

In re: Volkswagen “Clean Diesel” Marketing, Sales Practices and Products Liability Litigation
Case No. 3:15-md-02672-CRB

**REPORT OF INDEPENDENT CLAIMS SUPERVISOR ON
VOLKSWAGEN’S PROGRESS AND COMPLIANCE RELATED TO 2.0
LITER RESOLUTION AGREEMENTS ENTERED OCTOBER 25, 2016:**

- Amended Consumer Class Action Settlement Agreement and Release
- Federal Trade Commission Consent Order
- Department of Justice, Environmental Protection Agency,
California Attorney General’s Office, and California Air Resources Board
Partial Consent Decree

AUGUST 27, 2018

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Consistent with the requirements of the Resolution Agreements,¹ the independent Claims Supervisor respectfully submits this quarterly report, which, unless otherwise specified, addresses progress in Volkswagen's 2.0 Liter Claims Program for the period from May 18, 2018 through August 19, 2018.

I. Executive Summary

During this quarterly reporting period, Volkswagen generally remained effective in administering the Claims Program in accordance with the terms of the Resolution Agreements. For the vast majority of consumers, the company: timely processed claims; completed Buybacks, Early Lease Terminations, and Approved Emissions Modifications ("AEMs"); and made payments in connection with eligible claims. Volkswagen also maintained responsive customer support resources for consumers requiring assistance and received relatively few consumer complaints.

In addition, the company continued to effectively process and complete non-standard claims. As discussed in prior reports, certain branded title claims had been placed on hold while the Parties and the Claims Review Committee ("CRC") worked on developing a general framework for processing these types of claims. Since agreement was reached on that framework in February 2018, Volkswagen has processed 3,916 claims, including more than 1,450 claims processed during this quarterly reporting period. As of August 19, 2018, 127 claims remained on hold, including those Volkswagen determined to involve unique factual circumstances requiring additional analysis or, potentially, further discussions with the PSC. Over the course of the quarterly reporting period, the company also completed 145 additional

¹ Capitalized and/or abbreviated terms in this report take on the definition in the Resolution Agreements or the initial report submitted by the Claims Supervisor in November 2016.

claims submitted by consumers who purchased vehicles in the United States but registered them in Canada, bringing the total number of these completed claims to 926. Volkswagen completed 57 additional claims submitted by military members stationed overseas with their vehicles, including the completion of 30 AEMs in Germany, bringing the total number of completed military overseas claims to 682.

As required by the FTC Consent Order, Volkswagen sent the Second Reminder Notice in July 2018 to approximately 124,000 potentially eligible consumers who had not yet submitted or completed a claim, or opted out of the Class Action Settlement, informing them, among other things, of the deadline to submit a claim and schedule a closing appointment in order to receive compensation. The company reported that it is closely monitoring staffing levels and continuing to refine the claims process to keep pace with the flow of claim submissions, as well as to ensure that in the final months of the Claims Program consumer claims continue to be administered in an efficient and effective manner.

The statistics below provide a cumulative presentation of key Claims Program metrics as of August 19, 2018:

- 554,358 registrations had been created in Volkswagen's Claims Portal;
- 477,996 consumers had submitted claims for Volkswagen to review;
- 460,808 consumers had been issued offer letters, the aggregate value of which was \$8,348,247,732.12;
- 369,739 Owners and Current Lessees had scheduled Buyback or Early Lease Termination closing appointments;

- 363,553 Owners and Current Lessees had proceeded through closing, and Volkswagen has paid out a total of \$7,619,259,176.59 to, or on behalf of, these consumers;
- 36,376 consumers with Generation 1 Vehicles had completed the AEM process;²
- 10,628 consumers with Generation 2 Vehicles had completed the AEM process;
- 12,276 consumers with Generation 3 Vehicles had completed the first phase of the AEM process, which involves removal of the defeat device software, and 11,300 of those consumers also had completed the second phase, which involves the implementation of new emissions control mechanisms;
- \$333,560,293.91 had been paid out to consumers by Volkswagen in connection with completed AEM appointments; and
- 12,698 Sellers, 4,344 Former Lessees, and 1,782 consumers with claims associated with totaled vehicles had been paid on claims, the aggregate values of which were \$38,997,858.74, \$14,641,427.13, and \$10,533,432.71, respectively.³

As of the May 2018 reporting period, Volkswagen had satisfied the requirements in the Resolution Agreements that it remove from commerce or perform a complete AEM on 85% of

² Data related to AEMs are as of August 10, 2018.

³ An additional five consumers had been paid on claims where the eligibility category was inconsistent with the remedy selection-type -- all consumer claims associated with totaled vehicles where the eligibility category had not yet been changed to match the Restitution remedy -- with the aggregate value of these payments totaling \$17,005.00.

all Subject Vehicles as well as 85% of Subject Vehicles registered in California. As of August 19, 2018, the company had removed from commerce or modified approximately 91.0% of all Subject Vehicles and 92.2% of Subject Vehicles registered in California.

II. Volkswagen's Performance Metrics

This section discusses the status of the claims processing and closing phases of Volkswagen's Claims Program and the company's compliance with certain requirements mandated in the Resolution Agreements. All data is as of August 19, 2018, unless otherwise specified. Reference throughout this section to Volkswagen's performance "during this quarter" means the period from May 18, 2018 through August 19, 2018.

A. Consumer Registrations

As of August 19, 2018, there were 554,358 consumer registrations in Volkswagen's system, including 9,260 registrations created by consumers during this quarter. A registration occurs when a consumer provides Volkswagen with basic information including name, contact information, vehicle identification number ("VIN"), and preferred dealership. Of these registrations, 519,311 related to individuals and 35,047 related to businesses.⁴ Chart 2-1 shows the total number of registrations created by consumers during each quarter of the Claim Period.

⁴ These figures include a significant number of duplicate entries. Duplicate entries, however, are not identified until the requisite supporting claims information and documentation are submitted and the review periods begin. Thus, the figure overstates the number of unique claims that have been registered.

Chart 2-1

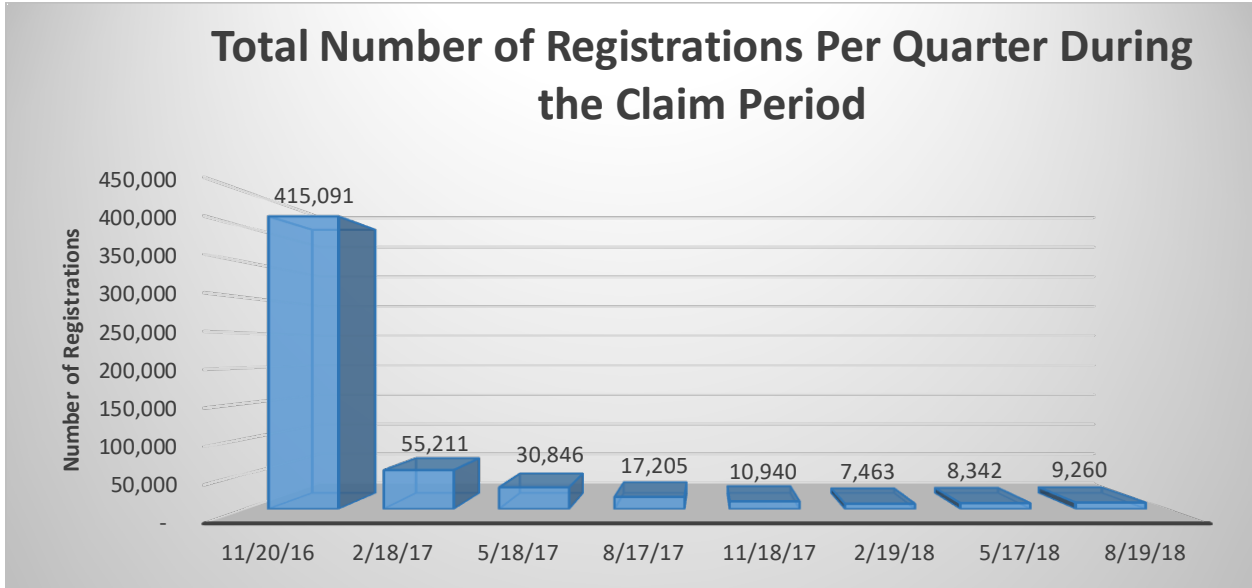


Chart 2-2 shows all registrations created by consumers during the Claim Period by eligibility category, and Chart 2-3 shows the states with the highest number of Eligible Vehicles that have been registered in Volkswagen’s Claims Portal. The “No Category Selected” population in Chart 2-2 relates to consumers who had created a registration but had not yet provided details identifying their eligibility category.

Chart 2-2

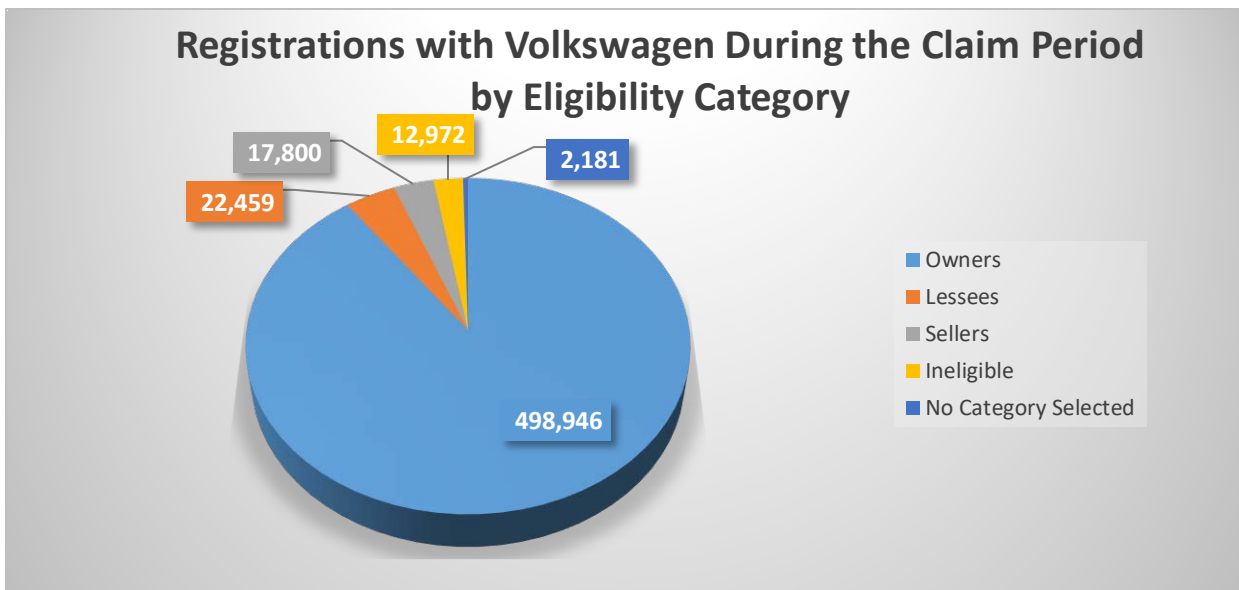
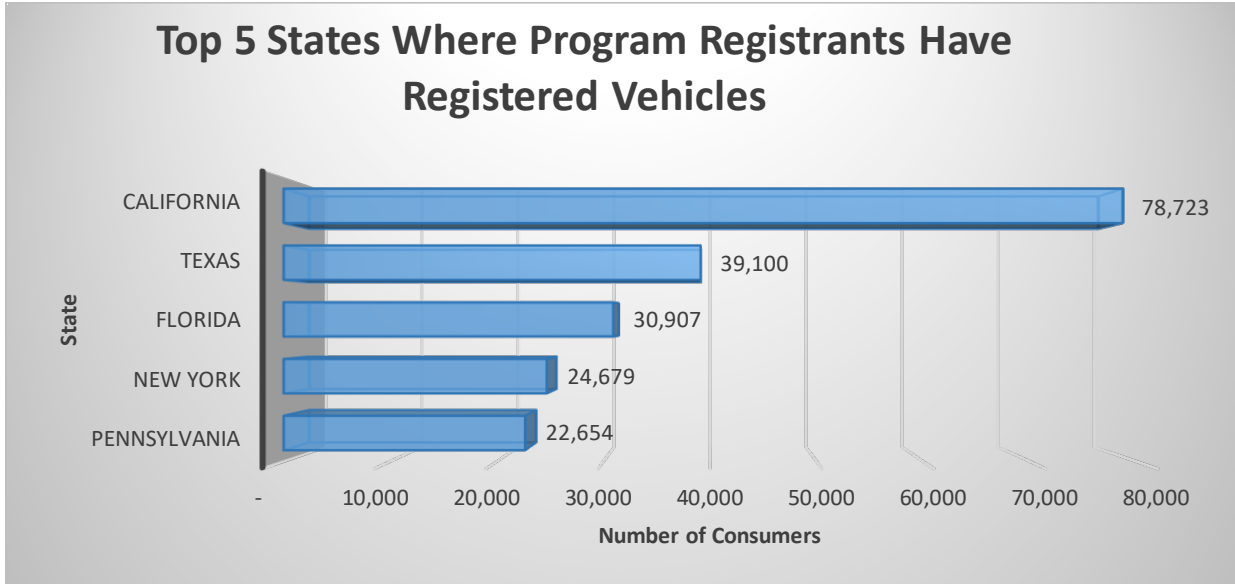
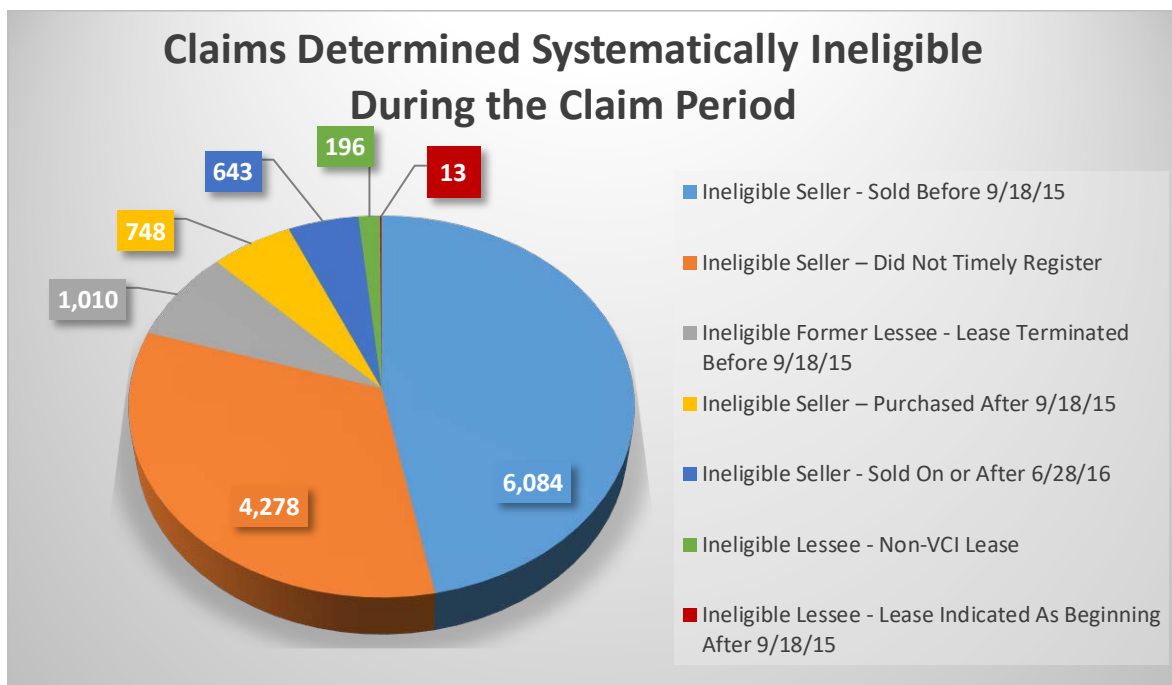


