

**AGREEMENT BETWEEN THE U.S. DEPARTMENT OF ENERGY
AND LG ELECTRONICS, USA, INC.**

This Agreement is made and is effective as of November 14, 2008, by and between the United States Department of Energy ("DOE") and LG Electronics, USA, Inc. on behalf of itself and any parent, subsidiary, division or other related entity ("LG") in resolution of matters arising from DOE concerns regarding the administration of testing procedures for measuring energy consumption levels (in kilowatt hours ("kWh") per year) reported for purposes of certification with the ENERGY STAR program and compliance with the energy conservation requirements set out in the Code of Federal Regulations in 10 C.F.R. Part 430 ("Part 430"). The signatories to this Agreement are collectively referred to as the "Parties."

The Parties wish to completely, comprehensively and finally compromise, resolve, and settle all disputes, disagreements, claims, counterclaims, or other causes of action, that, for the LG refrigerator-freezers equipped with French Doors and through-the-door ice service set forth below (hereafter referred to as "the Affected Models"), relate to LG's certification with all applicable ENERGY STAR criteria within DOE's jurisdiction and DOE's responsibilities with respect to testing procedures, energy efficiency standards, labeling, and disclosure of information with respect to the use of the ENERGY STAR mark by LG on the Affected Models and the Affected Models' compliance with the DOE energy conservation requirements.

Recitals

WHEREAS DOE, pursuant to 42 U.S.C. § 6294a, jointly manages with the Environmental Protection Agency the operation of the ENERGY STAR program, whose purpose is to "identify and promote energy-efficient products and buildings in order to reduce energy consumption, improve energy security, and reduce pollution" by means that include the creation of uniform, national labeling standards to assist the American public in choosing the most energy efficient products and practices, thereby saving money and protecting the environment;

WHEREAS the goals of the ENERGY STAR program are accomplished in relevant part by the identification of those products, including refrigerator-freezers, that have been certified as satisfying certain uniform, national criteria beyond the minimum energy conservation requirements set out by DOE in Part 430;

WHEREAS DOE, pursuant to 42 U.S.C. §§ 6291, et seq., is responsible for the promulgation and enforcement of the energy conservation requirements set forth in Part 430 and the management of the ENERGY STAR program with respect to refrigerator-freezers;

WHEREAS the testing and labeling standards that DOE promulgated, and is responsible for enforcing, "supersede[] any state regulation" related to the testing of energy consumption or the disclosure of information with respect to energy use or efficiency (42 U.S.C. § 6297(a));

WHEREAS Part 430 incorporates by reference the operational testing conditions of an industry standard created by the Association of Home Appliance Manufacturers -- Standard HRF-1-1979 ("HRF-1") -- which are applicable to compliance testing for refrigerator-freezers;

WHEREAS HRF-1 specifies the required operational conditions of the ice maker and related components of refrigerator-freezers during testing;

WHEREAS the energy conservation requirements also require a manufacturer to affix an Energy Guide label depicting the estimated annual energy usage of a refrigerator-freezer based on results from the relevant test procedure from Part 430;

WHEREAS certification to the ENERGY STAR program for refrigerator-freezers currently requires a manufacturer to use the same procedures as those prescribed in Part 430;

WHEREAS LG manufactures and distributes a wide variety of consumer products, such as the Affected Models, and has claimed compliance with Part 430 and certification to the ENERGY STAR criteria;

WHEREAS a disagreement arose between DOE and LG concerning whether LG's application of an aspect of the governing test procedure, as set forth in HRF-1 for refrigerator-freezers, resulted in the under-reporting of energy consumption data by LG when certifying compliance with the energy conservation requirements for the Affected Models, estimating the annual energy usage data on the required Energy Guide label for the Affected Models, and certifying to the ENERGY STAR criteria for the Affected Models;

WHEREAS LG recognizes this application of an aspect of the governing test procedure has raised concerns with DOE as to whether the testing for these Affected Models, and possibly other similarly situated products from other manufacturers, satisfy the ENERGY STAR criteria and the applicable energy conservation requirements;

WHEREAS DOE intends to issue a public statement regarding the proper implementation of the test procedure for refrigerator-freezers;

WHEREAS DOE does not dispute that LG's interpretation of the governing aspect of the test procedure in question was made in good faith and reflected a common approach to the interpretation of that aspect, DOE, as the agency charged with developing and administering a balanced and coordinated national energy policy, concludes that, in light of the circumstances and given no finding of any violation, this Agreement properly balances the policies recognized in the Energy Policy and Conservation Act and is the appropriate way to resolve this matter;

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements hereinafter contained and other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree as follows:

LG Electronics, USA, Inc.

