be entitled to a pro-rata payment for the performance period that includes the two-year anniversary of the Date of Termination. In determining the amount of the bonus payable under this paragraph (ii), the performance through the end of the

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performance period shall be extrapolated based on the performance through the Date of Termination.

- (iii) The Executive shall be entitled to the Long-Term Incentive Share Award described in paragraph 2(e) based on the actual performance for the applicable period(s), determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination; provided that the Executive will be entitled to a pro-rata payment for the performance period that includes the two-year anniversary of the Date of Termination. In determining the amount of the Long-Term Incentive Share Award payable under this paragraph (iii), the performance through the end of the performance period shall be extrapolated based on the performance through the Date of Termination.
- (iv) The Executive shall be entitled to the SIP award described in paragraph 2(f) based on the actual performance for the applicable period(s), determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination; provided that the Executive will be entitled to a pro-rata payment for the performance period that includes the two-year anniversary of the Date of Termination. In determining the amount of the SIP award payable under this paragraph (iv), the performance through the end of the performance period shall be extrapolated based on the performance through the Date of Termination.
- (v) The Executive shall be entitled to the life insurance coverage described in paragraph 2(h), determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination.
- (vi) The exercise restrictions with respect to stock options shall lapse as of the Date of Termination; provided, however, that with respect to stock options granted pursuant to paragraph 2(a)(ii), the lapse of restrictions shall apply only to non-performance exercise restrictions. The performance-related

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exercise restrictions with respect to stock options granted pursuant to paragraph 2(a)(ii) shall lapse to the extent that the Board, in its discretion, determines that the lapse is appropriate; provided that such determination by the Board shall be based on such factors as the Board determines to be appropriate, including the progress toward the performance goals that have been achieved as of the Date of Termination.

- (vii) The portion of any stock option granted to the Executive that is exercisable immediately prior to the Date of Termination, as well as the portion of any stock option that becomes exercisable by reason of this paragraph (b), shall remain exercisable for five years after the Date of Termination, but in no event later than the date fixed for expiration of the option (determined without regard to Executive's termination of employment).
- (viii) The pension benefits described in paragraph 2(i) shall be vested as

of the Date of Termination, provided that the Executive shall not accrue additional pension benefits for periods after the Date of Termination, and the retiree medical benefit described in the final sentence of paragraph 2(j) (relating to employee contributions) shall be determined as though the Executive had continued in the employ of the Company for the period continuing through the second anniversary of the Date of Termination.

- (ix) The Executive shall be entitled to any additional benefits that would have been provided to him pursuant to paragraph 2(m), determined as though he had continued to be employed by the Company for the period continuing through the second anniversary of the Date of Termination; provided that this paragraph (ix) shall not apply to stock options, security protection, vacation, perquisites, expense reimbursement, or any benefits that are subject to the foregoing provisions of paragraphs 4(b)(i) through 4(b)(viii).

Payments and benefits due under this paragraph 4(b) shall be subject to the following:

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- (I) Subject to the following provisions of this paragraph 4(b)(I), benefits to be provided under the foregoing provisions of this paragraph 4(b) shall be provided at the time they would have been provided if the Executive continued to be employed by the Company; provided, however, that the amounts payable in accordance with paragraphs 4(b)(i), (ii) and (iii) shall be distributed to the Executive, within 10 business days following the Date of Termination, in a lump sum payment, with no actuarial or present value reduction for accelerated payment.
  - (II) To the extent that benefits distributable under this paragraph 4(b) would be distributable in Company Stock, or the amount of such benefit would be based on the value of Company stock, the Company may satisfy its obligation under this paragraph 4(b) by providing a cash payment equal to the value of the benefit. Except as otherwise provided in this paragraph (II), to the extent that the Company determines that the Executive cannot participate in any benefit plan because he is not actively performing services for the Company, the Company may satisfy its obligation under this paragraph 4(b) by distributing cash to the Executive equal to the cost that would be incurred by the Executive to replace the benefit.
- (c) Indemnification. For a period of six years after his Date of Termination, the Executive shall be entitled to coverage under any directors and officers liability insurance policy, indemnification by-law and indemnification agreement maintained or offered by the Company or any successor to the Company during that period to directors and officers. This paragraph (c) shall not apply if the Executive's Date of Termination occurs during the Agreement Term under circumstances described in paragraph 3(c) (relating to the Executive's termination for Cause).
  - (d) Other Obligations. In addition to the foregoing payments and benefits, the Executive shall be entitled to any other payments or benefits due to be provided to the Executive pursuant to any employee compensation or benefit plans or arrangements, to the extent such payments and benefits are earned as of the Date of Termination. Except as otherwise

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specifically provided in this paragraph 4, the Company shall have no obligation to make any other payments or provide any other benefits under the Agreement for periods after the Executive's Date of Termination.

- (e) No Participation in Severance Plans. Except as may be otherwise specifically provided in an amendment of this paragraph (e) adopted in accordance with paragraph 11, payments under this paragraph 4 shall be in lieu of any compensation or benefits that may be otherwise payable to or on behalf of the Executive pursuant to the terms of any severance pay arrangement of the Company or any Affiliate or any other, similar arrangement of the Company or any Affiliate providing benefits upon involuntary termination of employment.



5. Change in Control Rules. The following shall apply with respect to a change in control of the Company:

- (a) The terms of stock options, restricted stock, and other stock-based compensation awarded to the Executive under this Agreement shall include change in control protections (described below). For purposes of this paragraph (a), "change in control protections" means the protections relating to a change in control (as defined in the 1991 Plan, or a successor plan) that are provided for comparable awards to officers under the 1991 Plan (or successor plan) at the time such awards are made pursuant to this Agreement (or, if no comparable awards are then made under the plan, at the next previous time such awards are made under the plan).
- (b) Upon the request of the Executive made at any time after there has been a Change in Control of the Company, the Company shall do any one or more of the following as requested:
  - (i) Pay to the Executive any cash and stock deferred in accordance with paragraph 2(p) of this Agreement.
  - (ii) Pay to the Executive (or his beneficiary after his death, if the Executive so provides by a writing filed with the Secretary of the Company and the beneficiary so requests), the actuarial equivalence of the Executive's accrued benefit under the Company's supplemental pension plan. Actuarial equivalence shall be determined on the basis of the rates, tables,

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and factors then in effect for purposes of determining the actuarial equivalence of optional forms of payment under the Brunswick Pension Plan for Salaried Employees, or any successor plans (the "Pension Plans"); provided, however, that the interest rate or rates which would be used as of the date of Change in Control of the Company by the Pension Benefit Guaranty Corporation (the "PBGC") for purposes of determining the present value of the Executive's benefits under the Pension Plans if the Pension Plans had terminated on the date of Change in Control with insufficient assets to provide benefits guaranteed by the PBGC on that date shall be substituted for the interest assumptions used under the Pension Plans.

- (c) "Change in Control" means a change in the beneficial ownership of the Company's voting stock or a change in the composition of the Board which occurs as follows: (A) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934), other than a trustee or other fiduciary of securities held under an employee benefit plan of the Company or its subsidiaries, is or becomes beneficial owner, directly or indirectly, of stock of the Company representing 30% or more of the total voting power of the Company's then outstanding stock, (B) a tender offer (for which a filing has been made with the SEC which purports to comply with the requirements of Section 14(d) of the Securities Exchange Act of 1934 and the corresponding SEC rules) is made for the stock of the Company, which has not been negotiated and approved by the Board, then the first to occur of (i) any time during the offer when the person (using the definition in (A) above) making the offer owns or has accepted for payment stock of the Company with 25% or more of the total voting power of the Company's stock or (ii) three business days before the offer is to terminate unless the offer is withdrawn first if the person making the offer could own, by the terms of the offer plus any shares owned by that person, shares with 50% or more of the total voting power of the Company's shares when the offer terminates; or (C) individuals who were the Board's nominees for election as directors of the Company immediately prior to a meeting of the stockholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following the election.

