

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

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| |) | |
| In the Matter of: |) | |
| |) | |
| |) | ADMINISTRATIVE |
| |) | SETTLEMENT AGREEMENT |
| KIA MOTORS CORPORATION |) | AND AUDIT POLICY |
| |) | DETERMINATION |
| |) | |
| |) | AED/MSEB #7899 |
| |) | |
| Respondent. |) | |
| |) | |

This Administrative Settlement Agreement (Agreement) is made and entered into by and between the United States Environmental Protection Agency (EPA) and Kia Motors Corporation (Respondent). The Respondent's U.S. agent is identified as Hyundai-Kia America Technical Center, Inc. (Agent) with its principal place of business at 6800 Geddes Road, Superior Township, MI 48198.

Respondent

1. Respondent manufactures, markets, develops and distributes motor vehicles, and Respondent is the certificate holder for each motor vehicle model listed on Exhibit 1 (the Subject Vehicle Models).

Purpose

2. The purpose of this Agreement is to resolve Respondent's violations of Section 203(a) of the Clean Air Act (CAA), 42 U.S.C. § 7522(a), and the highway vehicle and engine regulations at 40 C.F.R. Part 86.

Statutory Authority

3. Section 203(a)(1) of the CAA, 42 U.S.C. § 7522(a), prohibits a manufacturer of a new motor vehicle or new motor vehicle engine from distributing into commerce, selling, offering for sale, introducing into commerce, or importing a new vehicle manufactured after the effective date of regulations applicable to such vehicle, unless such vehicle is covered by an EPA-issued certificate of conformity.
4. Section 203(a)(2) of the CAA, 42 U.S.C. § 7522(a)(2), prohibits any person from failing to provide information required under § 208 of the CAA, 42 U.S.C. § 7542, and prohibits any person from failing to perform required tests.
5. Section 208 of the CAA, 42 U.S.C. § 7542, requires manufacturers of new motor vehicles to provide information to EPA in order for EPA to determine compliance with the CAA.
6. Section 205(a) of the CAA, 42 U.S.C. § 7524(a), subjects any person who violates § 203(a)(1) of the CAA to a civil penalty for each motor vehicle or engine violation. Section 205(a) of the CAA, 42 U.S.C. § 7524(a), subjects any person who violates § 203(a)(2) of the CAA to a per diem civil penalty for each violation. The maximum civil penalty applicable to the alleged violations is \$37,500 per vehicle or engine, or per day for violations of § 203(a)(2) of the CAA, based on the Federal Civil Penalties

Inflation Adjustment Act, 28 U.S.C. § 2461, and the applicable regulations, 40 C.F.R. § 19.4, adjusting the statutory penalty of \$25,000 to \$37,500 for violations committed between March 15, 2004 and January 12, 2009. These dates are relevant to the subject violations, which occurred in 2001 – 2011.

7. Section 216 of the CAA, 42 U.S.C. § 7550(1), defines the term “manufacturer” as any person engaged in the manufacturing or assembling of new motor vehicles, new motor vehicle engines, new nonroad vehicles, or new nonroad engines, or in importing such vehicles or engines for resale, or as any person who acts for and is under the control of any such person in connection with the distribution of new motor vehicles, new motor vehicle engines, new nonroad vehicles or new nonroad engines, but shall not include any dealer with respect to new motor vehicles, new motor vehicle engines, new nonroad vehicles or new nonroad engines received by him in commerce.
8. Respondent is a manufacturer of motor vehicles.
9. Section 216 of the CAA, 42 U.S.C. § 7550(2), defines the term “motor vehicle” as any self-propelled vehicle designed for transporting persons or property on a street or highway.

Regulatory Authority

10. 40 C.F.R. § 86.1801-1 extends coverage of the General Compliance Provisions for Control of Air Pollution From New and In-Use Light-Duty Vehicles, Light Duty Trucks and Complete Otto-Cycle Heavy Duty Vehicles (Subpart S) to 2001 or later model year motor vehicles.