- 1) LG will immediately withdraw voluntarily, on a temporary basis, from the ENERGY STAR program the Affected Models, which are identified by the following model number series: LFX25950, LFX25960, LFX25971, LFX23961, LFX21960ST, LFX21971ST, LFX21980ST, LFX25980ST, LMX21981ST, and LMX25981ST. Additionally, this same action will apply to any and all similar or derivative models made for any LG Original Equipment Manufacturer customers whose products are sold in the United States.
- 2) With respect to the ENERGY STAR program, LG will: (a) alert retailers and Original Equipment Manufacturers supplied by LG of this Agreement and promptly provide DOE with copies of all such written communications; and (b) remove all ENERGY STAR logos from Affected Models and LG communication materials pertaining to the Affected Models, including the LG website, printed materials, retailer price tags, Energy Guide labels, and other point-of-sale materials pertaining to the Affected Models.
- 3) LG will validate through third-party testing, in conjunction with DOE, product modifications that shall yield improved energy efficiency in the Affected Models and shall be confirmed using testing procedures consistent with DOE's interpretation of the operating conditions specified in HRF-1, which require that the ice making system of the refrigerator-freezer be disabled for purposes of making ice but that all other system components remain on during testing with the exception of the fill tube and ice ejection heaters, which may remain off for the purposes of testing under this Agreement subject to further notice by DOE. Additionally, the ice storage bin must be kept at a temperature that will prevent the ice from melting. If the bin has a consumer-adjustable setting for multiple ice storage temperatures, it must be set at the lowest temperature setting.
- 4) The validation by third party testing (along with the necessary accompanying approval by Underwriters Laboratories, Inc. (UL)) shall be completed by no later than November 14, 2008.
- 5) After validation by third-party testing as specified in Item No. 4 above, LG will promptly offer retailers and consumers who have purchased Affected Models the opportunity to have Affected Models modified, at no cost to them, to incorporate the modifications in Item No. 3 above, and provide DOE with copies of representative samples of its communications with retailers and consumers related to these modifications. (This requirement shall not apply to floor units of the Affected Models carrying the LG brand name at retailers, as long as such units are labeled "Floor Unit Not For Sale" and have their currently affixed Energy Guide labels removed prior to their modification. LG shall also direct retailers having floor units of Affected Models carrying the label of an Original Equipment Manufacturer ("OEM") brand name rather than the LG brand name to, by no later than November 21, 2008, label such units as "Floor Unit Not For Sale" and have their currently affixed Energy Guide labels removed prior to their modification.)

- 6) By no later than November 14, 2008, LG will also halt shipments of Affected Models to retailers until units of Affected Models in LG warehouses are modified, with the modifications to begin not later than November 14, 2008. This action shall be announced in coordination with DOE by LG no later than November 14, 2008.
- 7) Also at such time, LG will work with its retail partners and OEM customers to modify units in their warehouses (free of charge) in accordance with the modifications described above to ensure that these units are modified as required by Item No. 3 above prior to their sale to consumers.
- 8) Also at such time, LG will offer consumers a credit reflecting past incremental energy usage related to this matter, measured pursuant to the methodology set forth in Appendix A hereto.
- 9) Also at such time, LG will offer consumers an annual credit that shall reflect the future energy consumption difference occurring during the average useful life (which is defined as fourteen (14) years from the date of purchase by the consumer) of such Affected Models, measured pursuant to the methodology set forth in Appendix B hereto.
- 10) The energy credits described above shall be in the form of a check from LG to each purchaser of an Affected Model, with the first checks expected to be issued by December 19, 2008, and subsequent checks to be issued annually to consumers on the anniversary date of the issuance of the first check to cover the remaining years of useful life of the Affected Model, in full satisfaction of these credits. In the case of any purchasers of the Affected Models for whom LG does not have or is unable to secure sufficient contact information for purposes of issuing the first check called for hereunder, LG shall provide a means for those purchasers to readily contact the company to provide that information. Such means shall include, but not be limited to, mail-in registration, a toll-free telephone hotline, and on-line registration through the LG website.
- 11) The modifications and credits provided for in this Agreement are in lieu of and preclude any other civil penalties and/or remedies by DOE with respect to the Affected Models and, in the view of the Parties, strike a fair and equitable balance between LG and the purchasers of the Affected Models. LG will use its best efforts to produce ENERGY STAR-rated versions of the Affected Models by January 2009.
- 12) Until such time when all items described above are complete, LG will provide DOE with a quarterly update status report for two years beginning on December 1, 2008, detailing the progress being made with respect to Item No. 10 above as well as all other Items listed above. Annual status reports will be provided to DOE thereafter. DOE will maintain exclusive jurisdiction over this Agreement until LG has performed all its obligations under the Agreement.
- 13) Nothing in this Agreement shall be construed as an admission of fact, liability, obligation, position, or right as to any matter by LG.