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6. Noncompetition. For the period beginning on the Effective Date and ending two years after the Executive's Date of Termination (regardless of the reason for the termination of employment), (a) the Executive shall not directly or indirectly be employed or retained by, or render any services for, or be

financially interested in any manner, in any person, firm or corporation engaged in any business which is then materially competitive in any way with any business in which the Company or any of its Affiliates was engaged (including any program of development or research) during the Executive's employment, (b) the Executive shall not divert or attempt to divert any business from the Company or any Affiliate, and (c) the Executive shall not disturb or attempt to disturb any business or employment relationships of the Company or any Affiliate.

7. Confidential Information. The Executive agrees that:

- (a) Except as may be required by the lawful order of a court or agency of competent jurisdiction, or except to the extent that the Executive has express written authorization from the Company, he agrees to keep secret and confidential all Confidential Information (as defined below), and not disclose the same, either directly or indirectly, to any other person, firm, or business entity, or to use it in any way. The Executive agrees that, to the extent that any court or agency seeks to have the Executive disclose Confidential Information, he shall promptly inform the Company, and he shall take such reasonable steps to prevent disclosure of Confidential Information until the Company (or, if applicable, the Affiliate) has been informed of such requested disclosure, and the Company has an opportunity to respond to such court or agency. To the extent that the Executive obtains information on behalf of the Company or an Affiliate that may be subject to attorney-client privilege as to the Company's or an Affiliate's attorneys, the Executive shall take reasonable steps to maintain the confidentiality of such information and to preserve such privilege.
- (b) For purposes of this Agreement, the term "Confidential Information" means all non-public information concerning the Company and any Affiliate that was acquired by or disclosed to the Executive during the course of his employment with the Company, or during discussions between the Executive and the Company or any Affiliate following his termination of

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employment arising out of his employment or this Agreement, including, without limitation:

- (i) all "trade secrets" as that term is used in the Illinois Trade Secrets Act (or, if that Act is repealed, the Uniform Trade Secrets Act upon which the Illinois Trade Secrets Act is based) of the Company or any Affiliate;
  - (ii) any non-public information regarding the Company's or the Affiliates' directors, officers, employees, customers, equipment, processes, costs, operations and methods, whether past, current or planned, as well as knowledge and data relating to business plans, marketing and sales information originated, owned, controlled or possessed by the Company or an Affiliate; and
  - (iii) information regarding litigation and threatened litigation involving or affecting the Company or an Affiliate.
- (c) This paragraph 7 shall not be construed to unreasonably restrict the Executive's ability to disclose confidential information in an arbitration proceeding or a court proceeding in connection with the assertion of, or defense against any claim of breach of this Agreement in accordance with paragraph 9 or paragraph 19. If there is a dispute between the Company and the Executive as to whether information may be disclosed in accordance with this paragraph (c), the matter shall be submitted to the arbitrators or the court (whichever is applicable) for decision.

8. Defense of Claims. The Executive agrees that, for the period beginning on the Effective Date, and continuing for a reasonable period after the Executive's Date of Termination, the Executive will cooperate with the Company and the Affiliates in defense of any claims that may be made against the Company or an Affiliate, and will cooperate with the Company and the Affiliates in the prosecution of any claims that may be made by the Company or an Affiliate, to the extent that such claims may relate to services performed by the Executive for the Company or the Affiliates. The Executive agrees to promptly inform the Company if he becomes aware of any lawsuits involving such claims that may be

Company or any Affiliate. The Company agrees to reimburse the Executive for all of the Executive's reasonable out-of-pocket expenses associated with such cooperation, including travel expenses. For periods after the Executive's Date of Termination, the Company agrees to provide reasonable compensation to the Executive for such cooperation. The Executive also agrees to promptly inform the Company if he is asked to assist in any investigation of the Company or an Affiliate (or their actions) that may relate to services performed by the Executive for the Company or an Affiliate, regardless of whether a lawsuit has then been filed against the Company or an Affiliate with respect to such investigation.

9. Equitable Remedies. The Executive acknowledges that the Company would be irreparably injured by a violation of paragraph 6 or 7, and he agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of paragraph 6 or 7.

10. Nonalienation. The interests of the Executive under this Agreement are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Executive or the Executive's beneficiary.

11. Amendment. This Agreement may be amended or canceled only by mutual agreement of the parties in writing without the consent of any other person. So long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

12. Applicable Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Illinois, without regard to the conflict of law provisions of any state.

13. Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

14. Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach will not deprive such party of the right to take action at any time while such breach continues.

15. Successors. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business.

16. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice). Such notices, demands, claims and other communications shall be deemed given:

- (a) in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery;
- (b) in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; or

(c) in the case of facsimile, the date upon which the transmitting party received confirmation of receipt by facsimile, telephone or otherwise;

provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received. Communications that are to be delivered by the U.S. mail or by overnight service are to be delivered to the addresses set forth below:

to the Company:

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Brunswick Corporation  
1 North Field Court  
Lake Forest, Illinois 60045

or to the Executive:

Peter N. Larson

All notices to the Company shall be directed to the attention of Secretary of the Company, with a copy to the Chairman of the Compensation Committee of the Board. Each party, by written notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

17. Survival of Agreement. Except as otherwise expressly provided in this Agreement, the rights and obligations of the parties to this Agreement shall survive the termination of the Executive's employment with the Company and all Affiliates.

18. Entire Agreement. Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, if any, between the parties relating to the subject matter hereof. However, except as otherwise provided in this Agreement, the obligations of the Company and the Executive with respect to compensation and benefits that were paid or distributed prior to the Effective Date, and with respect to services performed prior to the Effective Date, shall be governed by the Prior Agreement.

19. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Chicago in accordance with the laws of the State of Illinois by three arbitrators, one of whom shall be appointed by the Company, one by the Executive, and the third by the other two. If the other two arbitrators cannot agree on the appointment of a third arbitrator, or if either party fails to appoint an arbitrator, then such arbitrator shall be appointed by the Chief Judge of the United States Court of Appeals for the Seventh Circuit. The arbitration shall be conducted in accordance

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with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this paragraph 19. Judgement upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for the Executive to retain legal counsel or incur other costs and expenses in connection with the enforcement of any or all of his rights under this Agreement, he shall be entitled to recover from the Company reasonable attorney's fees and costs and expenses incurred by him in connection with the enforcement of those rights. Payments shall be made to the Executive by the Company at the time these attorney's fees and costs and expenses are incurred by the Executive. If, however, the arbitrators should later determine that under the circumstances it was unjust for the Company to have made any of these payments or attorney's fees and costs and expenses to the Executive, he shall repay them to the Company in accordance with the order of the arbitrators. Any award of the arbitrators shall include interest at a rate or rates considered just under the circumstances by the arbitrators. This paragraph 19 shall not be construed to limit the Company's right to obtain relief under paragraph 9 with respect to any matter or controversy subject to paragraph 9, and, pending a final determination by the arbitrator with respect to any such matter or controversy, the Company shall be entitled to obtain any such relief by direct application to a court of law, without being required to first arbitrate such

matter or controversy.

