

**DOCKETED**

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SETTLEMENT AGREEMENT AND RELEASE  
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## SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (Agreement) is entered into between the California Energy Commission (CEC), with its principal office at 715 P Street, Sacramento, California 95814 on one hand, and Bestway Inflatables & Material Corp., with a place of business at 3065 Cao'an Road, Shanghai, China 201812 for itself and on behalf of Bestway (USA), Inc., with a place of business at 3435 S. McQueen Road – Chandler, Arizona 85286 and Bestway (Hong Kong) International Ltd. with a place of business at Suite 102, 1st Floor, Tsim Sha Tsui Centre, 66 Mody Road, Kowloon, Hong Kong (collectively hereinafter referred to as “Bestway”), on the other hand, all parties collectively referred to as the Parties.

### I. RECITALS

(1) CEC’s Appliance Efficiency Regulations at California Code of Regulations, Title 20, Article 4, sections 1601-1609 (Appliance Efficiency Regulations),<sup>1</sup> set forth the requirements to sell or offer for sale regulated appliances in California. The pertinent requirements include:

- Testing: The appliance is tested as required in section 1603, using the applicable test method set forth in section 1604.
- Efficiency: The appliance meets the required efficiency standards set forth in sections 1605.2 or 1605.3.
- Marking: The appliance is correctly marked and labeled as required under section 1607.
- Certification: The appliance is certified to CEC and appears in CEC’s most recent Modernized Appliance Efficiency Database System (MAEDbS) as required under section 1606.

(2) CEC’s enforcement authority includes the removal of non-complying appliances from MAEDbS, as set forth in section 1608, and the issuance of administrative civil penalties under section 1609.

(3) Bestway manufactures several models of SaluSpa brand portable electric spas that it sells or offers for sale in California, either directly or through retailers or distributors.

(4) SaluSpa portable electric spas are subject to the testing, efficiency, marking, and certification requirements for this appliance class as described in paragraph I(1) above.

(5) From June 2019 to June 2022, Bestway sold or offered for sale in California through retailers or distributors portable electric spas, that were not listed in MAEDbS as required in section 1606, did not meet the efficiency standards set forth in section 1605.3(g)(7) when tested using the appropriate test method as described in section 1604(g), and were not marked as required in section 1607.

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<sup>1</sup> All references are to California Code of Regulations, Title 20, Article 4, unless otherwise specified.

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(6) Based on the above Recitals, CEC, through administrative adjudication, could impose penalties for each violation alleged, obtain injunctive relief to prohibit Bestway from continuing to sell or offer for sale, non-compliant portable electric spas in California, and take any other enforcement action as allowed by law.

(7) Section 1609(b)(3) and California Public Resources Code section 25402.11(a)(2) identify the following factors CEC shall consider when determining the amount of an administrative civil penalty:

- The nature and seriousness of the violation.
- The persistence of the violation, meaning a responsible person's history of past violations of the Appliance Efficiency Regulations over the previous seven years.
- The number of violations arising from the course of conduct that is subject of the enforcement proceeding.
- The length of time over which the violation occurred.
- The willfulness of the persons responsible for the violation.
- The harm to consumers and to the state that resulted from the amount of energy wasted due to the violation.
- The number of persons responsible for the violation.
- The efforts of the persons responsible for the violation to correct the violation prior to initiation of an enforcement action by CEC.
- The cooperation, by the persons responsible for the violation, with CEC during its investigation.
- The assets, liabilities, and net worth of the persons responsible for the violation. This information will be considered to reduce the administrative civil penalty amount, should a responsible person or persons elect to provide asset, liability, and net worth documentation to the Executive Director to demonstrate that a reduction in a penalty amount is necessary to avoid an undue burden.

(8) Penalties must be set at levels sufficient to deter violations. In developing this Agreement, CEC considered the facts of the case and applied the above factors to determine an appropriate settlement. Further, in this case Bestway cooperated with CEC in the investigation by notifying retailers and removing the non-compliant units from the California market; by repackaging their non-compliant portable electric spas with insulated thermal covers to make them more efficient and compliant with energy performance requirements; by promptly testing, certifying, and marking the units; and by providing to CEC sales data of non-compliant units. The efforts by Bestway saved CEC time and resources in investigating the violations and minimized the impacts on the competitive business environment and energy consumption and the environment in California, from the non-compliant units.

(9) Bestway is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with CEC. CEC accepts this Agreement in termination of this matter. Accordingly, the Parties agree to resolve this matter completely by means of this Agreement, without the need for administrative adjudication.



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## II. TERMS AND RELEASE

In consideration of the Recitals listed above which are incorporated into this section by reference, and the mutual agreements set forth below, CEC and Bestway agree as follows:

- (1) This Agreement covers the following SaluSpa brand portable electric spa models:

13804	15442	54124E	54130-BW	54139E	54149E
54190E	60002E	60004E	60020E	60022E	60024E
60026E	60028E	60030E	60038E	60056E	60062E
60076E	60086E	60128E	60136E	90363E	90454E
90455E	90475E	90476E			

The list of SaluSpa product models here above has been made by Bestway in good faith based upon a detailed review of Bestway's business records, and it is an accurate list of SaluSpa products models to the best of Bestway's knowledge.