Chart 2-3



With respect to the population of 12,972 claims identified as ineligible in Chart 2-2, Volkswagen’s system is configured to automatically identify certain ineligible claims where information entered by the consumer into the Claims Portal indicates the consumer is not an eligible claimant under the Resolution Agreements. For example, a consumer who attempts to submit a Seller claim and indicates the vehicle was sold before September 18, 2015 is ineligible under the “Eligible Seller” definition. In these instances, Volkswagen sends the consumer a letter explaining the basis for the ineligibility determination. Chart 2-4 reflects the total population of systematically ineligible claims by the reason the claim was determined to be ineligible.

Chart 2-4



During this quarter, there were 479 new systematic ineligibility determinations. The Claims Supervisor reviewed all new systematic ineligibility determinations this quarter and verified that Volkswagen’s systematic ineligibility logic was operating properly.

B. Claim Submission and the First Ten-Business-Day Review Period

After a consumer registers, the next step in the process is to select a preliminary remedy, provide prescribed documents needed to substantiate the claim, and submit the claim to Volkswagen for review.⁵ As of August 19, 2018, consumers had submitted 477,996 unique claims for Volkswagen to review, including 14,405 unique claim submissions during this quarter.⁶ Of these, 457,147 claims related to individuals and 20,849 claims related to businesses.

⁵ Consumers with claims associated with totaled vehicles, Former Lessees, and Sellers do not select a preliminary remedy because the only remedy available to these consumers is Restitution.

⁶ “Unique claims” means unique VINs within unique eligibility categories. A claim by an Owner and a Seller regarding the same VIN is counted as two unique claims. Likewise, claims by one Owner who owns five separate vehicles are counted as five unique claims.

Chart 2-5 shows by eligibility category the total population of consumers who had submitted claims during the Claim Period. Chart 2-6 shows the total number of claims submitted by consumers during each quarter of the Claim Period.

Chart 2-5⁷

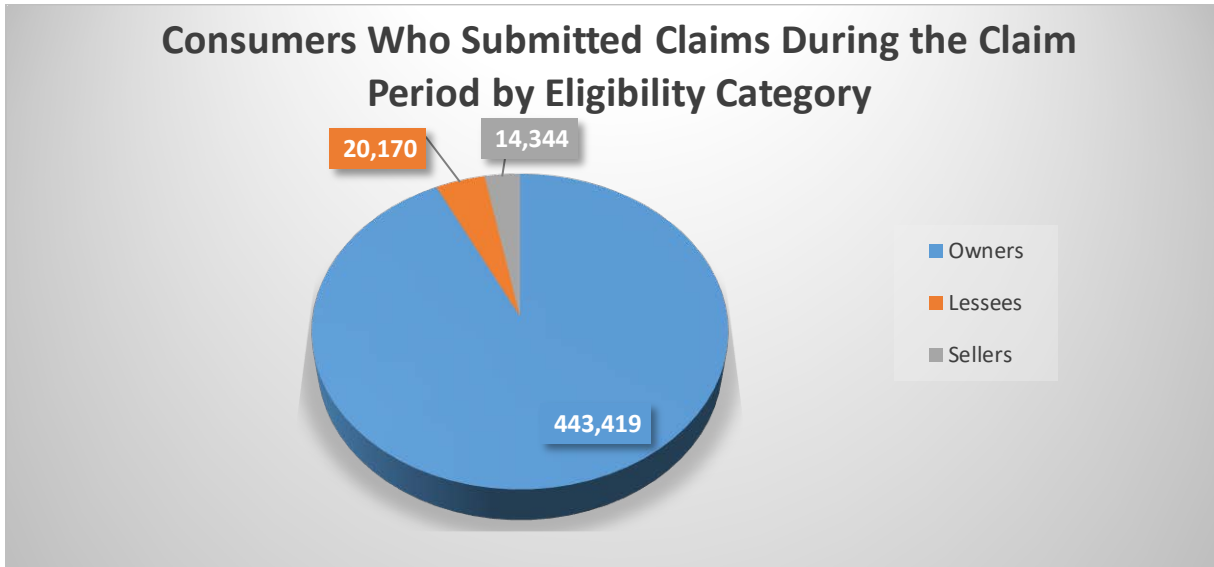
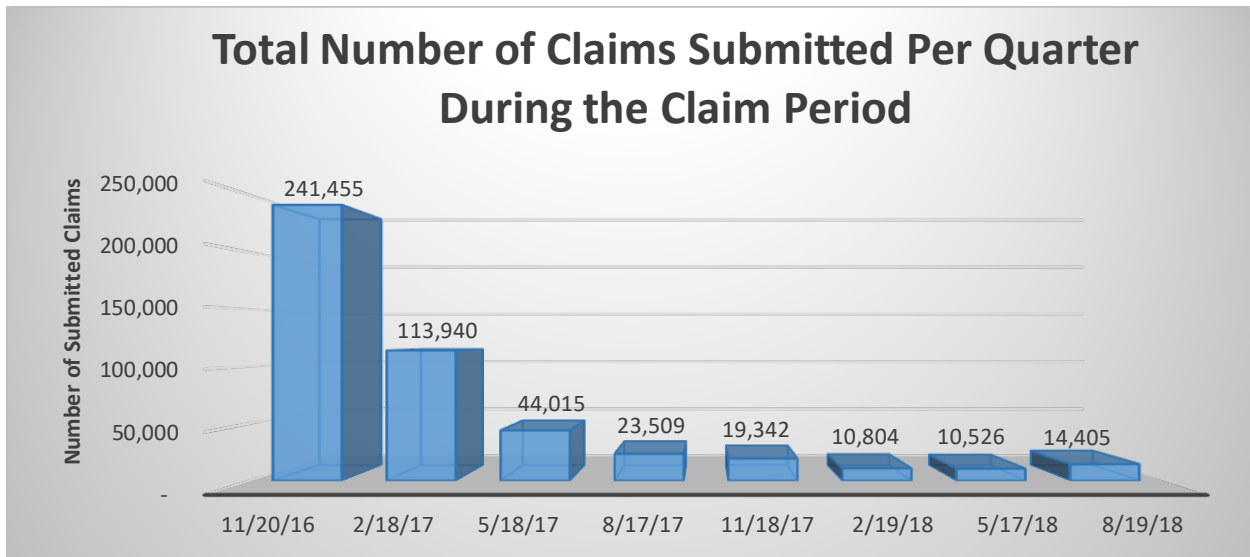


Chart 2-6



⁷ The sixty-three claims not captured in Chart 2-5 ultimately were deemed not eligible. Notably, consumers have the right to appeal final eligibility and award determinations to the CRC, consistent with the terms of the Resolution Agreements.

Chart 2-7 shows the preliminary remedy selections for Owners and Current Lessees who had submitted claims through August 19, 2018.

Chart 2-7

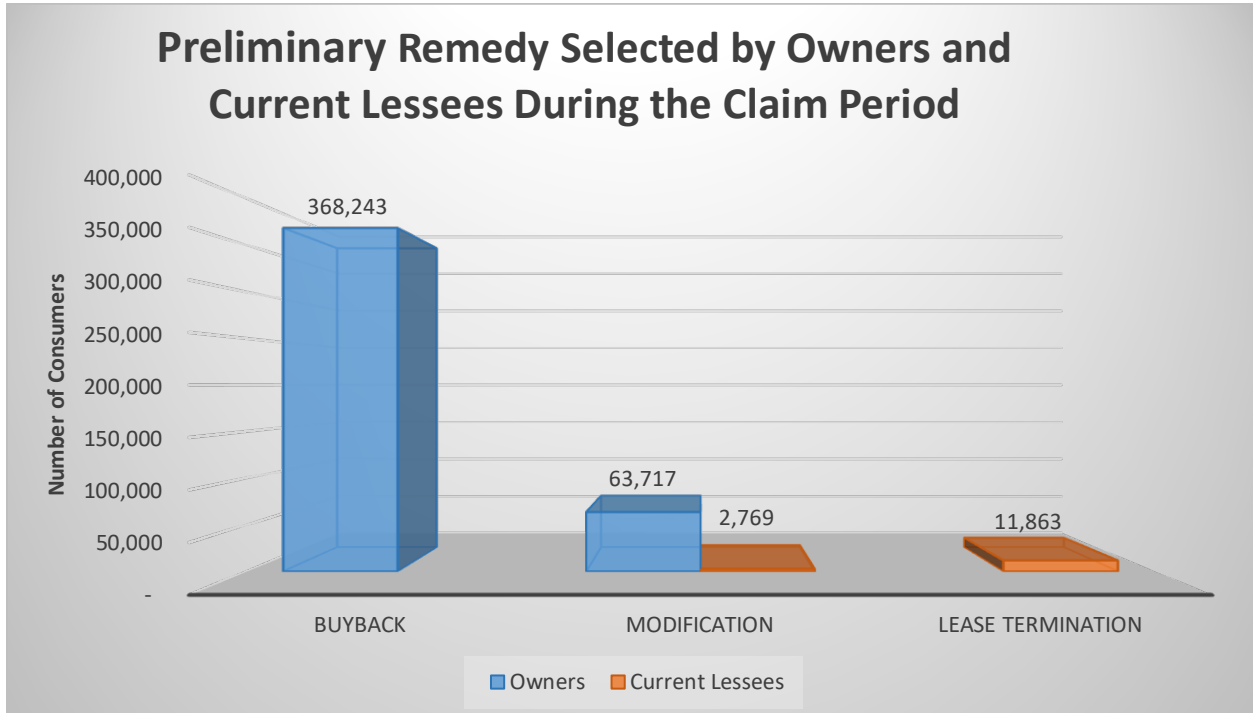


Chart 2-7 does not include the remedy selections for 14,154 Sellers, 4,855 Former Lessees, and 1,969 consumers with claims associated with totaled vehicles because the only remedy available to these consumers is Restitution, nor does it include 8 claims where the Eligibility Category was inconsistent with the award type. Additionally, Chart 2-7 does not include 10,418 cancelled claims, with most cancellations being associated with duplicate claims.

Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it render a completeness determination within ten business days following a consumer's submission of a claim. Through August 19, 2018, excluding the population of 1,857 claims for which a decision by Volkswagen was pending but the ten-business-day review period had not elapsed, Volkswagen had been required to make 733,572 first ten-business-day review

period determinations. The company had issued timely decisions in 708,596 instances, amounting to an overall first ten-business-day review period compliance rate of 96.6%. During this quarter, Volkswagen was required to make 23,021 first ten-business-day review period decisions and timely did so in 22,638 instances, for a quarterly compliance rate of 98.3%.

Chart 2-8 reflects Volkswagen’s performance during the Claim Period in timely issuing first ten-business-day review period decisions. Chart 2-9 shows Volkswagen’s overall first ten-business-day review period performance by eligibility categories.