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IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, and its corporate seal to be hereunto affixed, all as of the Effective Date.

/s/ Peter N. Larson

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PETER N. LARSON

Date: February 3, 1997

BRUNSWICK CORPORATION

By /s/ Peter B. Hamilton

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Peter B. Hamilton

Its Senior Vice President  
and Chief Financial Officer

Date: February 3, 1997

ATTEST:

/s/ Michael D. Schmitz

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(Seal)

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Supplement A

Stock Option Agreement  
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THIS AGREEMENT, dated as of February 3, 1997 (the "Effective Date"), by and between BRUNSWICK CORPORATION, a Delaware corporation, having its principal executive offices at 1 N. Field Court, Lake Forest, Illinois 60045 (hereinafter called "Company") and Peter N. Larson, an employee of the Company (hereinafter called the "Option Holder").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the 1991 Stock Plan (the "Plan") and the Company's stockholders have approved the Plan; and

WHEREAS, the Company has entered into an employment agreement with the Option Holder dated April 1, 1995 (the "Prior Employment Agreement"), and the option reflected by this Agreement is intended to satisfy the requirements of paragraph 2(a)(ii) of the Prior Employment Agreement;

WHEREAS, the Company has entered into a revised employment agreement with the Option Holder dated February 3, 1997 (the "Employment Agreement"), which amends the option intended to satisfy the requirements of paragraph 2(a)(ii) of the Prior Employment Agreement, and this Agreement reflects such amendment;

NOW, THEREFORE, in consideration of the mutual promises and representations herein contained and other good and valuable consideration, it is agreed by and between the parties hereto as follows:

GRANT OF OPTION  
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1. On April 1, 1995, the Company granted to the Option Holder the right and option to purchase on the terms and conditions hereinafter set forth, and subject to the provisions of the Plan, all or any part of an aggregate of 500,000 shares of the Common Stock (\$.75 par value) of the Company at the purchase price of \$20.125 per share. The option is exercisable by the Option Holder in accordance with the following schedule:

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<TABLE>  
<CAPTION>  
<S>

| If the Option Holder is employed through the following date:<br>-----<br><S>  | The option shall become exercisable with respect to the following number of shares on and after that date:<br>-----<br><C> |
|---|--|
| 1st anniversary of April 1, 1995  | 60,000   |
| 2nd anniversary of April 1, 1995  | 60,000   |
| 3d anniversary of April 1, 1995   | 80,000   |
| The first date on which the Stock Price attains \$25.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive quarters during which aggregate net earnings for such four quarters exceeds \$2.00 per share | 90,000   |
| The first date on which the Stock Price attains \$30.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive quarters during which aggregate net earnings for such four quarters exceeds \$2.35 per share | 90,000   |
| The first date on which the Stock Price attains \$35.00 or, if earlier, the first day of the quarter of the Company following the occurrence of four consecutive quarters during which aggregate net earnings for such four quarters exceeds \$2.70 per share | 120,000  |

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provided, however, that all options herein granted, to the extent not previously exercised, shall terminate at 4:00 p.m. CST on the tenth anniversary of April 1, 1995, upon the termination of employment of the Option Holder as specified in paragraph 4 of this Agreement or at such other time as is hereinafter provided. If the Option Holder's employment by the Company continues through the three-year anniversary of April 1, 1995, then any portion of the option herein granted and not previously exercisable shall become exercisable on such three-year anniversary. In addition, notwithstanding any provisions herein to the contrary, in the event a Change in Control (as defined in the Plan) of the Company occurs, the Option Holder may exercise all unexercised options in whole or in part upon the later of six-month anniversary of April 1, 1995 or such Change in Control and until the earlier of the stated expiration of the options or two years

following termination of employment. For purposes of this paragraph 1, the "Stock Price" for any date shall be the closing market composite price for the Common Stock (as reported for the New York Stock Exchange - Composite Transactions).

2. The Compensation Committee of the Board (the "Committee"), in consultation with the Option Holder, shall adjust the net earnings per share requirement and the Stock Price requirement applicable to Common Stock under paragraph 1 above as appropriate from time to time to reflect material mergers, consolidations, recapitalizations, reclassifications, stock dividends, stock splits, combinations of shares, other capital adjustments and other unusual and extraordinary events.

#### NOTICE

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3. This option or any part thereof may be exercised by giving a written notice of exercise to the Secretary of the Company, specifying the number of shares to be purchased and the method of payment of the aggregate option price of the number of shares purchased. Such exercise shall be effective upon the actual receipt of such written notice and payment to the Secretary of the Company. The aggregate option price of all shares purchased pursuant to an exercise of the option shall be paid (A) in cash (including check, bank draft, or money order), (B) in Common Stock of the Company (valued at the fair market value thereof on the date of exercise), (C) by a combination of cash and Common Stock or (D) in accordance with a cashless exercise program under which, if so instructed by the Option Holder, shares of Common Stock may be

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issued directly to the Option Holder's broker or dealer upon receipt of the option price in cash from the broker or dealer. No rights or privileges of a stockholder of the Company in respect of any of the shares issuable upon the exercise of any part of this option shall inure to the Option Holder, or any other person entitled to exercise this option as herein provided unless and until certificates representing such shares shall have been issued and delivered.

#### TERMINATION OF EMPLOYMENT

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4. This option may not be exercised after the termination of employment of the Option Holder with the Company or any of its subsidiaries, subject to the following:

- (a) The portion of the option that becomes exercisable in accordance paragraph 1 of this Agreement based on the Option Holder's completion of one, two and three years of service after April 1, 1995 shall become (or remain) exercisable on termination of the Option Holder's employment, if the termination occurs under circumstances described in paragraphs 4(a)(i), 4(a)(ii), or 4(a)(iii) below.
- (i) Termination occurs upon retirement at or after age 65.
- (ii) Termination occurs due to disability.
- (iii) Termination occurs by reason of the Option Holder's death (in which case such exercise shall be by the person or persons to whom the Option Holder's rights under such option are transferred by will or the laws of descent and distribution).
- (iv) Termination is by the Company for reasons other than Cause under circumstances described in paragraph 3(g) of the Employment Agreement, or termination occurs for Good Reason under circumstances that satisfy the requirements of paragraph 3(e) of the Employment Agreement.

The portion of the option that becomes exercisable in accordance paragraph 1 of this Agreement based on the Option Holder's completion of one, two and three years of service after April 1, 1995 and which is exercisable immediately prior

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to the date of the Option Holder's termination of employment, as well as

the portion of the option that becomes exercisable by reason of this paragraph (a), shall remain exercisable for five years after such termination, but in no event subsequent to the date fixed herein for expiration of the option.

(b) The portion of the option that becomes exercisable in accordance paragraph 1 of this Agreement based on the Stock Price or earnings per share of the Company, and which is not exercisable on the date of the Option Holder's termination of employment, shall become exercisable on termination of the Option Holder's employment, to the extent that the Committee, in its discretion, determines to be appropriate. The determination by the Committee shall be based on such factors as the Committee determines to be appropriate, including the progress toward the performance goals that have been achieved as of the date of the Option Holder's termination of employment. This paragraph (b) shall apply to the Option Holder if his termination of employment occurs under circumstances described in paragraphs 4(b)(i), 4(b)(ii), or 4(b)(iii) below.

(i) Termination occurs upon retirement at or after age 65.

(ii) Termination occurs due to disability.

(iii) Termination occurs by reason of the Option Holder's death (in which case such exercise shall be by the person or persons to whom the Option Holder's rights under such option are transferred by will or the laws of descent and distribution).

