



## STAFF ALLEGATIONS

5. Between 1999 and 2001, Lasko manufactured and distributed approximately 5.6 million of the subject portable electric fans under the following brand names and model numbers: Lasko 2135, 3300, 3400, 3410, 3510, 3515, 3521, 3550, 3700, 3723, 3733, 3750, 3800; Galaxy 3733; General Electric 106600, 106620, 106630; and Air King 9500, and 9515, (collectively, “fans” or “products”). The fans were sold from 2000 through 2004, by distributors and in retail stores nationwide, for between \$10 and \$25.

6. The fans are “consumer product(s)” and, at all times relevant herein, Lasko was a “manufacturer” of “consumer product(s),” which were “distributed in commerce” as those terms are defined or used in sections 3(a)(3), (5), (8) and (11) of the CPSA, 15 U.S.C. § 2052(a)(3), (5), (8) and (11).

7. The fans are defective because it is possible for an internal short to occur in the motor windings of some of the fans, which may cause the fans to overheat, smoke and/or catch fire, thereby presenting a substantial product hazard to consumers.

8. Between November 2002 and September 2005, Lasko received approximately forty two (42) reports of incidents involving certain fans overheating, smoking, melting or catching fire, which caused property damage and at least nine (9) personal injuries. Lasko filed its Initial Report on July 13, 2005 and filed its Full Report on September 2, 2005. The fans were recalled on February 8, 2006.

9. Although Lasko had obtained sufficient information to reasonably support the conclusion that the fans contained a defect which could create a substantial product hazard, or created an unreasonable risk of serious injury or death, it failed to immediately inform the Commission of such defect or risk as required by sections 15(b)(3) and (4) of the CPSA,

15 U.S.C. § 2064(b)(3) and (4). In failing to do so, Lasko “knowingly” violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term “knowingly” is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

10. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, Lasko is subject to civil penalties for its failure to report as required under section 15(b) of the CPSA, 15 U.S.C. § 2064(b).

#### RESPONSE OF LASKO

11. In the spring and early summer of 2005, Lasko received notice of a number of claims and/or received certain products for inspection that indicated a potential pattern of failure that had not been seen prior to that time.

12. The number and the nature of incidents or claims reported to Lasko prior to the summer of 2005 was insufficient to indicate any specific failure mode, pattern of failure or to reasonably support the conclusion that the fans contained a defect which could create a substantial product hazard, or created an unreasonable risk of serious injury or death.

13. Lasko immediately commenced an investigation and provided the Commission with an Initial Report, in a timely manner, on July 13, 2005.

14. Lasko specifically denies that it failed to immediately inform the Commission of any defect or risk as required by sections 15(b)(3) and (4) of the CPSA, 15 U.S.C. § 2064(b)(3) and (4). Lasko further denies that it in any way or “knowingly” violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term “knowingly” is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

## AGREEMENT OF THE PARTIES

15. Under the CPSA, the Commission has jurisdiction over this matter and over Lasko.

16. In settlement of the staff's allegations, Lasko agrees to pay a civil penalty of five hundred thousand dollars (\$500,000.00) within twenty (20) calendar days of receiving service of the Commission's final Order accepting the Agreement. This payment shall be made by check payable to the order of the United States Treasury and mailed to Cheryl Falvey, General Counsel, Office of the General Counsel, U.S. Consumer Product Safety Commission, 4330 East West Highway, Bethesda, MD 20814.

17. The parties enter the Agreement for settlement purposes only. The Agreement does not constitute an admission by Lasko or a determination by the Commission that Lasko violated the CPSA's reporting requirements.

18. Upon provisional acceptance of the Agreement by the Commission, the Agreement shall be placed on the public record and published in the *Federal Register* in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written requests not to accept the Agreement within 15 calendar days, the Agreement shall be deemed finally accepted on the 16th calendar day after the date it is published in the *Federal Register*, in accordance with 16 C.F.R. § 1118.20(f).

19. Upon the Commission's final acceptance of the Agreement and issuance of the final Order, Lasko knowingly, voluntarily and completely waives any rights it may have in this matter to the following: (i) an administrative or judicial hearing; (ii) judicial review or other challenge or contest of the Commission's actions; (iii) a determination by the Commission as to whether Lasko failed to comply with the CPSA and the underlying

regulations; (iv) a statement of findings of fact and conclusions of law; and (v) any claims under the Equal Access to Justice Act.

20. The Commission may publicize the terms of the Agreement and Order.

21. The Agreement and Order shall apply to, and be binding upon Lasko and each of its successors and assigns.

22. The Commission's Order in this matter is issued under the provisions of the CPSA, and a violation of the Order may subject those referenced in paragraph 21 above to appropriate legal action.

23. This Agreement may be used in interpreting the Order. Agreements, understandings, representations, or interpretations made apart from those contained in the Agreement and Order may not be used to vary or to contradict their terms.

24. The Agreement shall not be waived, amended, modified, or otherwise altered, without written agreement thereto executed by the party against whom such amendment, modification, alteration, or waiver is sought to be enforced.

25. If, after the effective date hereof, any provision of the Agreement and the Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and the Order, such provision shall be fully severable. The balance of the Agreement and Order shall remain in full force and effect, unless the

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Commission and Lasko agree that severing the provision materially affects the purpose of the Agreement and Order.

**LASKO PRODUCTS INC.**

Dated: \_\_\_\_\_  
By: \_\_\_\_\_  
William Lasko, President  
Lasko Products Inc.  
820 Lincoln Avenue  
West Chester, PA 19380

Dated: \_\_\_\_\_  
By: \_\_\_\_\_  
Neil A. Goldberg, Esquire  
665 Main Street, Suite 400  
Buffalo, NY 14203  
Counsel for Lasko Products Inc.

**U.S. CONSUMER PRODUCT SAFETY COMMISSION**

Cheryl Falvey  
General Counsel

Ronald G. Yelenik  
Assistant General Counsel  
Office of the General Counsel

Dated: \_\_\_\_\_  
By: \_\_\_\_\_  
Belinda V. Bell  
Trial Attorney  
Division of Compliance  
Office of the General Counsel