

U.S. ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C.

In the Matter of:)
)
HYUNDAI MOTOR)
AMERICA)
)
Respondent.)

SETTLEMENT AGREEMENT
AED/MSEB 4847

THIS AGREEMENT is made and entered into by and between the United States Environmental Protection Agency ("EPA") and Hyundai Motor America ("Respondent" or "Hyundai").

Preliminary Statement

1. On March 25, 1998, a Notice of Violations ("Notice") was issued to Respondent for violations of sections 203 and 208 of the Clean Air Act ("Act"), 42 U.S.C. §§ 7522 and 7542, and the regulations promulgated thereunder at 40 C.F.R. Parts 85 and 86 ("regulations"). Section 203(a)(2) of the Act provides that failure to make reports or provide information required pursuant to section 208 of the Act, and the regulations thereunder, is a violation of the Act, subjecting the violator to a civil penalty pursuant to section 205(a) of the Act, 42 U.S.C. § 7524(a). Section 85.1903 of the regulations requires a motor vehicle manufacturer to submit an Emissions Defect Information Report ("EDIR") to EPA within 15 working days after a manufacturer determines that an emissions-related defect is found to affect 25 vehicles or engines of the same model year. Section 85.1904 of the regulations requires manufacturers to submit to

EPA a Voluntary Emissions Recall Report ("VERR") within 15 working days of the date owner notification has been initiated concerning any repair program for which direct notification of vehicle or engine owners has been provided to remedy any emissions-related defect. This law also subjects violators to a maximum civil penalty of \$27,500 per day for each violation.

2. The parties, desiring to settle and resolve this matter, in consideration of the mutual covenants and agreements contained herein, which consideration is acknowledged by the parties to be adequate, agree as set forth herein.

Terms of Agreement

3. The parties agree that the settlement of this matter, without further litigation, is in the public interest and that this Settlement Agreement ("Agreement") is the most appropriate means of resolving the matter.

4. The parties stipulate and agree to the following matters. It is further agreed that these stipulations are applicable to this Agreement and any penalty proceeding arising out of this Agreement:

a. At all relevant times, Hyundai was a manufacturer of motor vehicles as that term is defined by the Act.

b. By letter dated January 27, 1997, EPA requested, pursuant to section 208 of the Act, information from Respondent and its associated companies regarding compliance with the EDIR and VERR requirements of the regulations.

c. EPA alleges that Hyundai failed to timely file an EDIR regarding defective fuel pumps on vehicles with 1991 and 1992 model year engine families MHY1.5V5FFA2 and

MHY1.5V5FFA3 until its response to the request for information pursuant to section 208 of the Act referenced in paragraph "4.b", above, although Hyundai conducted a voluntary recall of these vehicles, prior to 1997, pursuant to negotiations with EPA.

d. EPA alleges that Hyundai failed to timely file a VERR regarding 1993 and 1994 model year Hyundai Elantra vehicles with 1.8 liter engines. On November 11, 1994, Hyundai submitted an EDIR regarding these vehicles. Hyundai initiated customer notification regarding these vehicles in late 1995. No revision was made to the EDIR and a VERR was not submitted until September 3, 1996, subsequent to EPA inquiries concerning whether a voluntary recall on the vehicles had been initiated.

e. EPA alleges that pursuant to the section 208 information request referenced in paragraph "4.b", above, Hyundai, by letter dated May 20, 1997, submitted 9 EDIRs which had not been previously submitted to EPA.

f. EPA alleges the above-referenced actions constitute 11 violations of section 203(a)(2) of the Act and the regulations at 40 C.F.R. Part 85, that require timely and accurate EDIR and VERR reports.

g. Respondent denies all the allegations in paragraphs "4.c" through "4.f."

h. Respondent agrees to exercise due diligence in tracking warranty claims and determining the relationship between warranty claims and emissions-related defects. Respondent also agrees to consider available information regarding emissions-related defects, in addition to warranty claims data, in its internal defect reporting system, in determining if 25 vehicles of a

model year have an emissions-related defect. Respondent agrees that it will exercise due diligence in submission of timely EDIR and VERR reports in the future.

i. EPA and Respondent have entered into this Agreement in the spirit of compromise and to avoid litigation.

j. Jurisdiction to settle this matter exists pursuant to sections 203 and 205 of the Clean Air Act, 42 U.S.C. §§ 7522 and 7524 and other provisions of law.