Department of Energy

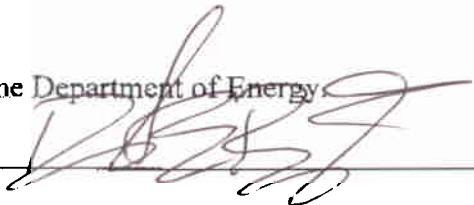
- 14) In consideration of the above, DOE will permit all other LG products that are currently certified to the ENERGY STAR criteria to continue to participate in the ENERGY STAR program, subject to their satisfaction of the applicable criteria.
- 15) DOE agrees that LG's satisfaction of the obligations of this Agreement resolves all issues between LG and DOE concerning the Affected Models covered by this Agreement.
- 16) This Agreement is entered into pursuant to DOE's authority to interpret and enforce its rules for energy efficiency and to enter into its own agreements interpreting and applying those rules and the requirements of the ENERGY STAR program.
- 17) General Provisions.
 - a) This Agreement shall inure to the benefit of, and shall be binding upon, the Parties hereto, their heirs, executors, administrators, and successors. Any rights and obligations hereunder shall not be assignable by any of the parties hereto.
 - b) This Agreement, the appendices hereto, constitute the entire agreement among the Parties with respect to the transactions contemplated herein and supersede all previous negotiations, commitments, and writings. The recitals are incorporated into this Agreement by this reference and form a part of this Agreement.
 - c) The headings in this Agreement are for convenience only, and shall not limit or otherwise affect any of the terms hereof.
 - d) The Agreement shall be governed by and construed and enforced in accordance with Federal law, including 42 U.S.C. § 6297(a).
 - e) The parties acknowledge at they have entered into this Agreement voluntarily and in good faith after receiving proper counsel and authorization as to all aspects thereof.
 - f) Any provision of this Agreement that is held, after the date of the execution of this Agreement, to be illegal, invalid, or unenforceable by a court or agency of competent jurisdiction shall be fully severable. In place of any severed provision, the parties agree to substitute a legal, valid, and enforceable provision that is as similar as possible to the severed provision.
 - g) This Agreement and the appendices hereto may be executed in one or more counterparts that, taken together, shall constitute the whole agreement, and there may be duplicate originals of this Agreement.

h) Notices and all other correspondence related to the obligations listed in this Agreement shall be delivered to the following individuals:

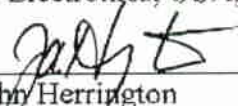
For DOE: Deputy Assistant Secretary for Energy Efficiency
Office of Energy Efficiency and Renewable Energy
United States Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

For LG: Vice President
Government Relations & Communications
LG Electronics, USA, Inc.
1776 K Street, NW
Washington, DC 20006

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties hereto as of the date first written above.

For the Department of Energy
By: 

Date: 11/14/08

For LG Electronics, USA, Inc
By: 
John Herrington
President, Digital Appliances

Date: 11/14/08

APPENDIX A

Methodology for Calculating Past Incremental Energy Usage

This credit shall reflect the past incremental energy usage over and above the energy usage amount stated on the Energy Guide label (e.g., 547 kWh per year) affixed to each Affected Model prior to modification. The credit shall be measured as the difference between the energy usage as measured prior to the modification made pursuant to Item No. 5 and the energy usage reflected in the LG Energy Guide label on Affected Models prior to their modification. The energy usage shall be measured in accordance with the procedure described in Item No. 3.

In accordance with the procedure described in Item No. 3, LG is therefore offering consumers a one-time cash payment for past energy use calculated by subtracting the amount listed on the original Energy Guide label from the measured energy amount. That total is then multiplied by the estimated dollar value of kilowatt-hours and the amount of time since the Affected Model was purchased. The result is the dollar value of incremental past energy usage.

APPENDIX B

Methodology for Calculating Future Incremental Energy Usage

The value of these annual credits shall reflect the measured future incremental energy usage over and above the energy usage amount stated on the Energy Guide label (e.g., 547 kWh per year) affixed to each Affected Model prior to modification. In calculating the value of this credit, LG will determine the difference between the measured energy usage of the modified Affected Model and the energy usage reflected on the Energy Guide label on the Affected Models prior to modification. The energy usage for the modified Affected Model shall be measured in accordance with the procedure described in Item No. 3.