(iv) Termination is by the Company, for reasons other than Cause under circumstances described in paragraph 3(g) of the Employment Agreement, or termination occurs for Good Reason under circumstances that satisfy the requirements of paragraph 3(e) of the Employment Agreement.

The portion of the option that becomes exercisable in accordance paragraph 1 of this Agreement based on the Stock Price or earnings per share of the Company, and which is exercisable immediately prior to the date of the Option Holder's termination of employment, as well as the portion of

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the option that becomes exercisable by reason of this paragraph (b), shall remain exercisable for five years after such termination, but in no event subsequent to the date fixed herein for expiration of the option.

(c) During any authorized leave of absence from employment, the option may not be exercised. After return to active employment the Option Holder may exercise the option, to the extent it is exercisable under paragraph 1 of this Agreement, up to the date fixed herein for expiration of the option.

#### NON-TRANSFERABILITY OF THE OPTION

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5. Except as otherwise herein provided, the option and the rights and privileges conferred by this Agreement shall not be transferred, assigned, pledged or hypothecated in any way, whether by operation of law or otherwise, and the option shall be exercised during the lifetime of the Option Holder only by the Option Holder. Upon any attempt so to transfer, assign, pledge, hypothecate or otherwise dispose of said option or any right or privilege conferred hereby contrary to the provisions hereof, this option and the rights and privileges conferred hereby shall immediately become null and void. Notwithstanding the foregoing provisions of this paragraph 5, the Option may be transferred by the Option Holder for no consideration to or for the benefit of the Option Holder's Immediate Family (including, without limitation, to a trust for the benefit of the Option Holder's Immediate Family or to a partnership for members of the Option Holder's Immediate Family), subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The foregoing right to transfer the Option shall also apply to the right to consent to amendments to the Option agreement. The Option Holder's "Immediate Family" shall mean the Option Holder's spouse, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include the Option Holder).



TAX WITHHOLDING

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6. When an option is exercised, the Company will withhold from the Option Holder the amount required to meet federal, state and local withholding tax requirements. The Option Holder will have the option of paying the required amount to the Company in cash, delivering previously acquired shares of Common Stock, or

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requesting that the Company withhold a number of shares of Common Stock equal in value to the withholding tax amount.

SHARE ADJUSTMENTS

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7. The number or kinds of shares or securities subject to this option and the purchase price therefor are subject to adjustment as provided in paragraph 5(c) of the Plan.

ADDRESSES FOR NOTICES

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8. Any notice to be given to the Company shall be addressed to the Secretary of the Company at the principal executive offices of the Company, and any notice to be given to the Option Holder shall be addressed to the address then appearing in the personnel records of the Company for such Option Holder, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be effective upon receipt by the party to which it is addressed.

MISCELLANEOUS

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9. Subject to the terms of any existing contractual agreement to the contrary, nothing herein contained shall affect the right of the Company or its subsidiaries to terminate at any time the Option Holder's employment, services, responsibilities, duties or authority to represent the Company or confer any rights to continued employment by the Company or its subsidiaries.

10. All decisions or interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive to the Company and the Option Holder.

11. This Agreement shall bind and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent provided in paragraph 4 of this Agreement, the executors, administrators, legatees and heirs of the Option Holder.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the year and date above written.

BRUNSWICK CORPORATION

By: /s/ Peter B. Hamilton

-----

/s/ Peter N. Larson

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Option Holder

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Home Address

-----

-----  
Social Security Number

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Supplement B

Stock Option Agreement  
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THIS AGREEMENT, dated as of February 3, 1997 (the "Effective Date"), by and between BRUNSWICK CORPORATION, a Delaware corporation, having its principal executive offices at 1 N. Field Court, Lake Forest, Illinois 60045 (hereinafter called "Company") and Peter N. Larson, an employee of the Company (hereinafter called the "Option Holder").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company (the "Board") has adopted the 1991 Stock Plan (the "Plan") and the Company's stockholders have approved the Plan; and

WHEREAS, the Company has entered into an employment agreement with the Option Holder dated February 3, 1997 (the "Employment Agreement"), and the option reflected by this Agreement is intended to satisfy the requirements of paragraph 2(b) of the Employment Agreement;

NOW, THEREFORE, in consideration of the mutual promises and representations herein contained and other good and valuable consideration, it is agreed by and between the parties hereto as follows:

GRANT OF OPTION  
-----

1. The Company hereby grants to the Option Holder the right and option to purchase on the terms and conditions hereinafter set forth, and subject to the provisions of the Plan, all or any part of an aggregate of 100,000 shares of the Common Stock (\$.75 par value) of the Company at the purchase price of \$\_\_\_\_\_ per share. The option shall be exercisable by the Option Holder in accordance with the following schedule:

| If the Option Holder is employed through the following date:<br>----- | The option shall become exercisable with respect to the following number of shares on and after that date:<br>----- |
|---|---|
|---|---|

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|               |        |
|---------------|--------|
| April 1, 1997 | 30,000 |
| April 1, 1998 | 30,000 |
| April 1, 1999 | 40,000 |

provided, however, that all options herein granted, to the extent not previously exercised, shall terminate at 4:00 p.m. CST on the tenth anniversary of the Effective Date, upon the termination of employment of the Option Holder as specified in paragraph 3 of this Agreement or at such other time as is hereinafter provided. If the Option Holder's employment by the Company continues through April 1, 1999, then any portion of the option herein granted and not previously exercisable shall become exercisable on April 1, 1999. In addition, notwithstanding any provisions herein to the contrary, in the event a Change in Control (as defined in the Plan) of the Company occurs, the Option Holder may exercise all unexercised options in whole or in part upon the later of six-month anniversary of the Effective Date or such Change in Control and until the

earlier of the stated expiration of the options or two years following termination of employment. For purposes of this paragraph 1, the "Stock Price" for any date shall be the closing market composite price for the Common Stock (as reported for the New York Stock Exchange - Composite Transactions).

#### NOTICE

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2. This option or any part thereof may be exercised by giving a written notice of exercise to the Secretary of the Company, specifying the number of shares to be purchased and the method of payment of the aggregate option price of the number of shares purchased. Such exercise shall be effective upon the actual receipt of such written notice and payment to the Secretary of the Company. The aggregate option price of all shares purchased pursuant to an exercise of the option shall be paid (A) in cash (including check, bank draft, or money order), (B) in Common Stock of the Company (valued at the fair market value thereof on the date of exercise), (C) by a combination of cash and Common Stock or (D) in accordance with a cashless exercise program under which, if so instructed by the Option Holder, shares of Common Stock may be issued directly to the Option Holder's broker or dealer upon

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receipt of the option price in cash from the broker or dealer. No rights or privileges of a stockholder of the Company in respect of any of the shares issuable upon the exercise of any part of this option shall inure to the Option Holder, or any other person entitled to exercise this option as herein provided unless and until certificates representing such shares shall have been issued and delivered.

#### TERMINATION OF EMPLOYMENT

-----

3. This option may not be exercised after the termination of employment of the Option Holder with the Company or any of its subsidiaries, subject to the following:

(a) The option shall become (or remain) exercisable on termination of the Option Holder's employment, if the termination occurs under circumstances described in paragraphs 3(a)(i), 3(a)(ii), 3(a)(iii) or 3(a)(iv) below.

(i) Termination occurs upon retirement at or after age 65.

(ii) Termination occurs due to disability.