11. 40 C.F.R. § 86.1835 (the Confirmatory Testing Regulations) requires manufacturers of new motor vehicles to perform certification and fuel economy confirmatory testing at their own facilities when certain criteria are met.

Violations

12. Respondent failed to perform the required confirmatory testing for each of the Subject Vehicle Models.
13. Respondent is liable for 61 separate violations of Section 203(a) of the CAA, 42 U.S.C. § 7522(a), for failing to perform the required confirmatory testing for the Subject Vehicle Models for all reasons disclosed by Respondent and summarized above in Paragraphs 1 through 12.

Civil Penalty

14. For the disclosed violations of the CAA and the regulations promulgated thereunder at 40 C.F.R. Part 86 arising from failing to perform required testing of the Subject Vehicle Models, Respondent shall pay to the United States a total of \$210,000 within 30 days of the date of the Effective Date of this Agreement. Late payment of the civil penalty is subject to interest and fees as specified in 31 U.S.C. § 3717 plus the stipulated penalties as specified in Paragraphs 17 and 18 of this Agreement. Respondent agrees to pay the amount by certified check or cashier's check payable to the "United States of America," and to mail the payment to:

U.S. Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
P.O. Box 979077
St. Louis, MO 63197-9000
ATTN: AED/MSEB # 7899

Respondent may also pay online at www.pay.gov. From the “Search Public Form” field, enter “SFO 1.1,” click “EPA Miscellaneous Payments - Cincinnati Finance Center,” and complete the “SFO Form Number 1.1.”

Injunctive Relief

15. For all new model year 2013 test vehicles and new model year 2014 test vehicles, Respondent, pursuant to the Confirmatory Testing Regulations, shall perform manufacturer-conducted confirmatory testing for all official Federal Test Procedure (FTP) and highway tests conducted by Respondent for the purposes of EPA-certification, fuel economy (FE) labeling corporate average fuel economy (CAFE). Respondent shall perform such manufacturer-conducted confirmatory testing regardless of whether the conditions specified in 40 CFR 86.1835-01(b)(i) – (b)(iv) are satisfied. Respondent shall also:
 - (a) provide documentary evidence to EPA that it has completed such testing in accordance with the reporting requirements of the Confirmatory Testing Regulations;
 - (b) submit to EPA a separate report identifying any instances in which any engine or vehicle does not pass a confirmatory test; and

- (c) provide to EPA annual reports at the end of model year 2013 and model year 2014 that provide descriptions of (1) all FTP and highway tests conducted and (2) all confirmatory tests conducted.

Notice

16. A copy of the payment check(s) and the transmittal letter(s) shall be faxed to Robert G. Polin at (202) 564-0015 no later than 24 hours after mailing the payment. All correspondence to EPA concerning this Agreement shall be sent to:

Regular Mail

Robert G. Polin
U.S. Environmental Protection Agency
Mail Code 2242A
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460
Attn: AED/MSEB-7899

Courier Service

Robert G. Polin
U.S. Environmental Protection Agency
Ariel Rios South, Room 1117A
1200 Pennsylvania Avenue, N.W.
Washington, DC 20004
Attn: AED/MSEB-7899

Stipulated Penalties

17. (a) Respondent must pay a penalty of \$1,000 per day for failure to timely pay the penalty pursuant to Paragraph 14 of this Agreement or provide proof thereof pursuant to Paragraph 16 of this Agreement.
- (b) Respondent must pay a penalty of \$20,000 for each failure to timely perform a confirmatory test pursuant to Paragraph 15 of this Agreement.
18. Stipulated penalties under Paragraph 17 of this Agreement shall begin to accrue on the day after performance is due and shall continue to accrue until the day compliance is

achieved. Stipulated penalties shall be paid in accordance with Paragraph 14 of this Agreement. In addition, a copy of the transmittal letter(s) and check(s) shall be sent to Robert G. Polin at the address specified in Paragraph 16 of this Agreement.