Chart 2-8

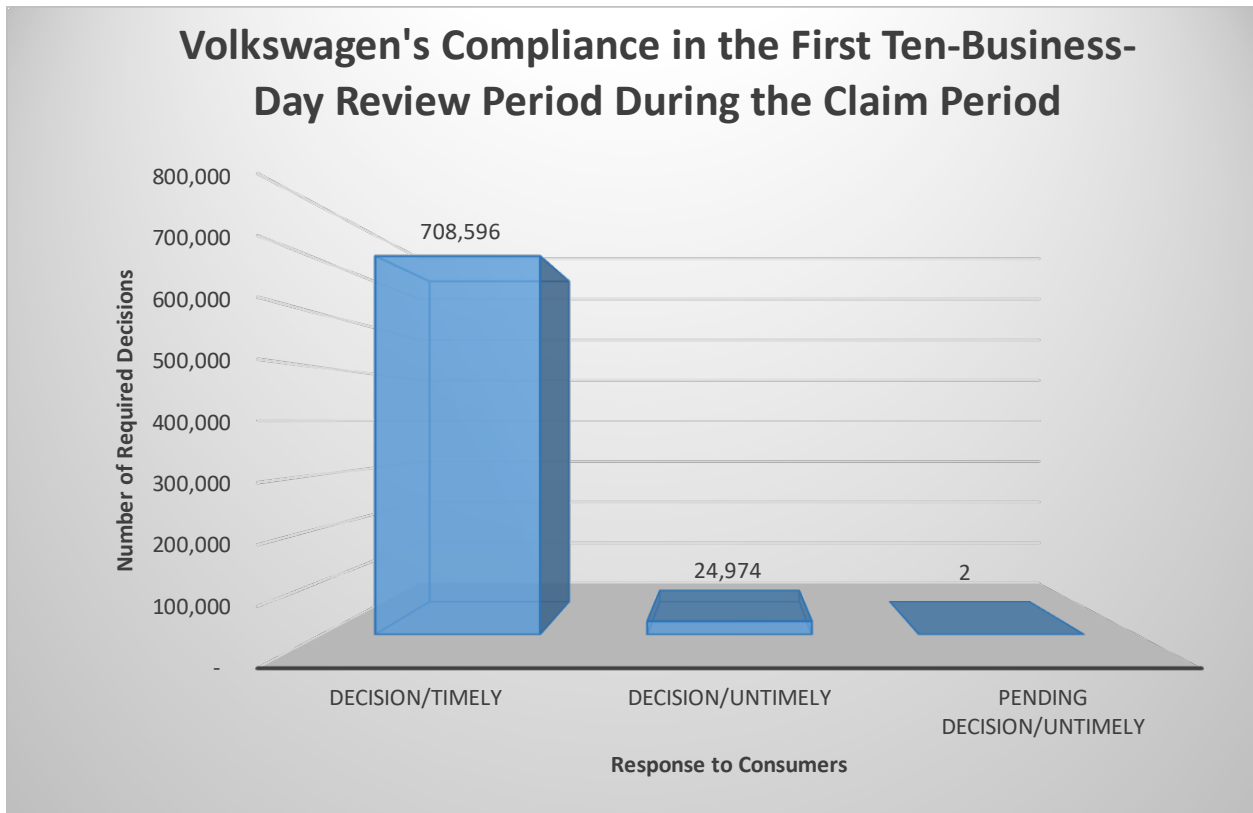


Chart 2-9⁸

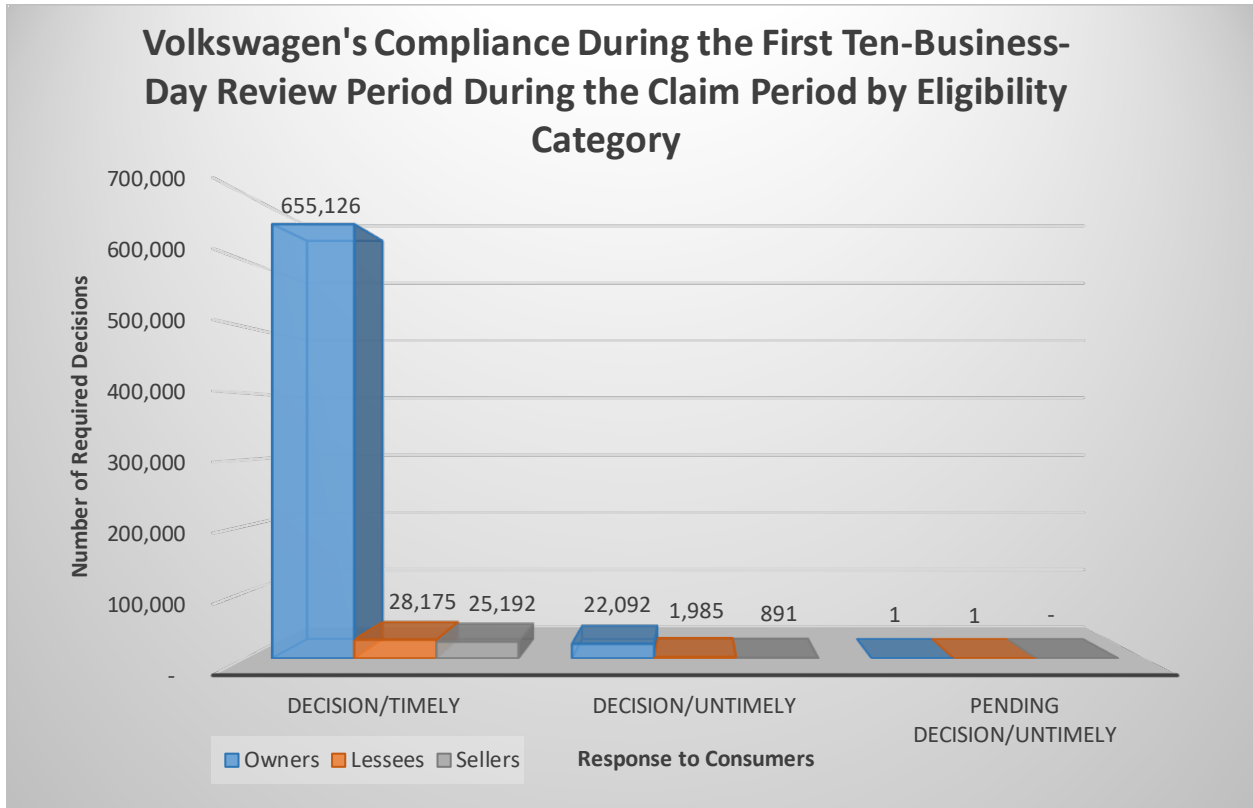
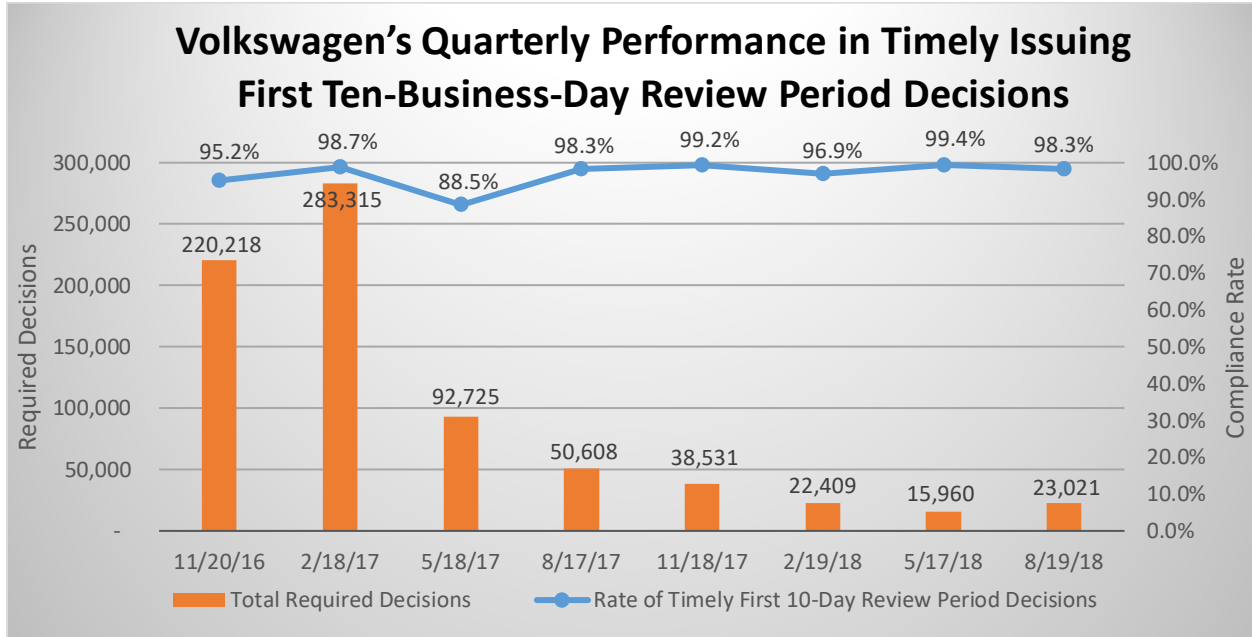


Chart 2-10 shows the number of required first ten-business-day review period decisions by quarter and the company's quarterly compliance rate.

⁸ The 109 claims not accounted for in Chart 2-9 were ultimately deemed not eligible by Volkswagen during the first ten-business-day review period. Of these, 103 claims were timely first ten-business-day review period decisions, and 6 were untimely.

Chart 2-10⁹



The first ten-business-day review period figures (and the second ten-business-day review period figures below) continue to exclude forty-three active claims from consumers who initially purchased vehicles in the United States but registered them in Canada.¹⁰ Additionally, as of August 19, 2018, there were four active claims from consumers who had indicated that they were employed by Volkswagen or the Court. These types of claims, once verified, also historically have been excluded from the timeliness analysis because these consumers are not Class Members. While Volkswagen has used the claims process to identify and engage with these consumers, they would not receive any funds out of the Funding Pool.

⁹ The aggregated total of all claims in Chart 2-10 is 13,215 decisions (1.8%) greater than the aggregated total of 733,572 required decisions through August 19, 2018. The divergence is the result of changes over time in the definitions of excluded claims from the timeliness analysis, including claims associated with branded titles as described below. Chart 2-10 reflects the required number of decisions by quarter based on the exclusionary rules that were applied at the time of each quarter, while the aggregated total of required decisions and timely decisions set forth above yields Volkswagen's overall compliance rate based on applying the current exclusionary rules across the entire Claim Period.

¹⁰ For these purposes, a claim is considered "active" once a consumer submits it, but before a final determination on eligibility and award (or ineligibility) has been rendered.

Finally, the timeliness analysis also continues to exclude certain claims associated with vehicles with a branded title. At the end of February 2018, Volkswagen and the PSC, working with the CRC, agreed to a framework that would govern the processing of branded title claims. However, Volkswagen and the PSC recognized that unique factual circumstances associated with certain claims may require further collaboration. Through August 19, 2018, Volkswagen had processed 3,916 claims previously placed on hold, while 127 claims remained on hold.¹¹ Branded title claims are discussed in greater detail in Section III below.

C. Preliminary Eligibility Determinations and Deficiencies

Through August 19, 2018, a total of 462,268 claims had been determined by Volkswagen to be complete and preliminarily eligible. Of these, 445,571 claims were submitted by individuals and 16,697 claims were submitted on behalf of businesses. During this quarter, the total number of claims determined by Volkswagen to be complete and preliminarily eligible increased by 12,924.

Chart 2-11 reflects the cumulative number of claims determined by Volkswagen to be complete and preliminarily eligible by eligibility category during the Claim Period, and Chart 2-12 shows the most common states in which Eligible Vehicles associated with preliminarily eligible claims were registered as of August 19, 2018.

¹¹ There were also 587 branded title claims that required additional information from the consumer, and 103 claims for which the first ten-business day and second ten-business-day review periods had not yet elapsed.

Chart 2-11¹²

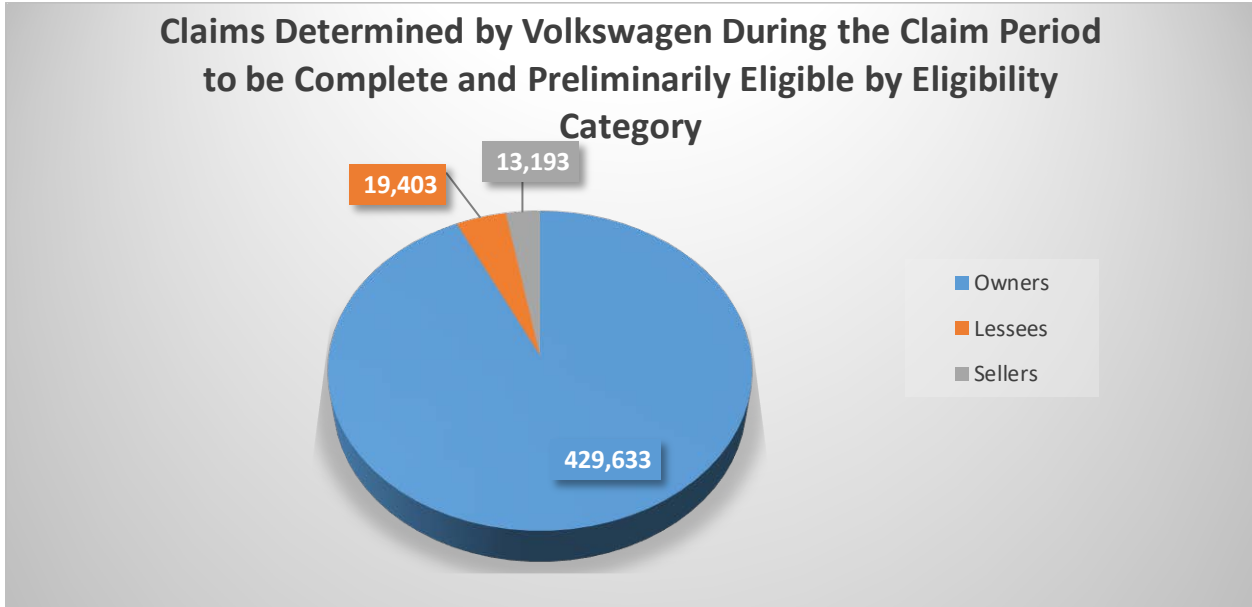


Chart 2-12

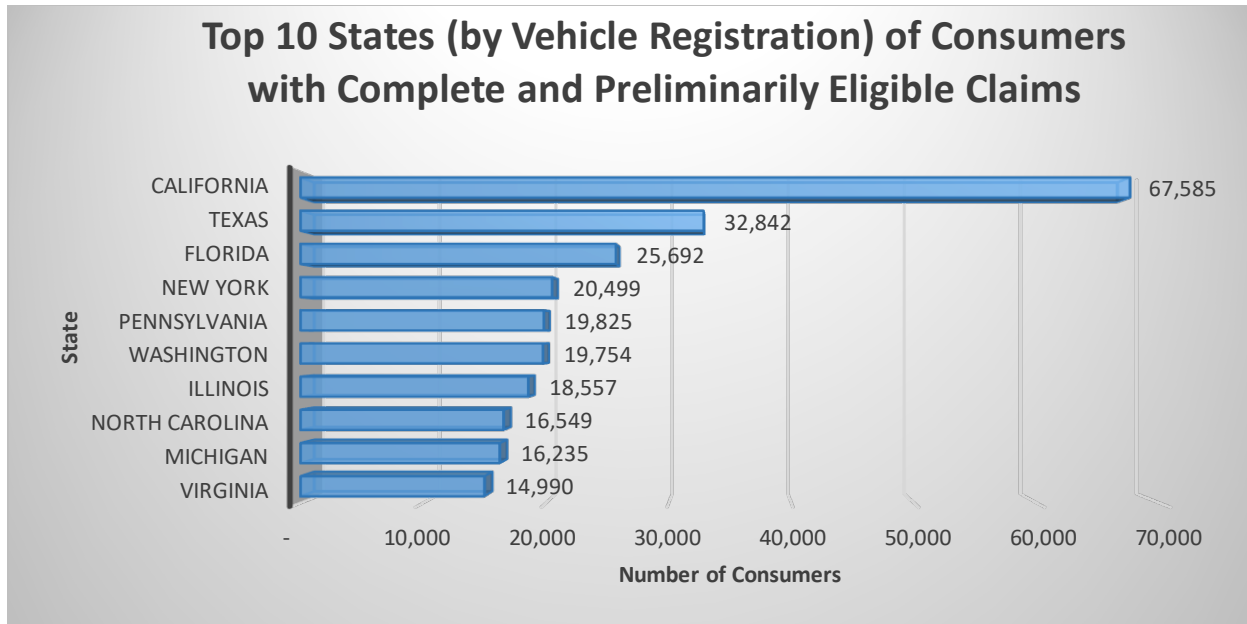


Chart 2-13 reflects the remedies selected by Owners and Current Lessees whose claims Volkswagen had deemed complete and preliminarily eligible as of August 19, 2018.