(iii) Termination occurs by reason of the Option Holder's death (in which case such exercise shall be by the person or persons to whom the Option Holder's rights under such option are transferred by will or the laws of descent and distribution).

(iv) Termination is by the Company for reasons other than Cause under circumstances described in paragraph 3(g) of the Employment Agreement, or termination occurs for Good Reason under circumstances that satisfy the requirements of paragraph 3(e) of the Employment Agreement.

The portion of the option which is exercisable immediately prior to the date of the Option Holder's termination of employment, as well as the portion of the option that becomes exercisable by reason of this paragraph (a), shall remain exercisable for five years after such termination, but in no event subsequent to the date fixed herein for expiration of the option.

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(b) During any authorized leave of absence from employment, the option may not be exercised. After return to active employment the Option Holder may exercise the option, to the extent it is exercisable under paragraph 1 of this Agreement, up to the date fixed herein for expiration of the option.

#### NON-TRANSFERABILITY OF THE OPTION

-----

4. Except as otherwise herein provided, the option and the rights and

privileges conferred by this Agreement shall not be transferred, assigned, pledged or hypothecated in any way, whether by operation of law or otherwise, and the option shall be exercised during the lifetime of the Option Holder only by the Option Holder. Upon any attempt so to transfer, assign, pledge, hypothecate or otherwise dispose of said option or any right or privilege conferred hereby contrary to the provisions hereof, this option and the rights and privileges conferred hereby shall immediately become null and void. Notwithstanding the foregoing provisions of this paragraph 5, the Option may be transferred by the Option Holder for no consideration to or for the benefit of the Option Holder's Immediate Family (including, without limitation, to a trust for the benefit of the Option Holder's Immediate Family or to a partnership for members of the Option Holder's Immediate Family), subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The foregoing right to transfer the Option shall also apply to the right to consent to amendments to the Option agreement. The Option Holder's "Immediate Family" shall mean the Option Holder's spouse, children, stepchildren, adoptive relationships, sisters, brothers and grandchildren (and, for this purpose, shall also include the Option Holder).

#### TAX WITHHOLDING

-----

5. When an option is exercised, the Company will withhold from the Option Holder the amount required to meet federal, state and local withholding tax requirements. The Option Holder will have the option of paying the required amount to the Company in cash, delivering previously acquired shares of Common Stock, or requesting that the Company withhold a number of shares of Common Stock equal in value to the withholding tax amount.

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#### SHARE ADJUSTMENTS

-----

6. The number or kinds of shares or securities subject to this option and the purchase price therefor are subject to adjustment as provided in paragraph 5(c) of the Plan.

#### ADDRESSES FOR NOTICES

-----

7. Any notice to be given to the Company shall be addressed to the Secretary of the Company at the principal executive offices of the Company, and any notice to be given to the Option Holder shall be addressed to the address then appearing in the personnel records of the Company for such Option Holder, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be effective upon receipt by the party to which it is addressed.

#### MISCELLANEOUS

-----

8. Subject to the terms of any existing contractual agreement to the contrary, nothing herein contained shall affect the right of the Company or its subsidiaries to terminate at any time the Option Holder's employment, services, responsibilities, duties or authority to represent the Company or confer any rights to continued employment by the Company or its subsidiaries.

9. All decisions or interpretations made by the Compensation Committee of the Board with regard to any question arising hereunder or under the Plan shall be binding and conclusive to the Company and the Option Holder.

10. This Agreement shall bind and inure to the benefit of the parties hereto and the successors and assigns of the Company and, to the extent provided in paragraph 3 of this Agreement, the executors, administrators, legatees and heirs of the Option Holder.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the year and date above written.

By: /s/ Peter B. Hamilton  
 -----

/s/ Peter N. Larson  
 -----

Option Holder

-----  
 Home Address  
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-----  
 Social Security Number  
 -----

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Supplement C

1996 Long-Term Incentive Share Award  
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This Supplement C sets forth the terms that shall be applicable to the Long-Term Incentive Share Award to be granted to Peter N. Larson (the "Executive") in accordance with paragraph 2(e)(ii) of the employment agreement to which this Supplement C is attached.

The Executive shall be eligible to receive a Long Term Incentive Share Award for 1996 in accordance with the following performance measurements:

1. (40%) To achieve net sales growth versus 1995 (base):

<TABLE>  
 <CAPTION>

| <S>          | <C>  | <C>   | <C>  | <C>   |
|--------------|------|-------|------|-------|
| Payout Level | 25%  | 50%   | 75%  | 100%* |
| -----        | ---- | ----  | ---- | ----  |
| 1996-97      | 3340 | 3500  | 3600 | 3800  |
| % Chg        | +5%  | +7.5% | +10% | +12%  |
| 1996 % Chg   | +4%  | +5%   | +6%  | +8.6% |

2. (40%) To achieve operating profit improvement over 1995 as a percentage of net sales:

| Payout Level | 25%   | 50%   | 75%   | 100%* |
|--------------|-------|-------|-------|-------|
| -----        | ----  | ----  | ----  | ----  |
| 1996-97      | +0.5% | +1.0% | +1.5% | +2.0% |
| Proposed '96 | +0.2  | +0.4  | +0.8  | +1.1  |

</TABLE>

\* Board approved target levels.

1 and 2 above will be treated on an "as reported" basis reflecting the stockholders/market view; i.e., without adjustments for divestitures or acquisitions; this approach was used to compute both levels above.

3. (20%) Progress on the effective management of investor relations.

The maximum award for 1996 shall be \$800,000 (100% of his salary) in cash or stock at Mr. Larson's discretion; this amount is half of the potential maximum award he is eligible to receive for the two year 1996-1997 Strategic Incentive Plan cycle.

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Supplement D

## AUTOMATIC DEFERRAL AGREEMENT

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THIS AGREEMENT, made and entered into as of February 3, 1997 (the "Effective Date"), by and between Peter N. Larson (the "Executive") and BRUNSWICK CORPORATION (the "Company");

WITNESSETH THAT:

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WHEREAS, the parties desire to enter into this Agreement to provide for deferral of compensation payable to the Executive by the Company and the Related Companies (as defined below) that would otherwise be non-deductible by reason of section 162(m) of the Code (as defined below), and thereby avoid the loss of such deduction, and to compensate the Executive for his consent to such deferral;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby covenanted and agreed by the Executive and the Company as follows:

1. Effective Date. This Agreement shall be effective with respect to compensation amounts payable on or after the Effective Date.

2. Deferred Amount. If any compensation otherwise payable to the Executive by the Company or any Related Company would be non-deductible by reason of Code section 162(m), such amount shall not be paid to the Executive when otherwise due, but an amount equal to the foregone payment shall instead be credited to the Executive's Automatic Cash Deferral Account or Automatic Stock Deferral Account in accordance with this paragraph 2 and paragraphs 3 and 4. In determining the amounts subject to deferral under this paragraph 2, the following shall apply:

- (a) To the extent that the compensation is otherwise payable in cash to the Executive, that cash shall be deferred under the Automatic Cash Deferral Account, in accordance with this paragraph 2.
- (b) To the extent that the compensation is otherwise payable in common stock of the Company ("Company Stock"), delivery of those shares shall be deferred under the Automatic Stock Deferral Account, in accordance with this paragraph 2.