General Provisions

19. This Agreement becomes effective upon the date executed by EPA (Effective Date of the Agreement), at which time an electronic copy will be returned to Respondent.
20. Respondent hereby represents that the individual or individuals executing this Agreement on behalf of Respondent is authorized to do so on behalf of Respondent and that such execution is intended and is sufficient to bind Respondent and its agents, assigns, and successors.
21. Notwithstanding any other provision of this Agreement, upon Respondent's failure to perform, or default, or failure to comply with any term of this Agreement, EPA may refer this matter to the United States Department of Justice to recover civil penalties pursuant to Section 205 of the CAA, 42 U.S.C. § 7524, commence an action to enforce this Agreement, recover the civil penalty pursuant to Section 205 of the CAA, or pursue any other remedies available to it. Respondent specifically agrees that in the event of such default or failure to comply, EPA may proceed in an action based on the original claim of violations of the CAA and 40 C.F.R. Parts 86. Respondent expressly waives its right to assert that such action is barred by 28 U.S.C. § 2462, any applicable statute of limitation, or other provisions limiting actions as a result of passage of time. Respondent

acknowledges that its tax identification number may be used for collecting or reporting any delinquent monetary obligation arising from this Agreement. *See* 31 U.S.C. § 7701.

22. Respondent waives its rights, if any, to a hearing, trial or any other proceeding on any issue of fact or law relating to the matters agreed to herein.
23. The validity, enforceability, and construction of all matters pertaining to this Agreement shall be determined in accordance with applicable federal law.
24. This settlement is conditioned upon the truthfulness, accuracy and completeness of Respondent's disclosures and representations to EPA under this Agreement and the prompt and complete remediation of any violations in accordance with this Agreement.

Effect of Agreement

25. Upon completion of the terms of this Agreement, the violations described in this Agreement shall be deemed resolved by EPA. Nothing herein shall limit the right of EPA to proceed against Respondent in the event of default or noncompliance with this Agreement, or for other violations of law, or with respect to other matters not within the scope of the Agreement. This Agreement in no way affects or relieves Respondent of responsibility to comply with other state, federal or local laws or regulations.

The following agree to the terms of this Agreement:

Settlement Agreement
In the Matter of Kia Motors Corporation AED/MSEB – 7899

Kia Motors Corporation, a company organized under the laws of Republic of South Korea