¹² The thirty-nine claims not accounted for in Chart 2-11 ultimately were deemed not eligible.

Chart 2-13

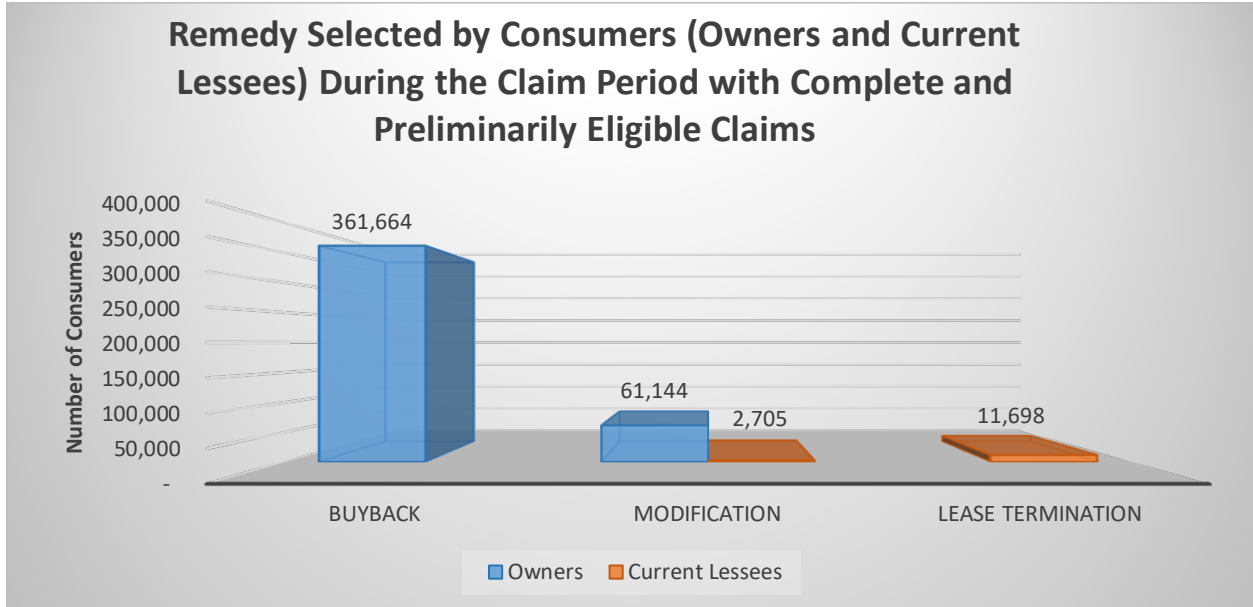
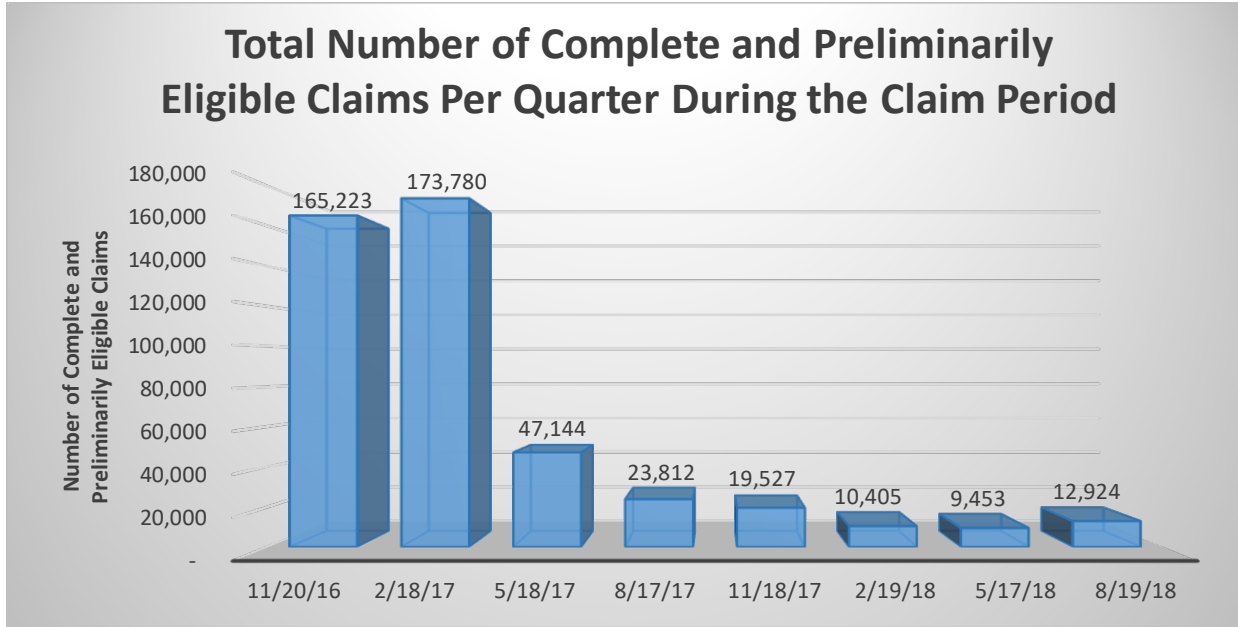


Chart 2-13 does not include 13,127 Sellers, 4,623 Former Lessees, or 1,969 consumers with claims associated with totaled vehicles because the only remedy available to those consumers is Restitution. It also excludes 5,330 cancelled claims that generally were associated with duplicate claim submissions, and 8 claims where the eligibility category was inconsistent with the award type, which generally were consumer claims associated with totaled vehicles that had not been converted to the “Seller” eligibility category in Volkswagen’s system to match the Restitution-only remedy available to these consumers.

Chart 2-14 shows the total number of claims deemed complete and preliminarily eligible by Volkswagen by quarter during the Claim Period.

Chart 2-14



Excluding the 11,874 Subject Vehicles that were identified in the DOJ Consent Decree as scrapped, as of October 1, 2015, there have been 449,645 unique VINs that were the subject of submitted claims, of which 442,918 unique VINs were associated with Owner or Current Lessee claims. Volkswagen had deemed claims associated with 444,266 unique VINs complete and preliminarily eligible, including 437,397 unique VINs where a claim was submitted by an Owner or Current Lessee.¹³

Additionally, through August 19, 2018, there were 205,989 instances where Volkswagen had deemed a claim deficient during the first ten-business-day review period, spread across 140,501 unique claims. More than 395,000 deficiencies had been assessed by Volkswagen as of that date, as multiple deficiencies may be associated with a given claim submission. The most common identified deficiencies have been: (i) an incorrect document was uploaded (107,023

¹³ The populations of non-scrapped and scrapped vehicles are separated consistent with the categorization of Subject Vehicles in the Resolution Agreements. As to the Subject Vehicles initially categorized as scrapped, there were 5,960 unique VINs associated with submitted claims, inclusive of 5,914 unique VINs that were the subject of Owner or Current Lessee submitted claims.

claims); (ii) a document was missing pages (73,992 claims); (iii) a document was illegible (62,423 claims); (iv) a document was incomplete or the document image was cut off (30,984 claims); and (v) a name on the document did not match the name in the Claims Portal (21,477 claims).

Across the 140,501 unique claims that had been deemed deficient, 134,620 consumers (95.8%) had made at least one attempt to cure the deficiency, while 5,881 (4.2%) had not yet attempted to cure. Among the 134,620 consumers who had attempted to cure: (i) 129,798 consumers (96.4%) successfully cured the deficiency; (ii) 655 consumers (0.5%) resubmitted claims that were pending a completeness determination by Volkswagen as of August 19, 2018; and (iii) 4,167 consumers (3.1%) had not resubmitted claims after their initial attempt to cure the deficiency was unsuccessful.

As of August 19, 2018, there were 4,371 consumer claims with active deficiencies. Across claims with active deficiencies, the most common deficiencies were: (i) an incorrect document was uploaded (2,525 claims); (ii) a name on the documents did not match the name in the Claims Portal (1,311 claims); (iii) a document was illegible (474 claims); (iv) the VIN of the Eligible Vehicle did not match the VIN in the consumer's submission (402 claims); and (v) a document was incomplete or the document image was cut off (275 claims).

Finally, the Claims Supervisor reviewed a sample of 1,200 claims deemed deficient by Volkswagen reviewers during this quarter to assess whether deficiency codes were properly applied. Out of this population of claims, the Claims Supervisor substantiated Volkswagen's deficiency code determinations in 1,133 instances. The concurrence rate of 94.4% is similar to the concurrence rates from past quarters. As compared to last quarter, disagreements related to

“complex documents” determinations and registrations increased slightly,¹⁴ while disagreements involving financial consent forms and identification documents decreased slightly.¹⁵

D. The Second Ten-Business-Day Review Period

Volkswagen has ten business days from the date it concludes that a consumer’s claim is complete and preliminarily eligible to issue an offer letter. Within this same review period, the Claims Supervisor must independently verify Volkswagen’s completeness and eligibility determinations as well as its offer calculation before an offer letter can issue.¹⁶

As of August 19, 2018, a total of 469,068 consumers had submitted claims that reached the second ten-business-day review period having been deemed preliminarily eligible by Volkswagen.¹⁷ These included 12,928 claims that reached the second ten-business-day review

¹⁴ “Complex documents” include: power of attorney; death certificate; proof of VW Credit, Inc. account; corporate document; previous registration; proof of acquisition; proof of name change; proof of vehicle transfer to insurance; proof of lease conversion; paper claim forms; and proof of sale documents.

¹⁵ Where a disagreement in the application of a deficiency code is the sole reason a claim had been deemed deficient, the claim is raised by the Claims Supervisor to Volkswagen for re-evaluation of the company’s deficiency determination. As the Claim Period is drawing to a close, the Claims Supervisor is actively performing a broader review of the population of deficient claims to confirm the accuracy of the identified deficiencies.

¹⁶ In certain instances, Volkswagen can determine during the first ten-business-day review period that a claim is ineligible in which case that ineligibility determination must be verified by the Claims Supervisor during the second ten-business-day review period. These ineligibility determinations are separate from claims referenced in Chart 2-4 above that were automatically deemed ineligible by Volkswagen’s system based on information input by the consumer. Through August 19, 2018, there were 7,426 instances of claims that had been deemed ineligible upon review by Volkswagen. For 5,012 of these instances, the ineligibility determinations were verified by the Claims Supervisor and communicated by Volkswagen to the consumer. The remaining claims that were not actively under review predominantly involved instances where the Claims Supervisor determined, and Volkswagen agreed, that the claims should have been deemed deficient -- such that the consumer would have an opportunity to cure and resubmit a claim -- as opposed to ineligible.

¹⁷ As described above, there were 462,268 consumers whose claims were deemed complete and preliminarily eligible by Volkswagen, but 469,068 preliminarily eligible claims reached the second ten-business-day review period. While these figures theoretically should be identical, historically, there had been a divergence of slightly less than one-thousand claims that was primarily due to instances where claims had reached the second ten-business-day review period without having triggered the status in Volkswagen’s system that indicates the start or conclusion of the first ten-business-day review period. The more recent increase in the variance is a result of claims specially created in Volkswagen’s system to represent Seller claims submitted by fleet vehicle owners that were reviewed, verified, and paid through an offline process. These claims appear to have skipped the status that triggers the conclusion of the first ten-business-day review period. The divergence would not substantively affect claims processing. It is only reflected when data is queried to generate aggregated figures for reporting purposes.

period during this quarter. Of the 469,068 claims preliminarily deemed eligible, 446,580 related to individuals and 22,488 claims related to businesses. Across this population, 460,808 consumers (98.2%) had been issued offer letters, inclusive of 13,033 offer letters issued by Volkswagen during this quarter.

Through August 19, 2018, excluding the 952 claims that were still pending a determination by Volkswagen but for which the second ten-business-day review period had not yet elapsed, Volkswagen had been required to make 536,933 second ten-business-day review period decisions. The company had timely made the required determinations in 390,444 instances, for a cumulative compliance rate of 72.7%. During this quarter, Volkswagen was required to make 15,217 second ten-business-day review period decisions and timely did so in 14,700 instances, yielding a 96.6% quarterly compliance rate.

