LG Chem
Michigan Inc.

SolutionPartner

November 5, 2013

<u>Via Hand Delivery</u>

The Honorable Clair McCaskill
Subcommittee on Financial and
Contracting Oversight
Committee on Homeland Security and
Governmental Affairs
Washington, D.C. 20519-6250

Dear Senator McCaskill:

This letter supplements our letter of March 29, 2013 and further responds, on behalf of LG Chem Michigan, Inc. ("LGCMI" or the "Company"), to your letter of March 8, 2013. After sending the March 29th letter, the Company continued to cooperate fully with the investigation being conducted by the United States Department of Justice ("DOJ") and the Department of Energy's Office of Inspector General ("DoE OIG"). As part of this effort, LGCMI completed its review of the facts giving rise to DoE OIG's Special Report regarding the $ 150 million Recovery Act Grant to LGCMI and voluntarily produced a significant number of additional documents to DOJ to assist in its review of the work performed by LGCMI in 2012.

As announced today, LGCMI and DOJ/DoE OIG entered into a settlement agreement to resolve the allegations that the Company sought reimbursement for unallowable labor costs related to the DOE Grant. As part of this settlement, the Company has agreed to pay the United States $ 1,231,319 over and above the reimbursement of $842,420 that was paid to DOE in January 2013. In reaching this agreement, LGCMI did not admit liability and explained that the labor costs at issue that were charged to the Department of Energy during the relevant period of time were incurred by LGCMI in an effort to maintain a qualified workforce in anticipation of production.

As you may know, the Environmental Protection Agency has been addressing an issue that arose with respect to the use of a certain chemicals in the manufacture of lithium batteries and has now approved LGCMI's filing for LVE (lower volume exemption) which means that it can re-start production. LGCMI began commercial production of lithium batteries at the Holland plant on Monday, October 28, 2013.

1 LG Way • Holland, MI 49423-8574 U.S.A. • T. 616-494-7100 • F. 616-494-7102

As we pointed out in our March 29th letter, assembly lines 4 and 5 have not been completed. The Department of Energy approved an extension of time for the completion of these two operational lines at the facility to September 2015. As part of this extension, LGCMI has agreed not to charge DoE for any labor costs and no funds beyond the original award amount will come from DoE. We anticipate that LGCMI will be making additional investment beyond the original projections to complete this project.

LGCMI is continuing to study the market demand for lithium batteries in the United States so it can pursue additional business opportunities in this country. Despite the continuing challenges presented by current market conditions, as discussed in our March 29th letter, LGCMI remains fully committed to the success of the lithium manufacturing plant in Holland, Michigan, to manufacturing a high quality product for its customers and to creating good, stable jobs in the Holland community.

Sincerely,

David Lee
Treasurer
LG Chem Michigan Inc.