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- (c) To the extent necessary in determining whether amounts payable to the Executive would be non-deductible for any year, the Committee (as defined below) shall make the determinations required under this paragraph 2 based on an estimate of the total compensation to be paid to the Executive for the year (including both cash and non-cash compensation and benefits that would be taken into account in determining whether the limitations of Code section 162(m) are exceeded).
- (d) In estimating the Executive's total compensation for any year, the Committee may request that the Executive forecast whether, for the year, he will be receiving any compensation the timing of which is in the Executive's discretion; provided, however, that such forecast shall not preclude the Executive from taking action that would change the time of receipt of such compensation.

3. Automatic Cash Deferral Account. The Automatic Cash Deferral Account balance shall be credited with the amount determined in accordance with paragraph 2(a), as of the date on which such amount would otherwise have been paid to the Executive were it not for deferral under this Agreement. The Automatic Cash Deferral Account shall be adjusted from time to time in accordance with the following:

- (a) Unless the Executive makes an advance election to have paragraph (b) next below apply, the Automatic Cash Deferral Account shall be credited as of the last day of each calendar month with interest for that month at a rate equal to the greater of: (a) the prime rate in effect at The First National Bank of Chicago on the first day of the month plus four percentage points, or (b) the Company's short-term borrowing rate.

(b) If the Executive elects application of this paragraph (b), the Company, after consultation with the Executive, may invest amounts credited to his Automatic Cash Deferral Account in securities and other assets as the Company may determine. The Company and its agents shall not incur any liability by reason of purchasing, or failing to purchase, any security or other asset in good faith. The Executive's Automatic Cash Deferral Account shall be charged or credited as of the last day of each fiscal year of the Company, and at such other times as the balance in the Automatic Cash Deferral Account shall be

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determined, to reflect (i) dividends, interest or other earnings on any such investments, reduced by the cost of funds (for the period of deferral) for the amount of any taxes incurred by the Company with respect thereto; (ii) any gains or losses (whether or not realized) on such investment; (iii) the cost of funds (for the period of deferral) for the amount of any taxes incurred with respect to net gains realized on any such investments, taking into account any applicable capital loss carryovers and carrybacks, provided that in computing such taxes, capital gains and losses on assets of the Company other than such investments shall be disregarded; and (iv) any direct expenses incurred by the Company in such fiscal year or other applicable period which would not have been incurred but for the investment of amounts pursuant to the provisions of this paragraph (b) (provided that this clause (iv) shall not be construed to permit a reduction for the cost of taxes).

4. Automatic Stock Deferral Account. The Automatic Stock Deferral Account balance shall be credited with the number of share units equal to number of shares of Company Stock as of the date on which such shares would otherwise have been paid to the Executive were it not for deferral under this Agreement. The Automatic Stock Deferral Account shall be adjusted from time to time to reflect the deemed reinvestment of dividends in accordance with the terms of the Company's dividend reinvestment program, as in effect from time to time.

5. Time of Payment of Deferred Amount. Amounts credited to the Executive's Automatic Cash Deferral Account and Automatic Stock Deferral Account shall be paid or distributed upon the earliest of the following:

- (a) As soon as practicable after the Committee determines that such amounts will be deductible when paid (provided that the Committee reasonably determines that payment of such amounts will not cause other amounts (whether cash or non-cash) to become non-deductible by reason of Code section 162(m)).
- (b) As soon as practicable after the Committee determines that such amounts will not be deductible by the Company when paid, and that further deferral will not result in such amounts becoming deductible.

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- (c) As soon as practicable (but not more than 15 days) following the occurrence of a Change in Control.
- (d) As soon as practicable after the January 15 (but not later than January 30) of the first calendar year following the first anniversary of the date the Executive ceases to be employed by the Company and all Related Companies.

Payment shall be made under this paragraph 5 not later than the date determined under paragraph (d), regardless of whether such payments are deductible by the Company.

6. Form of Payment of Deferred Amount. To the extent that an amount is payable to or on behalf of the Executive with respect to the Automatic Cash Deferral Account in accordance with paragraph 5, it shall be paid by the Company in a cash lump sum. To the extent that an amount is payable to or on behalf of the Executive with respect to the Automatic Stock Deferral Account in accordance with paragraph 5, it shall be distributed by the Company in shares of Company Stock in a lump sum.

7. Other Costs and Benefits. This Agreement is intended to defer, but not to eliminate, payment of compensation to the Executive. Accordingly, if any

compensation or benefits that would otherwise be provided to the Executive in the absence of this Agreement are reduced or eliminated by reason of deferral under this Agreement, the Company shall equitably compensate the Executive for such reduction or elimination, and the Company shall reimburse the Executive for any increased or additional penalty taxes which he may incur by reason of deferral under this Agreement which would not have been incurred in the absence of such deferral, except that no reimbursement will be made for taxes resulting from an increase or decrease in individual income tax rates, or resulting from an increase in the amount of compensation payable to the Executive by reason of the accrual of earnings or any other provision of this Agreement.

8. Benefit May Not be Assigned or Alienated. Neither the Executive nor any other person shall have any voluntary or involuntary right to commute, sell, assign, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part hereof, which are expressly declared to be unassignable and non-transferable. No part of the amounts payable shall be,

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prior to actual payment, subject to seizure or sequestration for payment of any debts, judgements, alimony or separate maintenance owned by the Executive or any other person, or be transferred by operation of law in the event of the Executive's or any other person's bankruptcy or insolvency. Payments to or on behalf of the Executive under this Agreement are not subject to reduction or offset for amounts due or alleged to be due from the Company or any Related Company.

9. Disability. If, in the Committee's opinion, the Executive or a beneficiary is under a legal disability or is in any way incapacitated so as to be unable to manage his financial affairs, the Committee may direct that payment be made to a relative or friend of such person for his benefit until claim is made by a conservator or other person legally charged with the care of his person or his estate, and such payment shall be in lieu of any such payment to the Executive or the beneficiary. Thereafter, any benefits under this Agreement to which the Executive or the beneficiary is entitled shall be paid to such conservator or other person legally charged with the care of his person or his estate.

10. Beneficiary. Subject to the terms of this Agreement, any benefits payable to the Executive under this Agreement that have not been paid at the time of the Executive's death shall be paid at the time and in the form determined in accordance with the foregoing provisions of this Agreement, to the beneficiary designated by the Executive in writing filed with the Committee in such form and at such time as the Committee shall require. If the Executive fails to designate a beneficiary, or if the designated beneficiary of the deceased Executive dies before the Executive or before complete payment of the amounts distributable under this Agreement, the Committee shall, in its discretion, direct that amounts to be paid under this Agreement be paid to:

- (a) one or more of the Executive's relatives by blood, adoption or marriage and in such proportion as the Committee decides; or
- (b) the legal representative or representatives of the estate of the last to die of the Executive and his beneficiary.

11. Change in Control. "Change in Control" means a change in the beneficial ownership of the Company's voting stock or a change in the composition of the Board which occurs as follows: (A) any "person" (as such term is used in Sections 13(d) and 14(d)(2) of

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the Securities Exchange Act of 1934), other than a trustee or other fiduciary of securities held under an employee benefit plan of the Company or its subsidiaries, is or becomes beneficial owner, directly or indirectly, of stock of the Company representing 30% or more of the total voting power of the Company's then outstanding stock, (B) a tender offer (for which a filing has been made with the SEC which purports to comply with the requirements of Section



14(d) of the Securities Exchange Act of 1934 and the corresponding SEC rules) is made for the stock of the Company, which has not been negotiated and approved by the Board, then the first to occur of (i) any time during the offer when the person (using the definition in (A) above) making the offer owns or has accepted for payment stock of the Company with 25% or more of the total voting power of the Company's stock or (ii) three business days before the offer is to terminate unless the offer is withdrawn first if the person making the offer could own, by the terms of the offer plus any shares owned by that person, shares with 50% or more of the total voting power of the Company's shares when the offer terminates; or (C) individuals who were the Board's nominees for election as directors of the Company immediately prior to a meeting of the stockholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following the election.