Despite Volkswagen's substantially improved performance in timely rendering second ten-business-day decisions over the last six quarters, the company's cumulative compliance rate has improved by only 11.2% since the February 2017 reporting period because of the comparatively smaller volume of claims that have required processing. The 15,217 instances of required second ten-business-day review period determinations over the last three months is only 4.2% of the 362,034 instances of second ten-business-day review period decisions that were required during the first four months of the Claim Period when Volkswagen's compliance rate for timely issuing second ten-business-day review period determinations was lower.

Chart 2-15 reflects Volkswagen's compliance in timely issuing second ten-business-day review period decisions, and Chart 2-16 shows compliance by eligibility category.

Chart 2-15

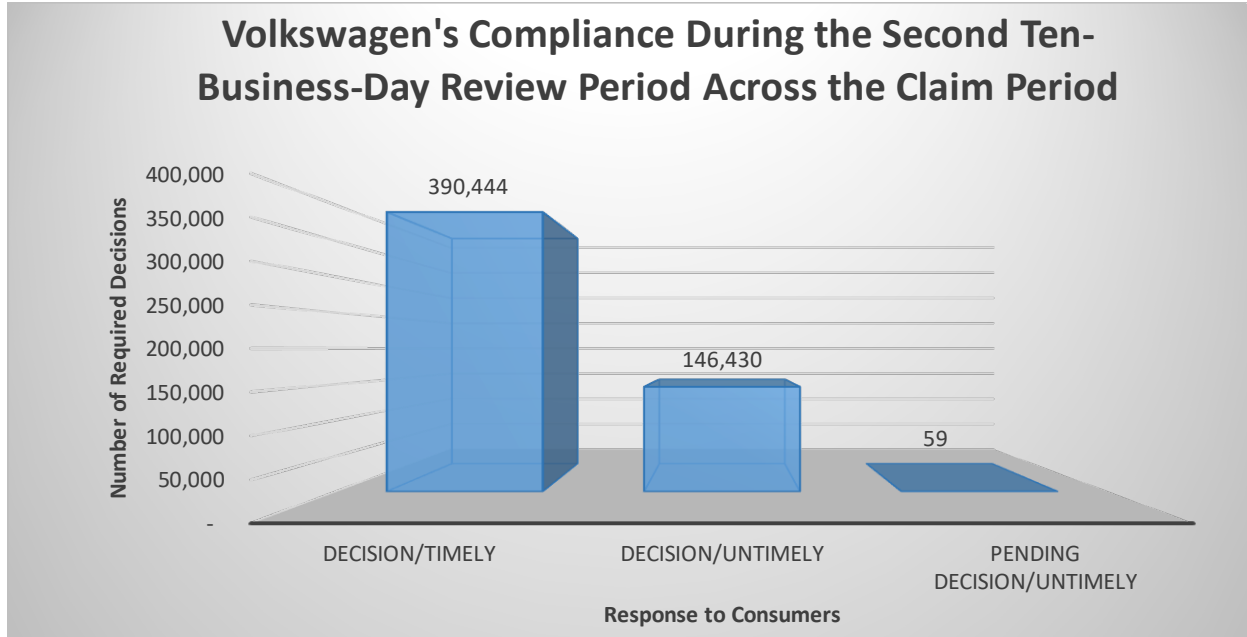
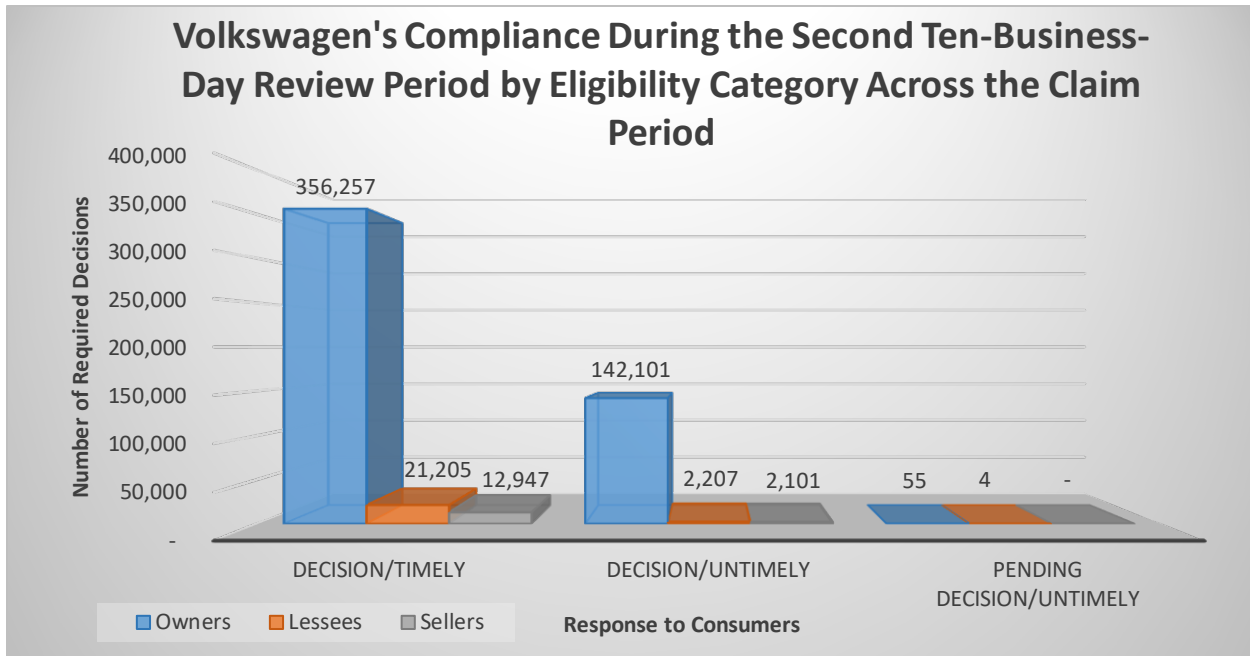


Chart 2-16¹⁸



¹⁸ Of the fifty-six claims not accounted for in Chart 2-16, fifty-five involved claims that were deemed not eligible. Thirty-five of these claims were timely second ten-business-day review period decisions, and twenty were untimely. The remaining claim related to an untimely determination where the consumer changed the eligibility category after the claim was deemed deficient during the second ten-business-day review period.

Chart 2-17 reflects the number of required second ten-business-day review period decisions by quarter as well as Volkswagen’s quarterly compliance rate.

Chart 2-17¹⁹

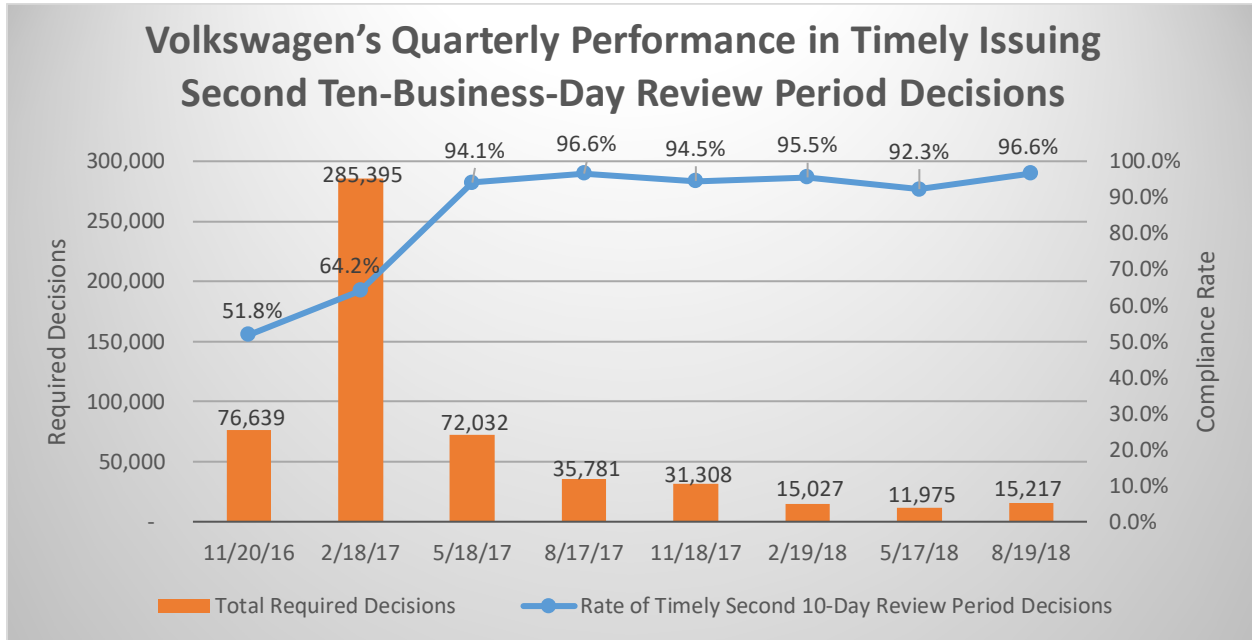
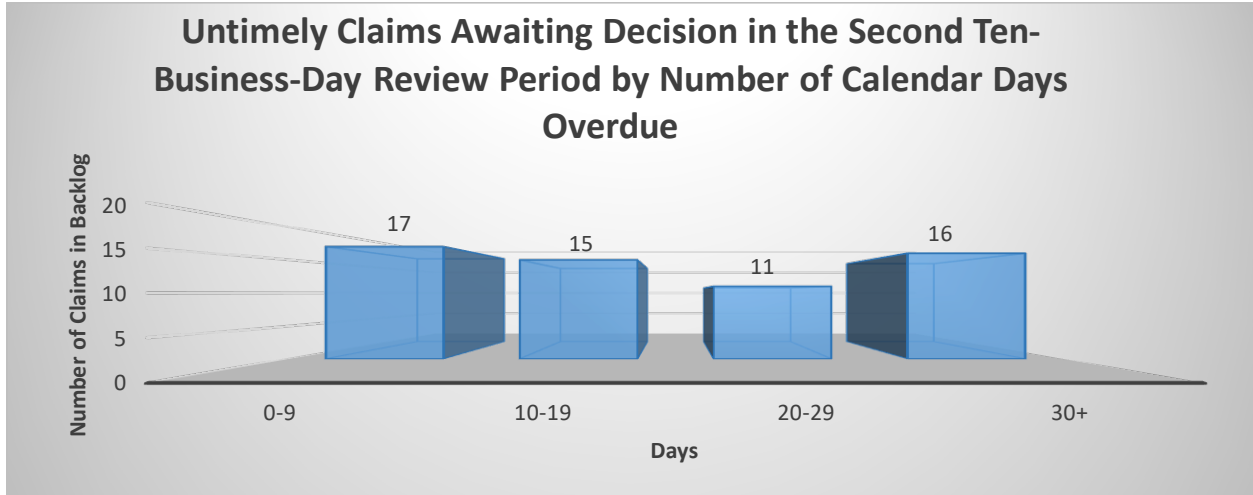


Chart 2-18 shows the fifty-nine claims in Volkswagen’s backlog as of August 19, 2018 by the number of calendar days overdue.

¹⁹ For the same reasons described in footnote 9 with respect to first ten-business-day review period decisions, the aggregated total of all claims in Chart 2-17 is 6,441 decisions (1.2%) greater than the aggregated total of 536,933 required second ten-business-day review period decisions through August 19, 2018.

Chart 2-18



Of the fifty-nine claims in Volkswagen’s backlog, forty-two claims either were awaiting Volkswagen’s issuance of an offer letter or Volkswagen’s resolution of a deficiency associated with an issued offer letter. Another thirteen claims required action by Volkswagen to resolve a document deficiency, non-document deficiency, or eligibility concern associated with the claim. The remaining four claims were associated with totaled vehicles.

E. Offer Letters

Through August 19, 2018, Volkswagen had issued 460,808 offer letters, the aggregate value of which totaled \$8,348,247,732.12. Of these, 439,255 offer letters with an aggregate value of \$7,947,242,991.26 were issued to individuals. The remaining 21,553 offer letters were issued to businesses and were aggregately valued at \$401,004,740.86. During this quarter, Volkswagen issued 13,033 offer letters aggregately valued at \$230,499,298.02.

Chart 2-19 shows the total number of offer letters issued by Volkswagen to consumers during each quarter of the Claim Period.

Chart 2-19

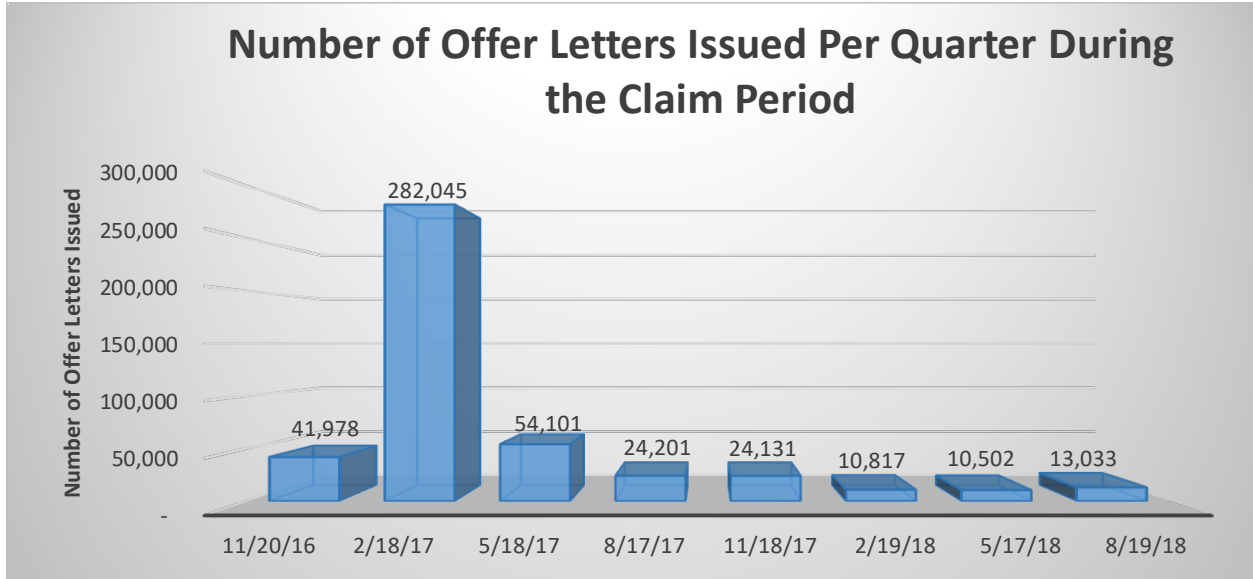


Chart 2-20 reflects offer letters issued during the Claim Period to Owners and Current Lessees by remedy selections.