By: *Seong Hyon Park*

Date: *Dec. 13, 2011*

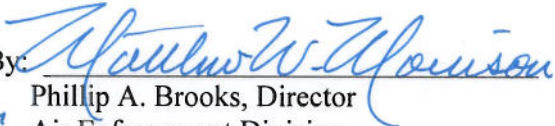
Typed name: SEONG HYON PARK

Typed title: President of Powertrain R&D Center

Settlement Agreement

In the Matter of Kia Motors Corporation AED/MSEB -7899

United States Environmental Protection Agency

By: 
For Phillip A. Brooks, Director
Air Enforcement Division

Date: 1/10/12

Exhibit 1 - Subject Vehicle Models

| | MODEL NAME | TEST GROUP | ENGINE | Vehicle | Vehicle ID |
|----|------------|--------------|---------|---------------------|--------------|
| 1 | SPORTAGE | 1KMX02.0B04 | FED-MC | SPG 2.0 MT | SPG01ES-2 |
| 2 | RIO | 1KMXV01.5C01 | A5D-MC | RIO 1.5 MT | RIO01ES-2 |
| 3 | SPECTRA | 2KMXV01.8A05 | T8D-MC | SD 1.8 MT | SD02EM-18D-2 |
| 4 | RIO | 3KMXV01.6C01 | A6D-AC | BC 1.6 AT | BC03EM-16D-1 |
| 5 | RIO | 3KMXV01.6C01 | A6D-MC | BC 1.6 MT | BC03EM-16D-2 |
| 6 | OPTIMA | 4KMXV02.4D04 | G24D-AC | MS 2.4 AT(D-mode) | MS03EM-24D-1 |
| 7 | OPTIMA | 4KMXV02.4D04 | G24D-AC | MS 2.4 AT(S-mode) | MS03EM-24D-1 |
| 8 | OPTIMA | 4KMXV02.4D04 | G24D-MC | MS 2.4 MT | MS03EM-24D-2 |
| 9 | RIO | 4KMXV01.6C03 | A6D-MC | BC 1.6 MT HB | BC04EM-16D-4 |
| 10 | RIO | 4KMXV01.6C03 | A6D-AC | BC 1.6 AT NB | BC04EM-16D-5 |
| 11 | RIO | 4KMXV01.6C03 | A6D-MC | BC 1.6 MT NB | BC04EM-16D-6 |
| 12 | OPIRUS | 4KMXV03.5H01 | G35V-AC | GH 3.5 AT(D-mode) | GH04EM-35V-1 |
| 13 | OPIRUS | 4KMXV03.5H01 | G35V-AC | GH 3.5 AT(S-mode) | GH04EM-35V-1 |
| 14 | SEDONA | 4KMX03.5F03 | G35V-AC | GQ 3.5 AT | GQ04EM-35V-1 |
| 15 | SPECTRA | 4KMXV02.0J01 | G20D-AC | LD 2.0 AT SULEV HB | LD04EM-20D-4 |
| 16 | SPECTRA | 4KMXV02.0J02 | G20D-AC | LD 2.0 AT ULEV HB | LD04EM-20D-5 |
| 17 | SPECTRA | 4KMXV02.0J02 | G20D-MC | LD 2.0 MT ULEV HB | LD04EM-20D-6 |
| 18 | SPECTRA | 4KMXV02.0J01 | G20D-AC | LD 2.0 AT SULEV NB | LD04EM-20D-1 |
| 19 | SPECTRA | 4KMXV02.0J02 | G20D-AC | LD 2.0 AT ULEV NB | LD04EM-20D-2 |
| 20 | SPECTRA | 4KMXV02.0J02 | G20D-MC | LD 2.0 MT ULEV NB | LD04EM-20D-3 |
| 21 | SPORTAGE | 5KMX02.0KU9 | G4GC-AC | KM 2.0 2WD AT | KM05EM-20D-1 |
| 22 | SPORTAGE | 5KMX02.0KU9 | G4GC-MC | KM 2.0 2WD MT | KM05EM-20D-2 |
| 23 | SPORTAGE | 5KMX02.0KV9 | G4GC-MC | KM 2.0 4WD MT | KM05EM-20D-3 |
| 24 | SPORTAGE | 5KMX02.0K9F | G4GC-MC | KM 2.0 2WD MT | KM05EM-20D-5 |
| 25 | SPORTAGE | 5KMX02.0K9F | G4GC-MC | KM 2.0 4WD MT | KM05EM-20D-6 |
| 26 | SPORTAGE | 5KMX02.7KM5 | G6BA-AC | KM 2.7 2WD AT | KM05EM-27V-2 |
