

untimely and deficient notification to owners and dealers, and a failure to comply with requirements for quarterly reports, in contravention of the Safety Act and NHTSA regulations; and (3) Piaggio's failure to provide timely and complete Early Warning Reports (EWR reports) from the first quarter of 2006 through the fourth quarter of 2007.

WHEREAS, Piaggio does not deny that it has violated the Safety Act and NHTSA's implementing regulations as to the recalls, and the EWR reports described above;

WHEREAS, Piaggio asserts that no owners or users of Piaggio products have been injured as a result of the aforementioned reporting deficiencies;

WHEREAS, Piaggio asserts that it is a small business;

WHEREAS, as of the date of this Agreement, NHTSA affirms that pursuant to the Safety Act and NHTSA regulations, Piaggio now has complied in substantial part with its obligations to provide proper notification(s) to its dealers and owners of Recalls 05V-538 and 05V-506, but has not completed notifications of owners of vehicles in California that are covered by these Recalls;

WHEREAS, as of the date of this Agreement, Piaggio has provided some revised EWR reports and reporting information dating back to 2006, but has not completed its submission of revised reports and information;

WHEREAS, it is the mutual desire of NHTSA and Piaggio to administratively resolve NHTSA's claim for civil penalties relating to the recalls and reporting requirements described above through a binding agreement in order to avoid a protracted dispute and possible litigation;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, 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 C.F.R. § 1.50.
2. Piaggio is, and at all times relevant to this action has been, a manufacturer of motor vehicles under the Safety Act, as defined in 49 U.S.C. § 30102(a)(5) and (6).
3. Without NHTSA making any formal findings with respect to Piaggio's violations of the Safety Act as to the recalls and reporting requirements described above, Piaggio shall pay the United States a civil penalty in the sum of One Hundred Thousand and no/100 Dollars (\$100,000.00) pursuant to the Safety Act, 49 U.S.C. § 30165. This sum shall be made in one lump payment, due within thirty (30) days from the date this Agreement has been fully executed by both parties (but no later than February 9, 2009). Piaggio shall make payment to the National Highway Traffic Safety Administration in the amount of \$100,000.00, and in the payment manner so designated by NHTSA prior to the payment due date.
4. Furthermore, without NHTSA making any formal findings, Piaggio shall satisfy its recall and reporting requirements with respect to Recalls 05V-506 and 05V-538. Also, Piaggio shall satisfy its past EWR reporting requirements to the extent possible, including submission of outstanding quarterly EWR reporting data for the period 2006 – 2007. With regard to EWR data, and to the extent possible, taking into account the availability of data in Piaggio's (and its parent company's) computer systems that were modified in the past, Piaggio shall provide new and additional EWR reports for the period 2006-2007 in the manner stated by the

applicable sections of the Safety Act and NHTSA regulations.

5. The following requirements also apply:
 - i. Piaggio will complete Recalls 05V-506 and 05V-538, as required, including, but not limited to, completion of the recall of vehicles that are owned or registered in California and provision of dated copies of any communications sent to California owners, with owner notifications to California owners mailed within thirty (30) days of receipt of the names and addresses of registered owners of the Piaggio vehicles covered by these Recalls from the California Department of Motor Vehicles, and dated copies of any such communications provided to NHTSA immediately thereafter.
 - ii. Piaggio will provide NHTSA with separate quarterly reports, in accordance with 49 CFR Part 573.7, within thirty (30) days after completion of each of the next four (4) calendar quarters, describing fully, for each of these recalls, its actions taken to complete them. After review of the final reports, NHTSA, in its sole discretion, will determine whether or not Piaggio has adequately fulfilled its obligations, and subsequently NHTSA will notify Piaggio of its determinations. In the event NHTSA determines that there are further deficiencies in any manner, NHTSA shall notify Piaggio of said deficiencies by and through Piaggio's counsel, Martin Kaufman, and promptly thereafter Piaggio shall correct these deficiencies.

- iii. Piaggio will complete EWR reports for the first quarter of 2006 through the fourth quarter of 2007, in accordance with 49 CFR Part 579 Subpart C, within one hundred and twenty (120) days of the execution of this Agreement, subject to the availability of data in Piaggio's (and its parent company's) computer systems, as described above.
6. Upon receipt of the payment set forth in Paragraph 3 above, and subject to adherence to the terms and conditions set in Paragraphs 4 and 5 above, the Secretary of Transportation, by and through the Administrator of NHTSA, releases Piaggio and all of its officers and employees, including its parent companies and subsidiaries, from liability for civil penalties pursuant to 49 U.S.C. § 30165 in connection with violations of the Safety Act and NHTSA regulations, as identified above in the first Recital.
7. NHTSA expressly does not release Piaggio, or its officers and employees, for potential liability for civil penalties under the Safety Act or NHTSA regulations, other than that related to completion of Recalls 05V-506 and 05V-538, and EWR reporting through the fourth quarter of 2007. This Settlement Agreement does not waive or limit in any way NHTSA's authority to investigate, take enforcement action against, or in any other way pursue other, potential or actual violations of the Safety Act or NHTSA regulations by Piaggio.
8. The parties each shall bear their own respective attorneys' fees, costs, and expenses.

9. This Settlement Agreement shall be effective following its execution by the parties.
10. This Settlement Agreement will be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.
11. The parties warrant and agree to comply in good faith with the terms and conditions of this Settlement Agreement, and to take such reasonable action as may be necessary to effectuate this Settlement Agreement.
12. In the event of a material breach of any of the term(s) of this Agreement by Piaggio, NHTSA reserves the right to pursue all appropriate administrative and/or judicial remedies, including, but not limited to, assessing interest and administrative charges for untimely payment(s), and/or commencing litigation in an appropriate court of law. Similarly, Piaggio reserves the right to assert any available defenses.
13. This Agreement constitutes the entire agreement between the parties regarding the settlement of the subject matter therein, 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 Settlement Agreement. 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.
14. 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.

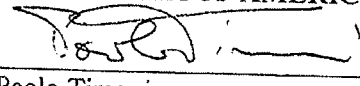
[signatures appear on next page]

DATE:

January 12th, 2009

PIAGGIO GROUP AMERICAS, INC.

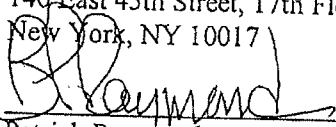
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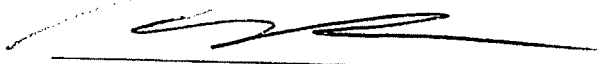
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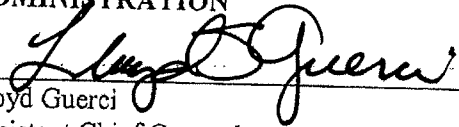

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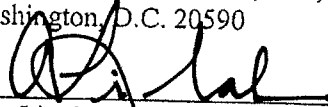
U.S. DEPARTMENT OF TRANSPORTATION,
NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION

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