Chart 2-20

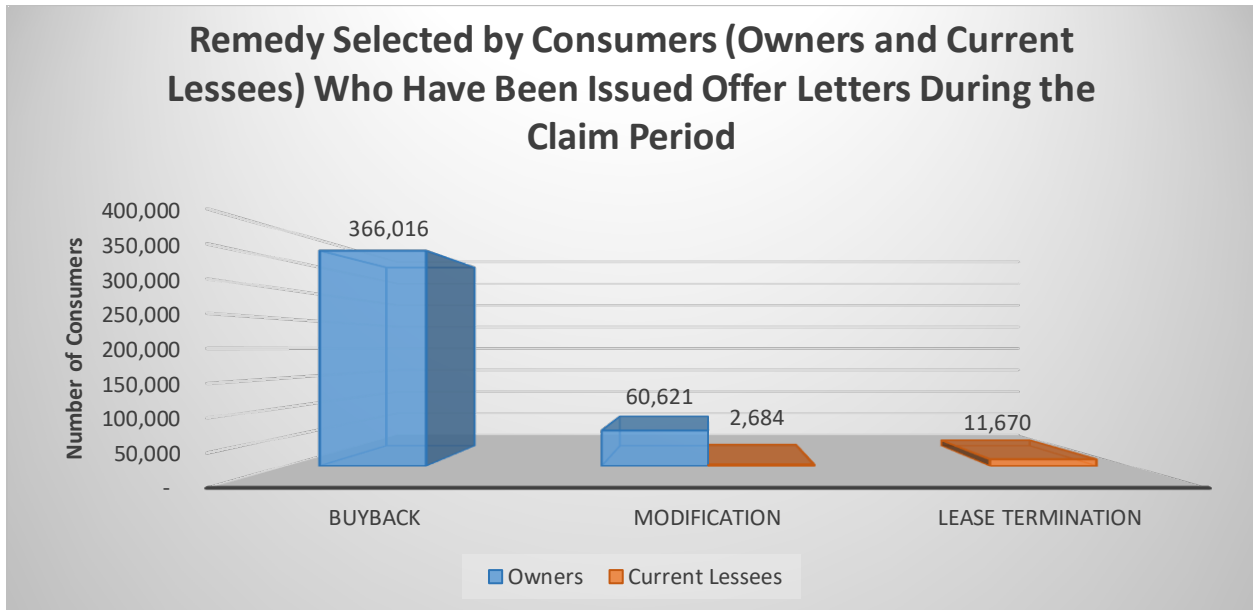
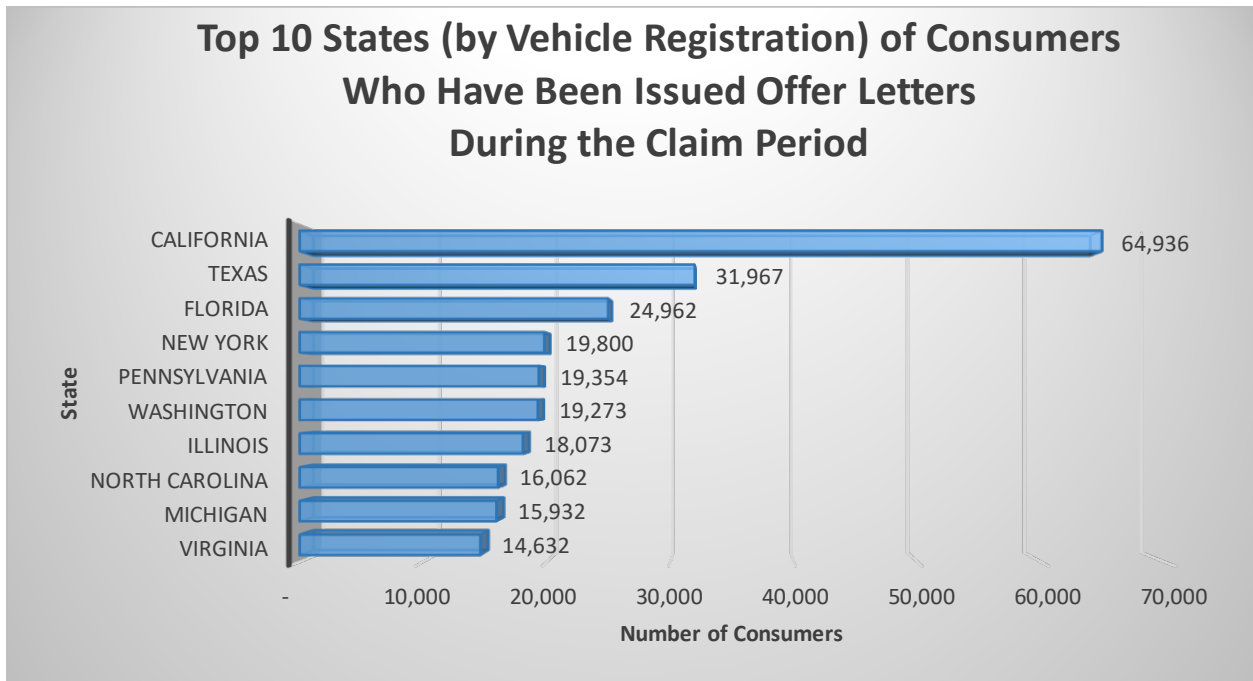


Chart 2-20 excludes 13,311 Sellers, 4,538 Former Lessees, and 1,956 consumers with claims associated with totaled vehicles because the only remedy available to those consumers is

Restitution. An additional eight offers reflected an inconsistency between the consumer’s eligibility category and the remedy selection, which generally were claims associated with totaled vehicles with an eligibility category that had not yet been changed by Volkswagen to align with the Restitution-only remedy available to these consumers. The remaining four offers were associated with claims subsequently deemed not eligible.

Chart 2-21 reflects, through August 19, 2018, the top ten states by vehicle registration of consumers who had received offer letters.

Chart 2-21



Through August 19, 2018, of the \$8.348 billion associated with offer letters extended by Volkswagen, Owners accounted for about \$8.228 billion. Of these, about \$4.195 billion related to Owners with loans, about \$4.030 billion related to Owners without loans, and about \$2.8 million related to Owners who purchased the vehicle off lease after September 18, 2015, but

before June 28, 2016.²⁰ The remainder was split among Current Lessees (14,355 offer letters valued in the aggregate at about \$51.2 million); Sellers (13,311 offer letters valued in the aggregate at about \$40.9 million); Former Lessees (4,543 offer letters valued in the aggregate at about \$15.3 million); and consumers with claims associated with totaled vehicles (1,956 offer letters valued in the aggregate at about \$12.9 million).

Chart 2-22 shows the average, minimum, and maximum awards issued to consumers based on eligibility category and offer selection through August 19, 2018.

Chart 2-22²¹

Eligibility Category and Offer Selection	Average Value	Minimum Value	Maximum Value
Owner – Buyback	\$21,473.64	\$5,225.00	\$45,407.93
Owner – AEM	\$6,026.57	\$1,280.47 ²²	\$9,991.13
Current Lessee – AEM	\$3,557.14	\$2,506.50	\$4,899.30
Current Lessee – Early Lease Termination	\$3,566.12	\$2,609.00	\$4,954.80
Former Lessee Restitution	\$3,372.18	\$2,504.00	\$4,885.30
Seller Restitution	\$3,070.94	\$2,550.00	\$6,996.73

²⁰ As of August 19, 2018, there were 167 instances where the loan balance exceeded 130% of the offer amount, such that the final amount provided to the consumer -- absent potential adjustments at closing -- would not satisfy the entire loan balance and the consumer would have to provide funds to Volkswagen to complete the Buyback. Across these claims, the average remainder on the loan balance was approximately \$2,615. However, there were outliers that skewed the average, including eight claims with loan balances in excess of \$10,000. One hundred thirty claims had loan balances of less than \$3,000. Thus, the median value of the loan balance across these claims, approximately \$1,285, is perhaps a better representation of the composition of these claims.

²¹ Chart 2-22 does not include figures for consumer claims associated with totaled vehicles because of a number of claims where the most recent offer letter still reflected an offer amount that would be associated with a Buyback or Early Lease Termination, and had not yet been adjusted to account for the vehicle having been totaled.

²² This amount reflects the final one-third payment associated with the completion of a Phase Two AEM on a Generation 3 vehicle by a consumer who acquired the vehicle after the Phase One AEM had been completed.

Finally, Chart 2-23 shows, through August 19, 2018, data related to two categories of non-standard claimants: (i) military personnel deployed overseas with their vehicles; and (ii) decedent estates.

Chart 2-23

	Military Overseas	Decedent Estates
Registrations	2,651	1,193
Deemed Complete and Eligible	2,575	1,003
Offer Letters Issued	2,557	968
Total Offer Amounts	\$49,808,392.10	\$18,504,438.74

Notably, the military overseas claim data included all consumers who self-identified as military overseas in their registrations. Through outbound communications to these individuals, as of August 19, 2018, Volkswagen had identified 739 claims where both the consumer and vehicle were located overseas. The status of these claims and information regarding completed closings is discussed in greater detail in Section III below. The remaining consumers who identified as military personnel serving overseas either have returned to the United States or currently keep their vehicle in the United States. For either category, closings can proceed in the United States in the normal course.

F. Appointments and Closings

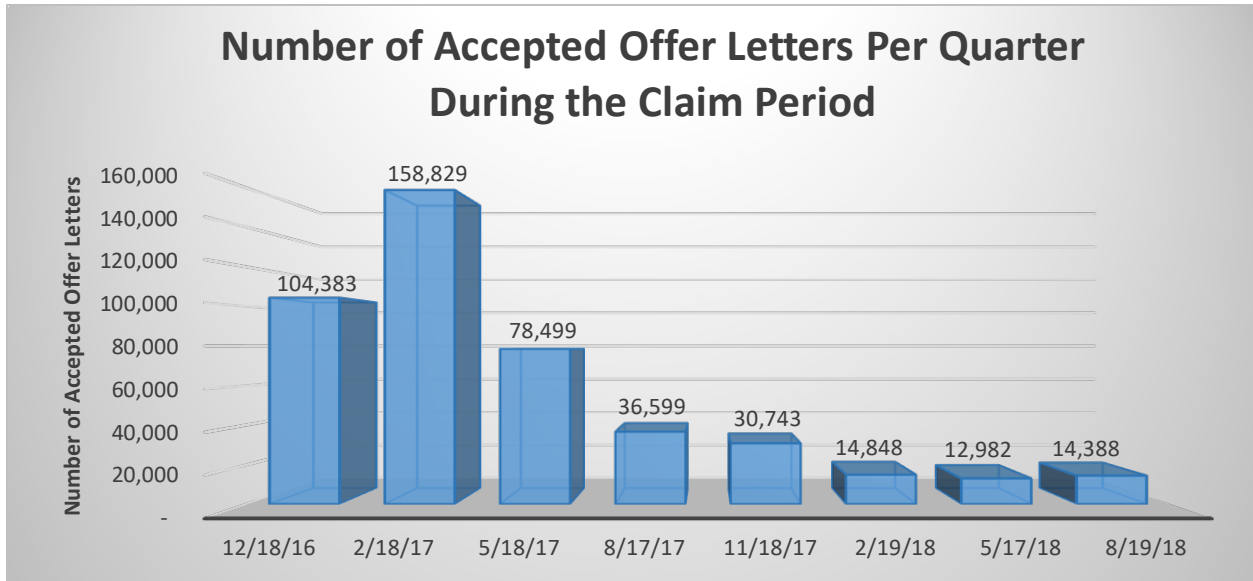
As of August 19, 2018, a total of 451,271 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$8,205,826,272.58.²³ Of these, 430,179 offer letters were issued to individuals with an aggregate value of \$7,813,835,154.98, and the remaining 21,092 offer letters were issued to businesses with an aggregate value of

²³ In addition to Owners and Current Lessees, this figure includes Former Lessees and Eligible Sellers who were not required to proceed through the closing phase because they did not have possession of an Eligible Vehicle. Information on payments made to Former Lessees and Sellers is set forth below.

\$391,991,117.60. During this quarter, 14,388 consumers accepted offer letters, the aggregate value of which totaled \$246,520,771.18.

Chart 2-24 shows the number of accepted offer letters during each quarter of the Claim Period.

Chart 2-24



As of August 19, 2018, a total of 369,739 consumers had scheduled closing appointments for a Buyback or Early Lease Termination, including 11,218 consumers who had scheduled closing appointments during this quarter.²⁴ Within this group: 363,553 consumers (98.3%) had appointments that resulted in the completion of a closing; 3,970 consumers (1.1%) had open, scheduled appointments that had yet to occur; and 2,216 consumers (0.6%) had an appointment that was cancelled and that they had yet to reschedule.

²⁴ In addition to Former Lessees and Sellers who do not need to proceed through the closing process, appointment figures associated with accepted offers also exclude consumers whose claims are associated with totaled vehicles, or who have scheduled AEMs because AEM appointments are coordinated directly with dealerships. Information through August 10, 2018 on completed AEMs is set forth below.