12. Related Companies. The term "Related Company" means any company during any period in which compensation paid to the Executive by such company would be required to be aggregated with compensation paid to the Executive by the Company, in accordance with the affiliated group rules applicable to Code section 162(m). The Company shall enter into such arrangements with the Related Companies as it shall deem appropriate to implement the terms of this Agreement, and shall inform the Executive of any material failure to provide for such implementation.

13. Committee. This Agreement shall be administered by a committee (the "Committee"), which shall be the Compensation Committee of the Board, or such other person or persons as may be designated by the Board from time to time. The amount to be deferred under paragraph 2 and the amount that is payable under paragraph 5(a) and paragraph 5(b) shall be based on such estimates as the Committee determines in good faith to be appropriate.

14. Statements. On a quarterly basis (or more frequent basis if requested by the Executive), the Committee shall provide the

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Executive with statements of the Executive's Automatic Cash Deferral Account and Automatic Stock Deferral Account. Upon request of the Executive, the Committee shall provide the computations of amounts under paragraph 2 and paragraph 5.

15. Notices. Any notices required to be given by the Company to the Executive shall be provided in writing, and either personally delivered to the Executive, or mailed by registered mail, postage prepaid, to the Executive at the last mailing address provided by the Executive to the Company.

16. Source of Benefit Payments. The amount of any benefit payable under this Agreement shall be paid from the general assets of the Company. Neither the Executive nor any other person shall acquire by reason of this Agreement any right in or title to any assets, funds or property of the Company whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under this Agreement. The Executive shall have only a contractual right to the amounts, if any, payable under this Agreement, unsecured by any assets of the Company. Nothing contained in this Agreement shall constitute a guarantee by the Company that the assets of the Company shall be sufficient to pay any benefits to any person.

17. Code. For purposes of this Agreement, the term "Code" means the Internal Revenue Code of 1986, as amended. References to sections of the Code also refer to any successor provisions thereof. References in this Agreement to an amount being "deductible" refer to its being deductible by the Company or a Related Company for Federal income tax purposes; provided, however, that if deductibility would not be precluded by reason of Code section 162(m), then it shall be deemed to be "deductible" for purposes of this Agreement, regardless of whether it is non-deductible for any other reason. If, after the Effective Date, there is a change in the provisions or interpretation of Code section 162(m) which would have a material effect on the benefits to the Executive or the Company, the parties shall negotiate in good faith to preserve the benefit of this Agreement for both parties; provided, however, that nothing in this Agreement shall be construed to require the Executive to consent to any change in the Agreement without reasonable compensation therefore.

18. Amendment. This Agreement may be amended or canceled only by mutual agreement of the parties in writing without the consent of any other person. So long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

19. Applicable Law. This Agreement shall be construed and administered in accordance with the laws of the State of Illinois to the extent that such laws are not preempted by the laws of the United States of America.

IN WITNESS THEREOF, the Executive has hereunto set his hand, and the Company has caused these presents to be executed in its name and on its behalf, and its corporate seal to be hereunto affixed, all as of the Effective Date.

/s/ Peter N. Larson

-----  
PETER N. LARSON

BRUNSWICK CORPORATION

By /s/ Peter B. Hamilton

-----  
Its Senior Vice President and

-----  
Chief Financial Officer  
-----

ATTEST:

/s/ Michael D. Schmitz

-----  
(Seal)

EXHIBIT 10.22

1997 BRUNSWICK PERFORMANCE PLAN

---

PURPOSE: To motivate and reward Senior Executives and other management employees of the Company for the achievement of specified annual financial goals and the enhancement of management talent in the organization.

ELIGIBILITY: Approximately top 400 managers in the Company.

MAXIMUM AWARD: Maximum awards under the Plan range from 30% to 100% of a participant's base salary at the beginning of the performance period depending upon the participant's level of responsibility.

PERFORMANCE MEASURES: Established annually by the CEO. Measures and weightings may be modified year to year. Weightings for 1997 are as follows:

- Groups  
-----
- . 60% Division Contribution
  - . 20% Working Capital Turnover
  - . 20% People/Organizational Enhancement

Division Contribution is defined as operating earnings plus other income and expense.

Working Capital Turnover is defined as:

$$\frac{1997 \text{ Net Sales}}{1997 \text{ Avg. Receivable} + \text{Avg. Inventory} - \text{Avg. Payables}}$$

The average is to be compiled using a 5 quarter average consisting of 1996 year-end actual and each of the quarters in 1997.

- Corporate  
-----
- . 80% Earnings per share (EPS)
  - . 20% People/Organizational Enhancement

RELATIONSHIP OF PERFORMANCE TO PAYOUT: Performance Level Payout Level

| Performance Level | Payout Level |
|-------------------|--------------|
| 100%              | 100%         |
| 90%               | 70%          |
| 80%               | 50%          |
| 70%               | 40%          |

1997 BRUNSWICK PERFORMANCE PLAN (cont'd)

---

PERFORMANCE TO PAYOUT (cont'd) Bonuses would not be paid for performance below the 80% level which was less than the prior year's actual reported results, unless part of a budgeted/Board approved target. Performance levels have been established by the CEO and may not be linear relationships to the targets. The payout for performance between levels will be prorated.

PAYOUT FORM: Payment will be in cash for all participants except those whose maximum award is 100% of base salary. Payment for this group of participants will be 50% cash and 50% stock

(deferrable) until mandated stock ownership levels are achieved; thereafter the mix of cash and stock will be at the participant's election.

**PAYMENT:** Bonus payments will be made after the year-end financial results have been reviewed and certified by Arthur Andersen & Co. Proposed bonus payments to Senior Executives will be reviewed and approved by the Compensation Committee.

**WITHHOLDING:** Participants receiving a portion of their bonus payment in stock may elect to pay Federal, state and local withholding tax obligations to the Company in cash or request that the Company withhold a number of shares of common stock equal in value to the withholding tax amount, at the discretion of the Committee.

EXHIBIT 10.25

1997-1998 STRATEGIC INCENTIVE PLAN

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**PURPOSE:** To attract, retain, and significantly reward a select group of individuals for the achievement of aggressive, measurable standards of corporate performance. Payments in stock are intended to assist participants in achieving specified ownership guidelines and promote an entrepreneurial approach to the business.

**ELIGIBILITY:** Approximately top 150 executives in the Company.

**PERFORMANCE**

**PERIOD:** Two years

**PERFORMANCE**

**MEASURES:** Groups

-----  
50% Division Contribution in 1998.  
50% Operating Margin percentage in 1998 (operating earnings/net sales)

Corporate

-----  
100% Earnings Per Share (EPS) in 1998.

Division Contribution is defined as operating earnings plus other income and expense.

**PERFORMANCE**

**WEIGHTINGS:** Corporate performance - 30%; Group performance - 70% for those participants with a maximum award of 100% of base salary.

Corporate performance - 20%; Group performance - 80% for those participants with a maximum award of 75% of base salary.

Corporate performance - 10%; Group performance - 90% for those participants with a maximum award of 40%-60% of base salary.

**RELATIONSHIP  
OF PERFORMANCE**

**TO PAYOUT:** Performance Level Payout Level

|       |       |
|-------|-------|
| ----- | ----- |
| 100%  | 100%  |
| 90%   | 70%   |
| 80%   | 50%   |
| 70%   | 40%   |

The payout for performance between levels will be prorated.