5. After considering the gravity of the alleged violations and Respondent's history of compliance with the regulations, EPA has determined to remit and mitigate the civil penalty to One Hundred Eighty Thousand Dollars (\$180,000.00).

Respondent agrees to pay \$180,000.00 to the United States of America. The due date for payment shall be July 15, 1999 ("the due date"). In accordance with section 3717 of the Debt Collection Act of 1982, 31 U.S.C. § 3717, if the debt is not entirely paid within thirty (30) days following the due date, interest will accrue from the due date through the date of actual payment. Interest will be computed in accordance with section 3717(a) of the Debt Collection Act. A late payment handling charge of Twenty Dollars (\$20.00) will also be imposed if the amount due is not paid by the due date, with an additional charge of Ten Dollars (\$10.00) for each additional thirty (30) day period.

Respondent agrees to pay the amount by check made payable to the "United States of America," and to mail the payment to:

U.S. Environmental Protection Agency
Washington Accounting Operations
P.O. Box 360277M

Pittsburgh, Pennsylvania 15251
Attn: AED/MSEB 4847

A photocopy of the check shall be mailed simultaneously to:

Erv Pickell, Attorney
U.S. Environmental Protection Agency
Mobile Source Enforcement Branch
Air Enforcement Division
12345 W. Alameda
Suite 214
Lakewood, CO 80228

6. Time is of the essence to this Agreement. In the event that Respondent fails to pay the payment amount specified in paragraph 5 within 60 days following the due date, EPA may require payment of stipulated penalties of \$300,000 from Respondent in lieu of the payment amount specified under paragraph 5. The parties further agree that upon any such default, EPA may refer this matter to the United States Attorney General for collection pursuant to § 205(c)(6) of the Clean Air Act, 42 U.S.C. § 7524(c)(6), commence an action to enforce this Agreement, or pursue any other remedies available to it. Respondent specifically agrees that in the event of such default, EPA may proceed in an action based on the original claim of violation of section 203 of the Clean Air Act, 42 U.S.C. § 7522, and Respondent expressly waives its right to assert that such action is barred by 28 U.S.C. § 2462, other statutes of limitation, or other provisions limiting actions as a result of passage of time.

7. This Agreement becomes effective upon the date accepted by EPA, at which time a copy will be returned to Respondent.

8. Respondent hereby represents that the individual or individuals executing this Agreement on behalf of Respondent are authorized to do so and that such execution is intended and is sufficient to bind Respondent.

9. For purposes of this Agreement, in addition to the waivers specifically set forth in paragraph 6 hereof, Respondent waives its right, if any, to object to EPA's jurisdiction to settle this matter.

10. Except as expressly set forth in paragraphs 6 and 9 hereof, the terms of this Settlement Agreement shall not be construed as waiving, barring, diminishing, adjudicating or in any way affecting any legal or equitable rights or defenses that the Respondent may have.

11. The terms of this Agreement are contractual and not a mere recital. If any provision or provisions of this Agreement are held to be invalid, illegal or unenforceable, the remaining provisions shall not in any way be affected or impaired thereby.

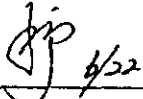
12. The validity, enforceability, and construction of all matters pertaining to this Agreement shall be determined in accordance with applicable federal law.

13. Timely payment of the payment amount specified in paragraph 5 hereof and any stipulated penalties and interest due under this Settlement Agreement shall constitute full and final settlement and satisfaction of this matter; however, Respondent is not relieved from liability for violations which are not the subject of this settlement. Nothing herein shall limit the right of EPA to proceed against Respondent in the event of default or noncompliance with this Agreement. This Agreement in no way affects or relieves Respondent of responsibility to

comply with other federal, state or local laws or regulations.

The following agree to the terms of this Agreement:

Hyundai Motor America

by:  6/32
KWANG WOO, PARK
DIRECTOR, QUALITY CONTROL GROUP

Date: JUNE 28, 1999

United States
Environmental Protection Agency

by: Bruce C. Buckheit
Bruce C. Buckheit
Director, Air Enforcement Division

Date: June 30, 1999