Chart 2-25 shows at different times during the Claim Period the change in the number of open and closed appointments for Owners and Current Lessees who elected a Buyback or Early Lease Termination remedy.

Chart 2-25

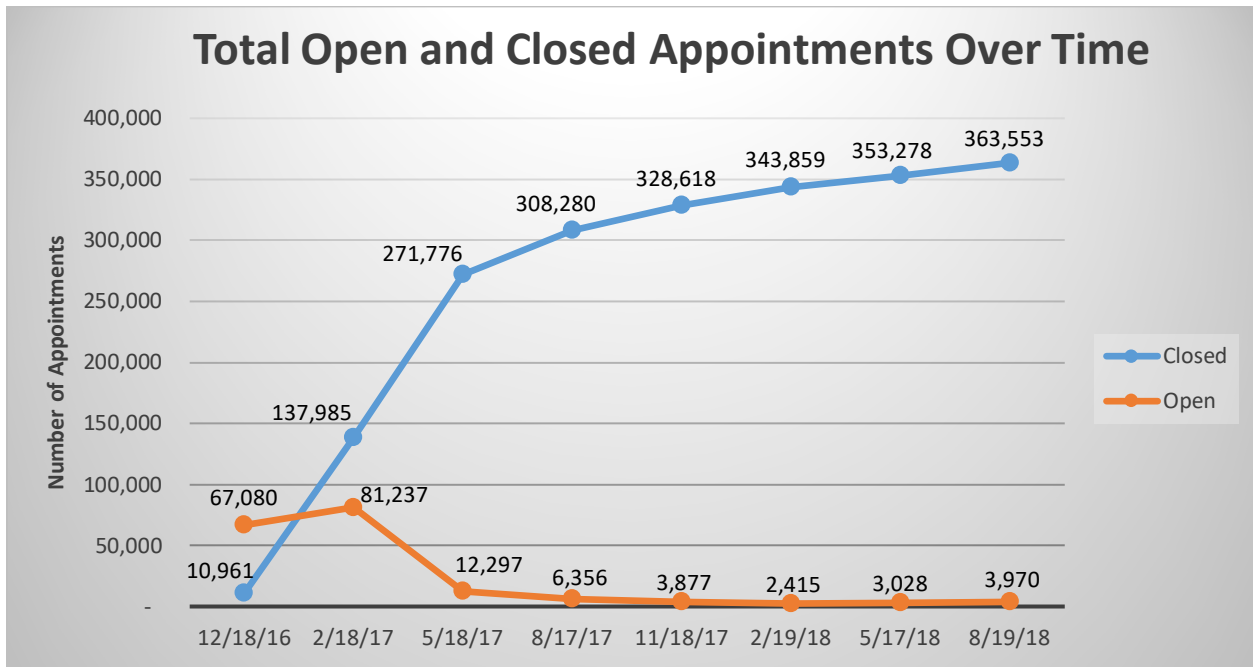
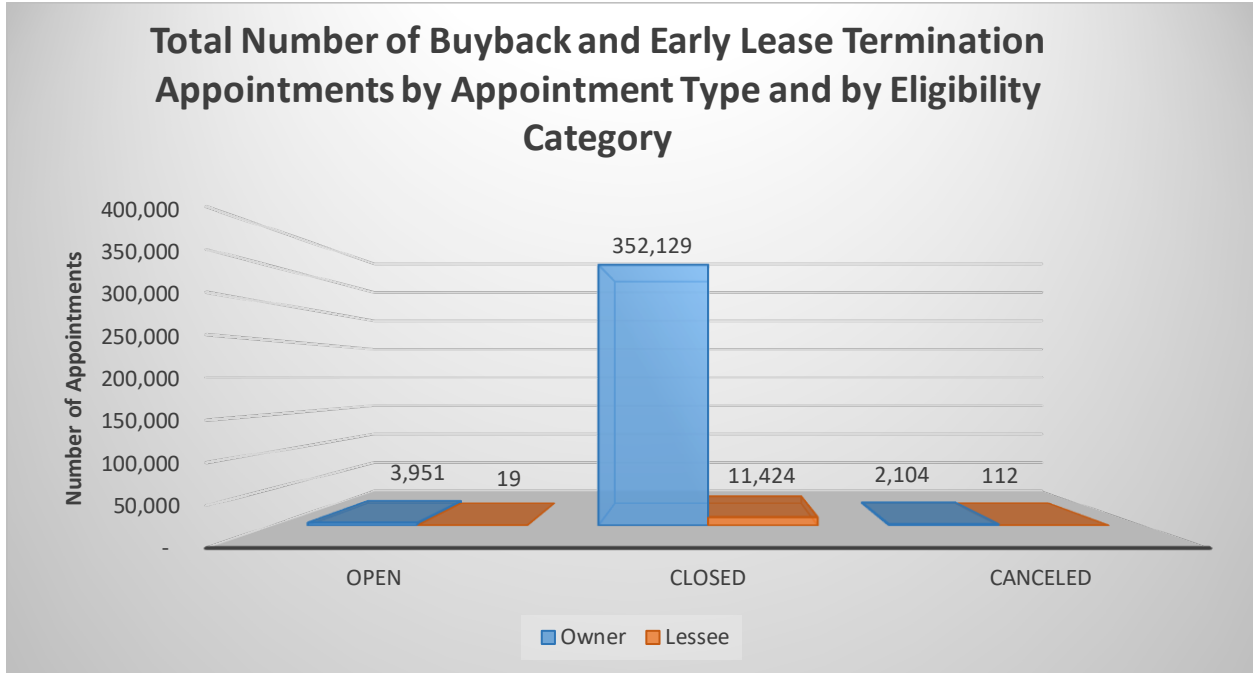


Chart 2-26 shows, for consumers who had scheduled appointments for Buybacks or Early Lease Terminations as of August 19, 2018, the total number of appointments by appointment type across the Owner and Current Lessee eligibility categories.

Chart 2-26



Through August 19, 2018, the most common locations where appointments were scheduled (states and cities) are set forth in Charts 2-27 and 2-28, respectively.

Chart 2-27

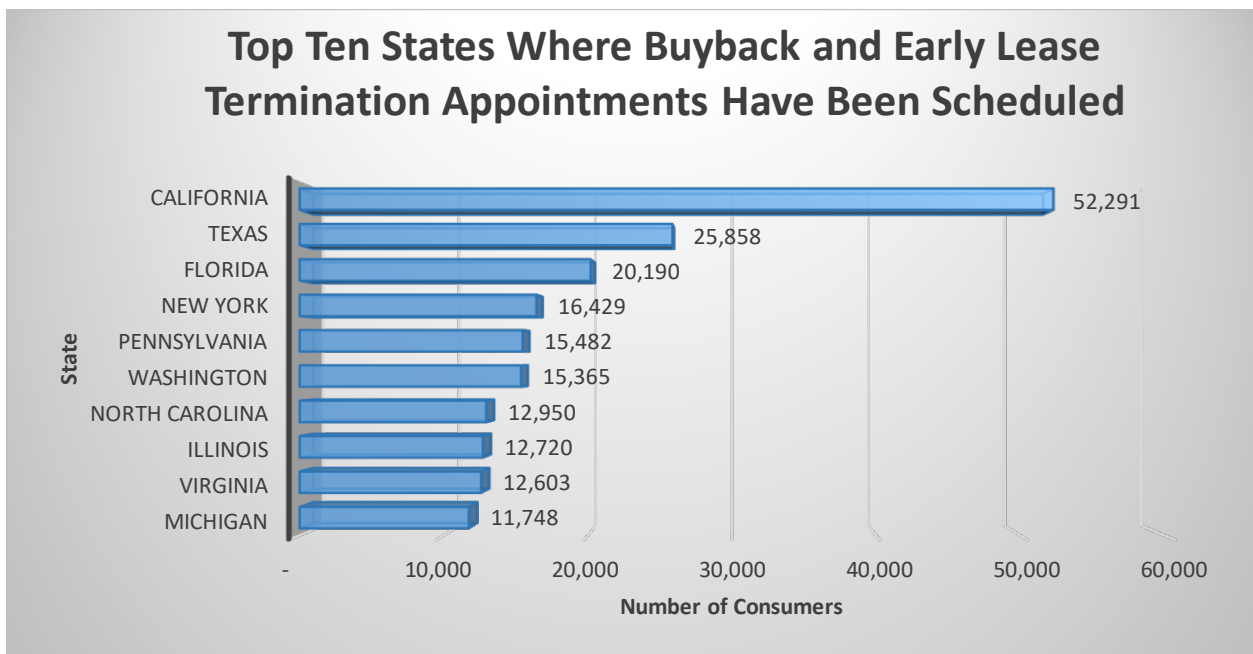
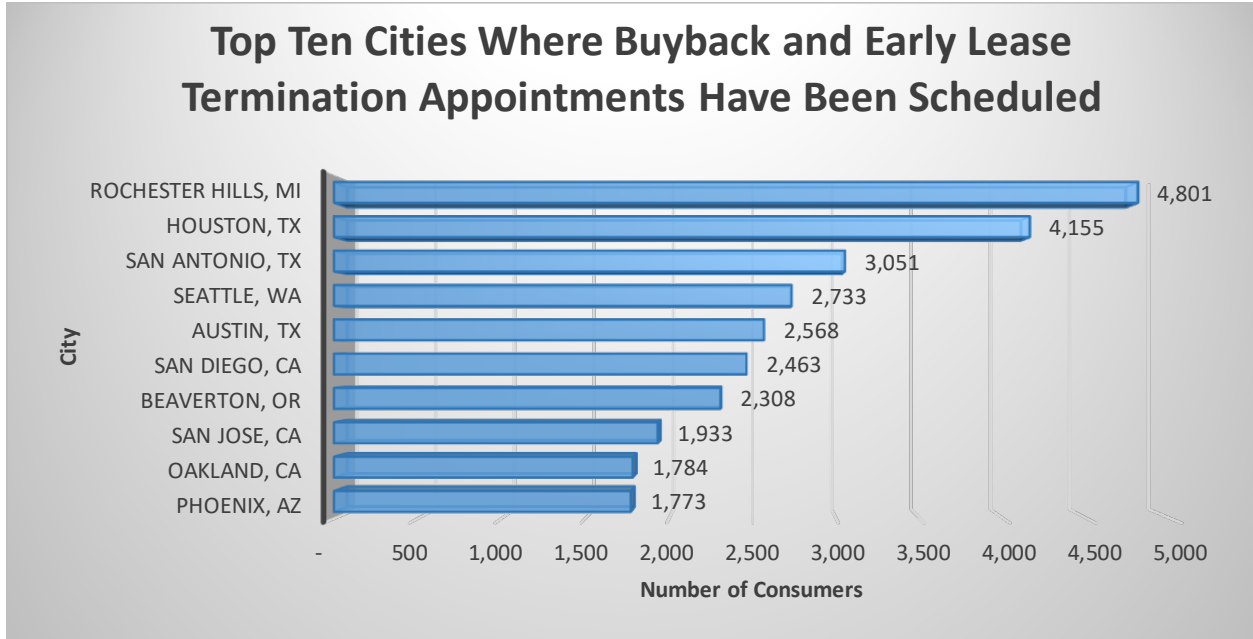


Chart 2-28



As of August 19, 2018, there had been a total of 83,107 instances where scheduled appointments had resulted in cancellation. Of these, 75,052 (90.3%) were cancelled at the consumer's request. Other reasons for cancellations included: (i) the consumer not showing up to the closing appointment (2,977 instances); (ii) the vehicle's mileage at turn-in requiring Volkswagen to reduce the amount owed to a consumer who elected to be paid by check, necessitating that Volkswagen issue a new check for the correct amount (1,388 claims);²⁵ (iii) the title not being brought to the closing (572 instances); (iv) the individual with power of attorney not being present at the closing (338 instances); and (v) the title holder not being present at the closing (312 instances).

Across all 363,553 consumers who had proceeded through closing as of August 19, 2018 for a Buyback or Early Lease Termination, Volkswagen had issued payments to, or on behalf of,

²⁵ While the number of cancellations associated with this reason increased by three during this quarter, a review of these claims revealed that these appointments were cancelled for different reasons. Cancellations for being over-mileage should no longer occur based on previous process improvements implemented by Volkswagen.

consumers totaling \$7,619,259,176.59. Chart 2-29 reflects the remedies that this population had selected.²⁶ Chart 2-30 shows the top ten states for consumers who proceeded through closing, based on the state in which their vehicle was registered.

