

DOCKETED

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This SETTLEMENT AGREEMENT AND RELEASE (“Agreement”) is entered into between California Energy Commission (Commission), with its principal office at 1516 Ninth Street, Sacramento, California 95814, and Neato Robotics, Inc. (Neato), with its principal place of business at 8100 Jarvis Avenue, Suite 100, Newark, California 94560 collectively referred to as the “Parties.”

I. RECITALS

(1) The Commission’s Appliance Efficiency Regulations at California Code of Regulations, Title 20, Article 4, sections 1601-1608,¹ set forth the requirements to sell or offer for sale regulated appliances in California. The pertinent requirements include:

- 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 the Commission and appears in the Commission’s most recent Appliance Efficiency Database (Database) as required under section 1606.

(2) The Commission’s enforcement authority includes the issuance of administrative civil penalties under section 1609.

(3) Neato distributes several models of robot vacuums that it sells or offers for sale in California either directly or through retailers.

(4) The Commission alleges that Neato robot vacuums contain small battery charging systems that are subject to the efficiency, marking and certification requirements for this appliance class as described in paragraph I(1) above.

(5) The Commission alleges that from February 1, 2013 through March 31, 2016, Neato sold or offered for sale approximately 941 robot vacuum units of the XV Series, in California that were not listed in the Database, did not meet the small battery charger efficiency standards set forth in section 1605.3(w)(2) when tested using the appropriate test method as described in section 1604(w), and were not marked as required in section 1607(d)(10).

(6) Based on the above recitals, if proven, the Commission, through adjudication, could impose penalties for each violation alleged, obtain injunctive relief to prohibit Neato from continuing to sell or offer for sale, non-compliant robot vacuum units in California and take any other enforcement action as allowed by law. Under section 1608(f), if the allegations were proven, the Commission would also be entitled to reimbursement for the cost of testing non-compliant appliances.

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

¹ All references are to California Code of Regulations, title 20, Article 4, unless otherwise specified.

- 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 the Energy Commission.
- The cooperation, by the persons responsible for the violation, with the Energy Commission 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) In developing this Agreement the Commission considered the facts of the case and applied the above factors to determine an appropriate settlement. Further, in this case Neato fully and timely cooperated with the Energy Commission in the investigation by notifying retailers and removing the allegedly non-compliant units from the California market, and by providing to the Commission sales data of allegedly non-compliant units. The efforts by Neato saved the Commission time and resources in investigating the violations and minimized the impacts on energy consumption in California from the non-compliant units.

(9) Neato is willing to enter into this Agreement solely for the purpose of settlement and resolution of this matter with the Commission. The Commission 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 adjudication.

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, the Commission and Neato agree as follows:

(1) This Agreement covers the following Neato appliances which have been removed from the California market: Model XV Series.

(2) For allegedly selling or offering for sale in California robot vacuum units containing regulated battery chargers that did not meet the energy efficiency standards prescribed by section 1605.3 when tested using the test method as described in Section 1604(w), were not certified to the Database as required by section 1606, and were not marked per section 1607(d)(10), and, in consideration of the factors listed in paragraph I(7) and Neato's cooperation described in paragraph I(8) above, Neato shall pay the total sum of \$107,505.00. Neato demonstrated by providing financial information, that a reduction in a penalty amount is necessary to avoid an undue burden on the company. The penalty was therefore reduced due to the financial hardship evidenced by Neato. Payment shall be made in eighteen monthly payments of \$5,972.50 each as shown below.

Payment Number	Due Date	Amount
1	9/1/16	\$5,972.50
2	10/1/16	\$5,972.50
3	11/1/16	\$5,972.50
4	12/1/16	\$5,972.50
5	1/1/17	\$5,972.50
6	2/1/17	\$5,972.50
7	3/1/17	\$5,972.50
8	4/1/17	\$5,972.50
9	5/1/17	\$5,972.50
10	6/1/17	\$5,972.50
11	7/1/17	\$5,972.50
12	8/1/17	\$5,972.50
13	9/1/17	\$5,972.50
14	10/1/17	\$5,972.50
15	11/1/17	\$5,972.50
16	12/1/17	\$5,972.50
17	1/1/18	\$5,972.50
18	2/1/18	\$5,972.50

The check shall be made payable to the California Energy Commission. Payment shall be made by the applicable due date, and sent with the corresponding remittance statement to the following address:

California Energy Commission
Accounting Office, MS-2
1516 Ninth Street
Sacramento, California 95814-5512

Effect of untimely payment: If any payment is more than 15 days after written notice that payment is late, the entire remaining balance becomes immediately due and payable. In addition, if the Commission takes action to enforce this agreement, Neato shall pay all reasonable costs of investigating and

prosecuting the action, including expert fees, reasonable attorney's fees, and costs.

It is agreed that if Neato, 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 Neato, 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 Neato, its subsidiary, or parent company, or a trustee in bankruptcy, custodian, receiver or agent is appointed or authorized to take charge of any of Neato's, its subsidiary, or parent company's properties, or if any deposit account or other property of Neato, 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 Neato, 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) Neato also agrees to take each of the following actions for any and all robot vacuum units containing regulated battery chargers it will sell or offer for sale in California:

- a. Ensure each basic model is tested to confirm compliance with energy performance standards.
- b. Certify each basic model to the Database.
- c. Use a new model number.
- d. Add the required battery charger mark to the unit, cover page of the instructions, and exterior product package.

(4) This Agreement shall apply to and be binding upon Neato and its principals, officers, directors, receivers, trustees, employees, successors and assignees, subsidiary and parent corporations, and upon the Commission 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, the Commission hereby releases Neato and its principals, officers, agents, employees, shareholders, subsidiaries, predecessors and successors from any and all claims for the alleged activities described in the Recitals including alleged violations of sections 1601 - 1608, (efficiency, marking, certification), relating to the appliances identified in paragraph II(1).

(6) This Agreement constitutes the entire agreement and understanding between the Commission and Neato 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 the Commission and Neato 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) Neato further agrees that if the subject matter of this agreement comes before the Commission in an administrative adjudication, neither any member of the Energy Commission, 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.

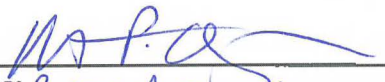
(12) The failure of any Party to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Agreement or otherwise provided by law.

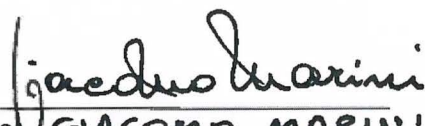
(13) This Agreement is deemed to have been drafted equally by the Parties; it will not be interpreted for or against either Party on the ground that said Party drafted it.

(14) This Agreement is effective upon signature by a representative of Neato with authority to bind the company, and approval by an authorized agent of the Commission or, if required, the Commission at a publically noticed meeting through an order or resolution. The Parties agree that fax or scanned signatures and multiple signature pages are acceptable for purposes of executing this Agreement.

California Energy Commission

Neato Robotic, Inc.

By: 
Name: ROBERT P. DALEY
Title: EXECUTIVE DIRECTOR
Date: 7-13-16

By: 
Name: GIACOMO MARINI
Title: CHAIRMAN & CEO
Date: JULY 11, 2016

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