

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

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IN RE BMW of North America, LLC

(TQ 10-006)

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This Agreement is made among the National Highway Traffic Safety Administration ("NHTSA"), an operating component of the U.S. Department of Transportation, Bayerische Motoren Werke AG ("BMW AG"), and BMW of North America, LLC ("BMW NA" or "the Company"), wherein they hereby administratively resolve claims for civil penalties for possible violations of various provisions of Federal law commonly known as the National Traffic and Motor Vehicle Safety Act as amended, 49 U.S.C. Chapter 301 ("Safety Act").

WHEREAS, on December 15, 2010, NHTSA issued an Information Request to BMW NA informing the Company that NHTSA had opened a Timeliness Query (TQ10-006) to investigate whether BMW NA conducted certain motor vehicle recalls in 2010 in accordance with the Safety Act;

WHEREAS, on January 26, 2011, BMW NA submitted its response to the December 15, 2010 Information Request to NHTSA;

WHEREAS, NHTSA has a potential claim that BMW NA violated the Safety Act, including regulations thereunder, by not timely notifying NHTSA and the owners, purchasers and dealers of certain recalls in 2010;

WHEREAS, BMW NA denies that it has violated the Safety Act or its implementing regulations;

WHEREAS, it is the mutual desire of NHTSA, BMW AG and BMW NA to administratively resolve the civil penalties relating to the possible violations of the Safety Act in 2010 and its implementing regulations relating to the timeliness of BMW NA's actions in recalls in 2010, including, but not limited to, the issues explored in Information Requests and other information sought by NHTSA in TQ10-006 and BMW NA's responses thereto, through a binding agreement in order to avoid a protracted dispute and possible litigation;

NOW, THEREFORE, the parties agree as follows:

1. The Secretary of Transportation has the authority to compromise the amount of civil penalties under the Safety Act, 49 U.S.C. § 30165(b). The Secretary's authority has been delegated to the Administrator of NHTSA, 49 CFR 1.50.
2. BMW NA is, and at all times relevant to this action has been, the importer of record of the motor vehicles at issue and a manufacturer of motor vehicles within the meaning of the Safety Act, as defined in 49 U.S.C. § 30102(a)(3).
3. Without NHTSA making any formal findings with respect to BMW NA's possible violations of the Safety Act as to the timeliness of its actions in certain recalls in 2010, including, but not limited to, the issues explored in Information Requests and other

information sought by NHTSA in TQ10-006 and BMW NA's responses thereto, BMW NA shall, in order to resolve the dispute, pay the United States a civil penalty in the sum of \$3 MILLION and 00/100 (\$3,000,000.00(US)) (pursuant to the Safety Act, 49 U.S.C. § 30165.) BMW NA shall make this payment in one lump sum payment by electronic funds transfer to the U.S. Treasury, no later than Thirty (30) days following the execution of this Agreement.

4. Upon receipt of the payment set forth in Paragraph 3 above, the Secretary of Transportation, by and through the Administrator of NHTSA, releases BMW NA, including its current and former directors, officers, employees, agents, parents, subsidiaries, affiliates, successors, and assigns from liability for civil penalties pursuant to 49 U.S.C. § 30165 in connection with the possible violations of the Safety Act and its implementing regulations relating to timeliness of BMW NA's actions in recalls in 2010, including, but not limited to, the issues explored in Information Requests and other information sought by NHTSA in TQ10-006 and BMW NA's responses thereto. Upon this release, BMW NA shall be relieved from any further obligations to produce documents in TQ10-006. TQ10-006 shall be promptly closed following receipt of the payment set forth in paragraph 3 above, and a copy of the closing report shall be furnished to BMW NA.
5. BMW AG and BMW NA agree to change their recall decision making process so that NHTSA and the owners, purchasers and dealers are more timely informed, and that BMW NA has a direct involvement with its parent company, BMW AG, in recall decisions.

6. BMW AG and BMW NA agree that the availability of remedy measures and/or parts shall not delay their recall decision making process or their notification to NHTSA of a noncompliance with an applicable Federal Motor Vehicle Safety Standard or a safety-related defect.
7. BMW AG agrees that the recall decision making process in its Motorcycle and Automotive (passenger cars and light trucks) divisions will be consistent.
8. This Agreement does not release BMW AG or BMW NA from civil or criminal liabilities, if any, that may be asserted by NHTSA or any other governmental entity, other than its civil penalty liability under 49 U.S.C. § 30165 as described in paragraph 4 above.
9. The parties shall each bear their own respective attorneys' fees, costs, and expenses.
10. This Agreement shall be effective following the execution of this Agreement by the parties.
11. This Agreement constitutes the entire agreement between the parties regarding the resolution of the subject matter herein, and supersedes any and all prior or contemporaneous written or oral agreements or representations of the parties, all of which have become merged and finally integrated into this Agreement.
12. This Agreement may not be modified or waived, in whole or in part, unless such modification or waiver is in writing and executed by the parties.
13. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14. The parties to this Agreement have the legal authority to enter into this Agreement and each party has authorized the undersigned to execute the Agreement on its own behalf.

Date: _____

BMW OF NORTH AMERICA, LLC
300 CHESTNUT RIDGE ROAD
WOODCLIFF LAKE, NEW JERSEY 07677

By: _____/s/_____

Howard S. Harris
Vice President of Legal Affairs, General Counsel,
and Secretary

Date: _____

BMW OF NORTH AMERICA, LLC
300 CHESTNUT RIDGE ROAD
WOODCLIFF LAKE, NEW JERSEY 07677

By: _____/s/_____

Thomas C. Baloga
Vice President Engineering (U.S.)

Date: _____

BAYERISCHE MOTOREN WERKE AG

By: _____/s/ _____

Lutz Kuehne
Senior Vice President Corporate Quality

Date: _____

BAYERISCHE MOTOREN WERKE AG

By: _____/s/ _____

Albin Dirndorfer
Senior Vice President Strategy, Product and
Communality Definition

Date: _____

NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
US DEPARTMENT OF TRANSPORTATION

By: _____/s/_____

O. Kevin Vincent
Chief Counsel

Date: _____

NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION
US DEPARTMENT OF TRANSPORTATION

By: _____/s/_____

John Piazza
Attorney