| 27 | RIO | 6KMXV01.6BW5 | G4ED-MC | JB 1.6 MT 5DR | JB06EM-16D-2 |
| 28 | RIO | 6KMXV01.6BW5 | G4ED-AC | JB 1.6 AT 4DR | JB06EM-16D-3 |
| 29 | RIO | 6KMXV01.6BW5 | G4ED-MC | JB 1.6 MT 4DR | JB06EM-16D-4 |
| 30 | SPECTRA | 6KMXV02.0LW4 | G4GC-AC | LD 2.0 AT ULEV 5DR | LD06EM-20D-5 |
| 31 | SPECTRA | 6KMXV02.0LW4 | G4GC-AC | LD 2.0 AT ULEV 4DR | LD06EM-20D-2 |
| 32 | SPECTRA | 6KMXV02.0LPC | G4GC-AC | LD 2.0 AT SULEV 4DR | LD06EM-20D-1 |
| 33 | OPTIMA | 6KMXV02.4NW5 | G4KC-AC | MG 2.4 AT | MG06EM-24D-1 |
| 34 | OPTIMA | 6KMXV02.4NW5 | G4KC-MC | MG 2.4 MT | MG06EM-24D-2 |
| 35 | SPORTAGE | 7KMX02.0KW5 | G4GC-MC | KM 2.0 2WD MT | KM6B0U04A1 |
| 36 | SPORTAGE | 7KMX02.0KW5 | G4GC-MC | KM 2.0 4WD MT | KM6B0U06A1 |
| 37 | SPECTRA | 7KMXV02.0LW4 | G4GC-AC | LD 2.0 AT ULEV 4DR | LD7B0U25A1 |
| 38 | SPECTRA | 7KMXV02.0LPC | G4GC-AC | LD 2.0 AT SULEV 5DR | LD7B0U93A1 |
| 39 | SPECTRA | 7KMXV02.0LPC | G4GC-AC | LD 2.0 AT SULEV 4DR | LD7B0U27A1 |
| 40 | SPECTRA | 8KMXV02.0LW4 | G4GC-AC | LD ULEV 4DR AT | LD8B0F01A1 |
| 41 | RIO | 9KMXV01.6BW5 | G4ED-MC | JB 5DR MT | JB9D6U04A1 |
| 42 | RIO | 9KMXV01.6BW5 | G4ED-MC | JB 4DR MT | JB9D6U02A1 |
| 43 | OPTIMA | 9KMXV02.4MW5 | G4KE-AC | MG 2.4 AT | MG8F4U05A1 |
| 44 | OPTIMA | 9KMXV02.4MW5 | G4KE-MC | MG 2.4 MT | MG8F4U06A1 |
| 45 | SPORTAGE | 9KMX02.0KW5 | G4GC-AC | KM 2.0 2WD AT | KM8B0U21A1 |
| 46 | SPORTAGE | 9KMX02.0KW5 | G4GC-MC | KM 2.0 2WD MT | KM8B0U14A1 |
| 47 | SPORTAGE | 9KMX02.0KW5 | G4GC-MC | KM 2.0 4WD MT | KM8B0U94A1 |
| 48 | BORREGO | 9KMX03.8HM5 | G6DA-AC | HM 3.8 2WD AT | HM8L8U31A2 |
| 49 | BORREGO | 9KMX04.6MM5 | G8BA-AC | HM 4.6 2WD AT | HM9T6U29 |
| 50 | SOUL | AKMXV01.6AW5 | G4FC-MC | AM 1.6 MT | AM9R6U28A1 |
| 51 | SOUL | AKMXV02.0LW5 | G4GC-AC | AM 2.0 AT | AM0B0F19A1 |
| 52 | SOUL | AKMXV02.0LW5 | G4GC-MC | AM 2.0 MT | AM0B0F12A1 |
| 53 | RIO | AKMXV01.6BW5 | G4ED-MC | JB 5DR MT | JB0D6U04A1 |
| 54 | RIO | AKMXV01.6BW5 | G4ED-AC | JB 4DR AT | JB0D6U01A1 |
| 55 | RIO | AKMXV01.6BW5 | G4ED-MC | JB 4DR MT | JB0D6U02A1 |
| 56 | FORTE | AKMXV02.0TW5 | G4KD-AC | TD 2.0 ULEV 5AT | TD0F0GF05A1 |
| 57 | FORTE | AKMXV02.0TW5 | G4KD-AC | TD 2.0 ULEV 4AT | TD0F0GF07A1 |
| 58 | FORTE | AKMXV02.0TW5 | G4KD-MC | TD 2.0 ULEV MT | TD0F0GF08A1 |
| 59 | FORTE | AKMXV02.0TPC | G4KD-AC | TD 2.0 SULEV 5AT | TD0F0GU15A1 |
| 60 | FORTE | AKMXV02.4DW5 | G4KE-MC | TD 2.4 ULEV MT | TD0F4F36A1 |
| 61 | SEDONA | AKMX03.8VW5 | G6DA-AC | VQ/EP 3.8 | VQ0L8U55A2 |