1997-1998 STRATEGIC INCENTIVE PLAN (cont'd)

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**MAXIMUM**

**AWARD:** There are three levels of maximum awards as follows:

For those participants with a maximum award equivalent to 100% of base pay, the award is denominated 100% in stock units based on the stock price at the beginning of the performance period.

For those participants with a maximum award equivalent to 75% of base pay, the award is denominated 75% in stock units based on the stock price at the beginning of the performance period.

For those participants with a maximum award equivalent to 40%-60% of base pay, the award is denominated 50% stock units based on the stock price at the beginning of the performance period.

**PAYOUT FORM:** The mix of payments under this Plan between cash and stock will change as specified ownership guidelines are achieved. Payments

will be made in stock for that portion of the award which was initially denominated in stock units as described above.

Upon achievement of the ownership guidelines, the participant may elect the form of payment, either cash or stock, with the opportunity for voluntary deferrals of stock into a Rabbi trust.

**PAYMENT:** Bonus payments will be made after the year-end financial results have been reviewed and certified by Arthur Andersen & LLP. Proposed bonus payments to Senior Executives will be reviewed and approved by the Compensation Committee.

**WITHHOLDING:** Participants receiving a portion of their bonus payment in stock may elect to pay Federal, state and local withholding tax obligations to the Company in cash or request that the Company withhold a number of shares of common stock equal in value to the withholding tax amount, at the discretion of the Committee.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

The following corporations are direct or in-direct wholly-owned subsidiaries of Brunswick Corporation:

Place of  
Incorporation

|  |                     |
|--|---------------------|
| Appletree Ltd.   | Bermuda             |
| Baja Marine Corporation                                  | Delaware            |
| Bayliner Marine Corporation                              | Delaware            |
| Boston Whaler, Inc.                                      | Delaware            |
| Brunswick AG   | Switzerland         |
| Brunswick Bowling & Billiards Corporation                | Delaware            |
| Brunswick Bowling & Billiards Mexico, S.A. de C.V.       | Mexico              |
| Brunswick Bowling & Billiards (U.K.) Limited             | England             |
| Brunswick Bowling e Billiards Industria e Comercia Ltda. | Brazil              |
| Brunswick Bowling GmbH                                   | West Germany        |
| Brunswick Bowling Pin Corporation                        | Delaware            |
| Brunswick Centres, Inc.                                  | Ontario             |
| Brunswick GmbH   | West Germany        |
| Brunswick International (Canada) Limited                 | Ontario             |
| Brunswick International GmbH                             | West Germany        |
| Brunswick International Holdings, Inc.                   | Delaware            |
| Brunswick International Limited                          | Delaware            |
| Brunswick International Sales Corporation                | U.S. Virgin Islands |
| Brunswick Technology Corporation                         | Delaware            |
| Centennial Assurance Company, Ltd.                       | Bermuda             |
| Escort Trailer Corporation                               | Washington          |
| Igloo Holdings Inc.                                      | Delaware            |
| Igloo Products Corp.                                     | Delaware            |
| Jupiter Marine, Inc.                                     | Delaware            |
| Leiserv, Inc.  | Delaware            |
| Marine Power Australia Pty. Limited                      | Australia           |
| Marine Power Europe, Inc.                                | Delaware            |
| Marine Power International Limited                       | Delaware            |
| Marine Power International Pty. Limited                  | Delaware            |
| Marine Power Italia S.p.A.                               | Italy               |
| Marine Power New Zealand Limited                         | Delaware            |
| Marine Xpress Corporation                                | Delaware            |
| Mercury Marine Limited                                   | Ontario             |
| Mercury Marine Sdn Bhd                                   | Malaysia            |

Place of  
Incorporation

|  |             |
|--|-------------|
| Normalduns B.V.                          | Netherlands |
| OBC International Holdings Inc.          | Delaware    |
| Productos Marine de Mexico, S.A. de C.V. | Mexico      |
| Quality Bowling Corporation              | California  |
| Ray Industries, Inc.                     | Arizona     |
| Ray Industries, Inc.                     | Delaware    |
| SBC International Holdings Inc.          | Delaware    |
| Sea Ray Boats Europe B.V.                | Netherlands |
| Sea Ray Boats, Inc.                      | Arizona     |
| Sea Ray Boats, Inc.                      | Florida     |
| Sea Ray Boats, Inc.                      | Tennessee   |
| Skokie Investment Corporation            | Delaware    |
| Starcraft Power Boats Corp.              | Delaware    |
| Wintergreen Finance, Inc.                | Delaware    |
| Zebco Corporation                        | Delaware    |
| Zebco Sales Corporation                  | Delaware    |
| Zebco Sports France S.A.                 | France      |

In addition, Brunswick Corporation owns 50% of the outstanding stock of Nippon Brunswick Kabushiki Kaisha, a Japanese corporation.

The names of a number of subsidiaries have been omitted. Such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.



EXHIBIT 24.1

POWER OF ATTORNEY

The undersigned director and officers of Brunswick Corporation, a Delaware corporation (the "Company"), do hereby nominate, constitute and appoint Peter B. Hamilton and Victoria J. Reich and each of them individually, the true and lawful attorney or attorneys of the undersigned, with power to act with or without the others and with full power of substitution and resubstitution, to execute in the name and on behalf of the undersigned as directors and officers of the Company, the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 1996 and any and all amendments thereto; and each of the undersigned hereby ratifies and approves all that said attorneys or any of them shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney in one or more counterparts on the date set opposite his name.

| Capacity   | Signature   | Date              |
|--|---|-------------------|
| Chairman of the Board,<br>Chief Executive Officer<br>(Principal Executive<br>Officer) and Director | /s/ Peter N. Larson<br>-----<br>Peter N. Larson         | February 11, 1997 |
| Senior Vice President<br>and Chief Financial Officer<br>(Principal Financial Officer)              | /s/ Peter B. Hamilton<br>-----<br>Peter B. Hamilton     | February 11, 1997 |
| Vice President and Controller<br>(Principal Accounting Officer)                                    | /s/ V. J. Reich<br>-----<br>Victoria J. Reich           | February 11, 1997 |
| Director   | /s/ Nolan D. Archibald<br>-----<br>Nolan D. Archibald   | February 11, 1997 |
| Director   | /s/ Michael J. Callahan<br>-----<br>Michael J. Callahan | February 11, 1997 |
| Director   | /s/ J. P. Diesel<br>-----<br>John P. Diesel             | February 11, 1997 |
| Director   | /s/ M. A. Fernandez<br>-----<br>Manuel A. Fernandez     | February 11, 1997 |
| Director   | /s/ Peter Harf<br>-----                                 | February 11, 1997 |

Peter Harf

Director            /s/ Geo D. Kennedy            February 11, 1997  
-----  
George D. Kennedy

Director            /s/ B. K. Koken                February 11, 1997  
-----  
Bernd K. Koken

Director            /s/ Jay W. Lorsch              February 11, 1997  
-----  
Jay W. Lorsch

Director            /s/ Bettye Martin Musham    February 11, 1997  
-----  
Bettye Martin Musham

Director            /s/ Jack F. Reichert           February 11, 1997  
-----  
Jack F. Reichert

Director            /s/ Kenneth Roman             February 11, 1997  
-----  
Kenneth Roman

Director            /s/ Roger W. Schipke           February 11, 1997  
-----  
Roger W. Schipke

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