- (2) For selling or offering for sale in California, the portable electric spas identified in paragraph I(5), whose model numbers are identified in paragraph II(1), that did not meet the energy efficiency standards prescribed by section 1605.3, were not certified to MAEDbS as required by section 1606, and were not marked per section 1607, and, in consideration of the factors listed in paragraph I(7) and I(8) above, Bestway shall pay as an administrative civil penalty the total sum of \$600,000.00. Payment shall be made by electronic transfer to CEC, in 12 monthly payments of \$50,000.00 each, as shown below:

Payment Number	Due Date	Amount
1	May 1, 2023	\$50,000.00
2	June 1, 2023	\$50,000.00
3	July 1, 2023	\$50,000.00
4	August 1, 2023	\$50,000.00
5	September 1, 2023	\$50,000.00
6	October 1, 2023	\$50,000.00
7	November 1, 2023	\$50,000.00
8	December 1, 2023	\$50,000.00
9	January 1, 2024	\$50,000.00
10	February 1, 2024	\$50,000.00
11	March 1, 2024	\$50,000.00
12	April 1, 2024	\$50,000.00

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Banking information and instructions necessary to complete the electronic transfer shall be provided by CEC.

Effect of untimely payment: If any payment is more than 15 days late, the entire remaining balance becomes immediately due and payable. In addition, if CEC takes action to enforce this Agreement, Bestway shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

It is agreed that if Bestway, including its subsidiary or parent company, at any time becomes insolvent, or makes an assignment for the benefit of creditors or similar action adversely involving Bestway, its subsidiary, or parent company, or a proceeding or petition under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, or receivership law or statute is filed by or against Bestway, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of Bestway's, its subsidiary's, or parent company's properties, or if any deposit account or other property of Bestway's, its subsidiary, or parent company be attempted to be obtained or held by writ of execution, garnishment, attachment, condemnation, levy, forfeiture or other legal process, or Bestway, its subsidiary, or parent company takes any action to authorize any of the foregoing, the entire remaining balance becomes immediately due and payable without notice or demand.

(3) Bestway also agrees to take each of the following actions for any and all regulated appliances it will sell or offer for sale in California:

- a. Test all basic models, utilizing the applicable test method, to ensure conformance with the Appliance Efficiency Regulations.
- b. Certify all basic models in MAEDbS, and ensure listings are kept current and up to date.
- c. Use a new model number for any of the basic models described in II(1) that have been redesigned to meet energy efficiency standards.
- d. Add the required marking to the unit.

(4) This Agreement shall apply to and be binding upon Bestway and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and upon CEC and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Agreement.

(5) In consideration of the payment specified above, this Agreement is a full, final and binding release of liability between CEC, acting on its own behalf and on behalf of the public interest and Bestway. CEC hereby releases Bestway and its parent corporation, principals, directors, officers, agents, employees, shareholders, subsidiaries, predecessors, and successors from any and all claims for violations of section 1608 (efficiency, marking, certification), relating to the time period and appliances identified in paragraph I(5), whose model numbers are identified in paragraph II(1). Compliance with



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the terms of this Agreement constitutes compliance with the California Code of Regulations Articles cited in this Agreement regarding the violation related to the scope of this Agreement. For the avoidance of doubt, contingent upon Bestway compliance with the terms of this Agreement, CEC will not pursue any further administrative adjudication or action with Bestway supply chain participants for the violation described in the scope of this Agreement as identified by the SaluSpa brand models listed in paragraph II(1) of this Agreement.

(6) This Agreement constitutes the entire agreement and understanding between CEC and Bestway concerning the claims and settlement in this Agreement, and this Agreement fully supersedes and replaces any and all prior negotiations and agreement of any kind or nature, whether written or oral, between CEC and Bestway concerning these claims.

(7) No agreement to modify, amend, extend, supersede, terminate, or discharge this Agreement, or any portion thereof, shall be valid or enforceable unless it is in writing and signed by all Parties to this Agreement.

(8) Bestway further agrees that if the subject matter of this Agreement comes before CEC in an administrative adjudication, in order to enforce this Agreement, neither any member of CEC, nor the Executive Director, shall be disqualified because of prior consideration of this Agreement.

(9) Each Party to this Agreement has reviewed the Agreement independently, has had the opportunity to consult counsel, is fully informed of the terms and effect of this Agreement, and has not relied in any way on any inducement, representation, or advice of any other Party in deciding to enter into this Agreement.

(10) This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice of law rules. Any litigation arising out of or related to this Agreement shall be filed in the Superior Court of California, County of Sacramento.

(11) Each provision of this Agreement is severable, and in the event that any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement remains in full force and effect.


(12) The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement.

(13) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either Party on the ground that said Party drafted it.

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(14) This Agreement is effective upon signature by a representative of Bestway with authority to bind the company, and signature by the Executive Director of CEC. The Parties agree that fax or scanned signatures and multiple signature pages are acceptable for purposes of executing this Agreement, which may be signed in counterparts.

**California Energy Commission**

By:   
Name: Drew Bohan  
Title: Executive Director  
Date: 4/20/23

**Bestway Inflatables & Material Corp.**

By:   
Name: Patrizio Fumagalli  
Title: Chairman and Chief Strategy Officer  
Date: 4/14/2023