Chart 2-29

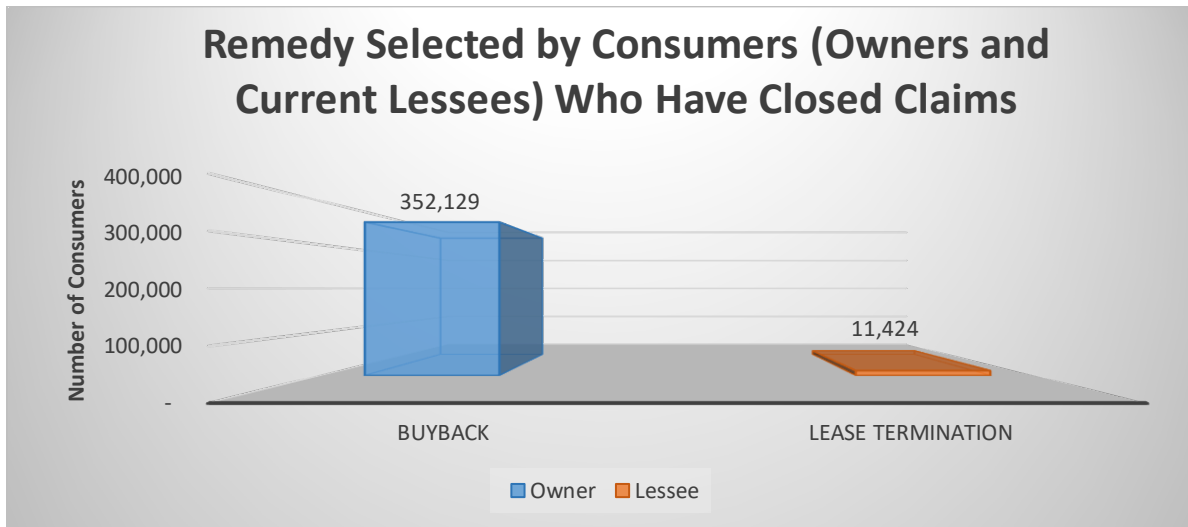
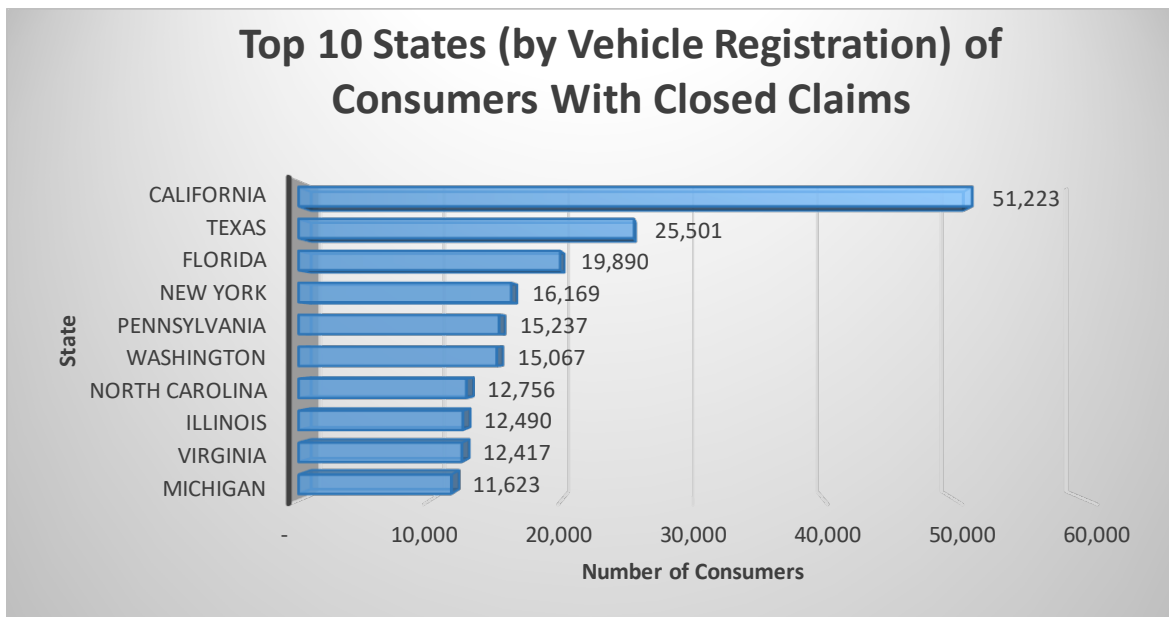


Chart 2-30



²⁶ Consumers proceeding through the closing process have the choice to receive funds from Volkswagen by electronic funds transfer (“EFT”) or by check. As of August 19, 2018, across closed appointments, approximately 76.2% of consumers have elected to be paid by EFT.

With respect to AEM remedy selections, as of August 10, 2018, a total of 36,376 consumers with Generation 1 Vehicles and 10,628 consumers with Generation 2 automatic transmission Passats had completed AEMs on their vehicles. Chart 2-31 shows the status of those consumers relative to whether they also have completed the claims process and received payment.

Chart 2-31

	Completed AEM: Generation 1 Vehicles	Completed AEM: Generation 2 Automatic Transmission Passats
Completed Claims Process	34,863	10,122
Registered Claims Pending Submission or Submitted Claims Pending Review	833	265
No Claim Registered or Claim Cancelled	680	241

Eligible consumers with Generation 1 Vehicles and Generation 2 Passats equipped with automatic transmissions who complete the claims process are entitled to full payment of the offer amount once the AEM is completed. Volkswagen had issued payments totaling approximately \$195.9 million and \$63.7 million, respectively, to these consumers.²⁷ Consumers who have completed the AEM but have not registered a claim or cancelled their claim remain eligible for funding through the Claims Program provided that they timely register their claim and substantiate their eligibility by submitting all required documentation by September 1, 2018, including a “repair order” evidencing proof of repair.²⁸

²⁷ Aggregated payment figures for AEM claims are derived from Volkswagen data provided each month.

²⁸ Consumers who complete an AEM without registering a claim are notified at the time of their closing appointment that, once the AEM is completed, they will no longer be eligible for a Buyback or Early Lease Termination. Once they decide to proceed with the AEM, they are provided information on how to file a claim for Restitution.

The AEM for Generation 3 Vehicles is completed in two phases. The first phase -- removal of the defeat device software -- triggers a two-thirds payment to a vehicle owner who has submitted an eligible and approved claim. The second phase of the AEM, approved by EPA and CARB on April 18, 2018, involves implementing new emissions control mechanisms that further reduce emissions output and maintain emissions performance for the full useful life of the vehicle. Completion of the second phase of the AEM triggers the remaining one-third payment to the vehicle owner who has submitted an eligible and approved claim. Notably, vehicle owners who complete both phase one and phase two of the AEM contemporaneously will receive their entire award once the AEM is completed.

As of August 10, 2018, a total of 12,276 consumers had completed the first phase of the AEM process on their Generation 3 Vehicles. Of these, 11,841 also had completed the claims process, triggering a payment under the terms of the Resolution Agreements to the consumer of two-thirds of the AEM Restitution amount. Volkswagen had issued payments totaling approximately \$51.6 million on these claims. Additionally, there were 249 claims associated with Generation 3 Vehicles where phase one of the AEM had been completed at a dealership while a consumer had either registered but not yet submitted a complete claim for Volkswagen to review, or had submitted a claim that was pending a determination by the company. The first phase of the AEM had been completed on an additional 186 Generation 3 Vehicles where no consumer claim had yet been filed or a previously filed claim had been cancelled. These consumers likewise remain eligible for funding provided that they timely register and substantiate their eligibility through submission of all required documents by September 1, 2018.

Across the 12,276 consumers who had completed the first phase of the AEM for Generation 3 Vehicles as of August 10, 2018, 11,300 consumers had also completed the second

phase of the AEM. Volkswagen had paid out approximately \$22.4 million to consumers in connection with completion of the second phase of the AEM.

The closing figures above do not include the 12,698 Sellers, 4,344 Former Lessees, or 1,782 consumers with claims associated with totaled vehicles who had been paid on claims as of August 19, 2018, because these consumers were not required to go through the closing process. Through August 19, 2018, Volkswagen had aggregately paid out to these consumers \$38,997,858.74, \$14,641,427.13, and \$10,533,432.71, respectively. Additionally, within the aforementioned population of eight claims where the eligibility category did not align with the remedy selection -- generally consumer claims not yet recategorized as being associated with totaled vehicles -- Volkswagen had issued five payments to consumers totaling \$17,005.00.

During this quarter, the Claims Supervisor also updated its prior analyses included in the May 2017 and November 2017 Reports of Volkswagen's final awards to consumers to ensure that the final awards were not less than the amounts that consumers should have received based on the requirements in the Resolution Agreements.²⁹ Between mid-November 2017 and mid-July 2018, Volkswagen had issued payments to, or on behalf of, approximately 53,000 consumers. The Claims Supervisor's updated analysis reflected only 42 instances (less than 0.1% of analyzed payments) where consumers received less than the amount to which they were entitled. Each of these claims was associated with a Generation 3 AEM where an estimated mileage -- as opposed to the actual mileage at the time of the AEM -- was used to calculate the consumer's final award, and the difference between the two mileage figures was significant enough to reduce the consumer's award. The remaining amounts owed on these claims ranged

²⁹ Unlike initial offer letters, the Claims Supervisor does not validate final award amounts before payments are issued by Volkswagen to, or on behalf of, consumers, because the amounts are calculated at the closing or AEM appointment based on the vehicle's then-current mileage.

from \$7.81 to \$118.33. Volkswagen issued top off payments to these consumers. The Claims Supervisor will update its final award analysis once more after the Claim Period closes.

Finally, as of August 22, 2018, a total of 3,929 consumers had effectively opted out of the Class Action Settlement. Despite initially opting out, 2,269 of those consumers subsequently reached a resolution with Volkswagen or revoked their election to opt out, while 1,660 consumers had done neither.

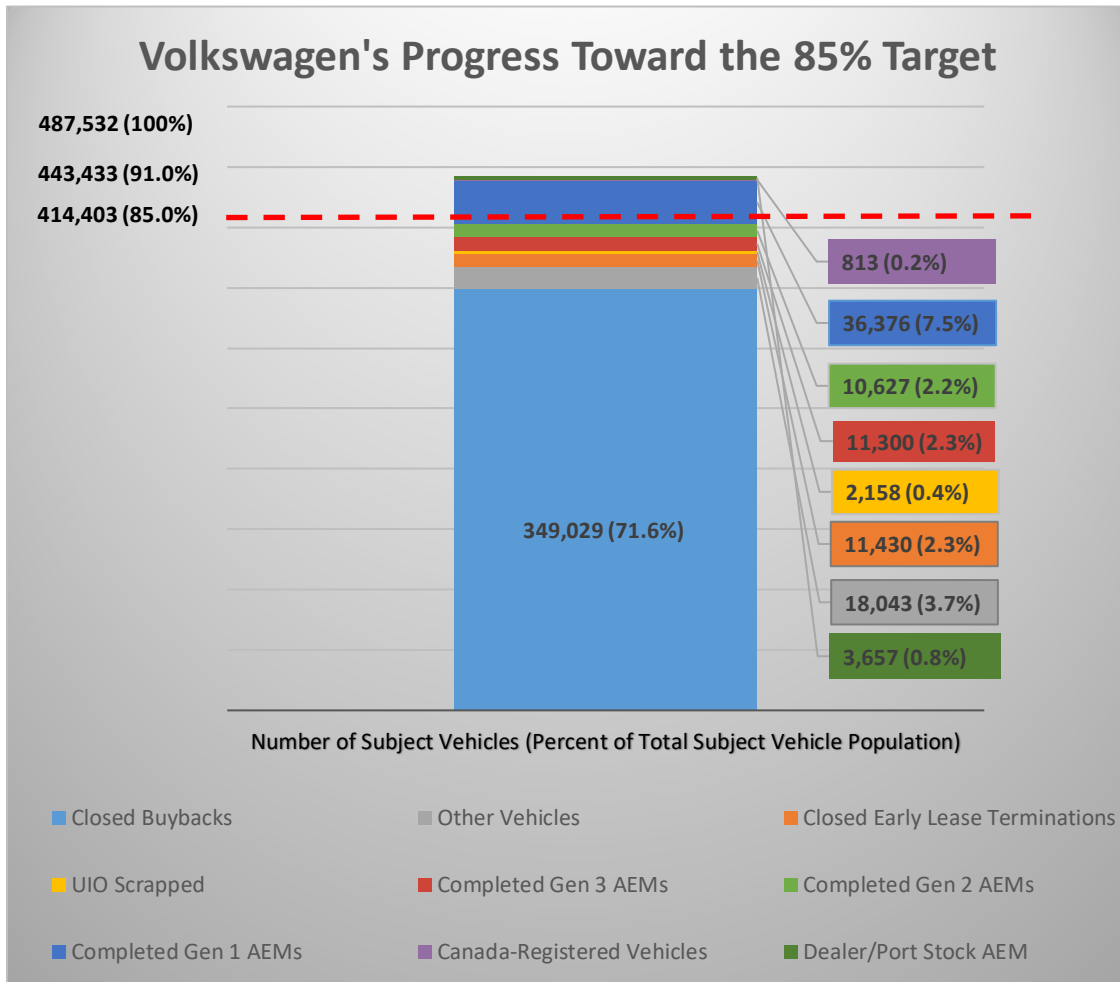
G. Progress Toward the 85% Requirement

As of the May 2018 reporting period, Volkswagen had satisfied the requirement in the DOJ Consent Decree that the company remove from commerce or modify 85% of the Subject Vehicles captured within the settlement.³⁰ Chart 2-32 generally reflects data as of August 19, 2018 on the number of Subject Vehicles that Volkswagen had removed from commerce or modified.³¹

³⁰ The DOJ Consent Decree provides that “the total number of 2.0 Liter Subject Vehicles is 487,532 (499,406 vehicles less scrapped vehicles as of October 1, 2015).”

³¹ Figures in Charts 2-32 and 2-33 relating to Polk Units in Operation (“UIO”) Scrapped and Other Vehicles are based on Volkswagen data as of June 30, 2018. The population of Other Vehicles includes certain fleet vehicles associated with completed Buyback or Early Lease Termination appointments, and certain completed AEMs on vehicles that were part of Volkswagen dealers’ or port stock at the time Volkswagen issued the stop-sale order in response to the notices of violation. To avoid double-counting, these vehicles are excluded from the Buyback, Early Lease Termination, and Dealer/Port Stock AEM figures reflected in Chart 2-32 and counted only in the Other Vehicles figure. The Buyback and Early Lease Termination figures also account for certain vehicles associated with consumers who opted out of the settlement. While these consumers are outside of the Class, their vehicles are within the population of Subject Vehicles and thus are counted toward the 85% target once they are removed from commerce or modified. Similarly, vehicles purchased in the United States but registered in Canada are also included in measuring Volkswagen’s progress toward the 85% requirement because these VINs are within the defined population of Subject Vehicles. The figures in Chart 2-32 for “Canada-Registered Vehicles” capture only completed Buybacks and Early Lease Terminations. Data on Canadian-registered vehicles that have received an AEM are subsumed within the AEM figures shown by vehicle generation. Finally, the AEM figures in Charts 2-32 and 2-33 are based on data provided by Volkswagen as of August 10, 2018.

Chart 2-32



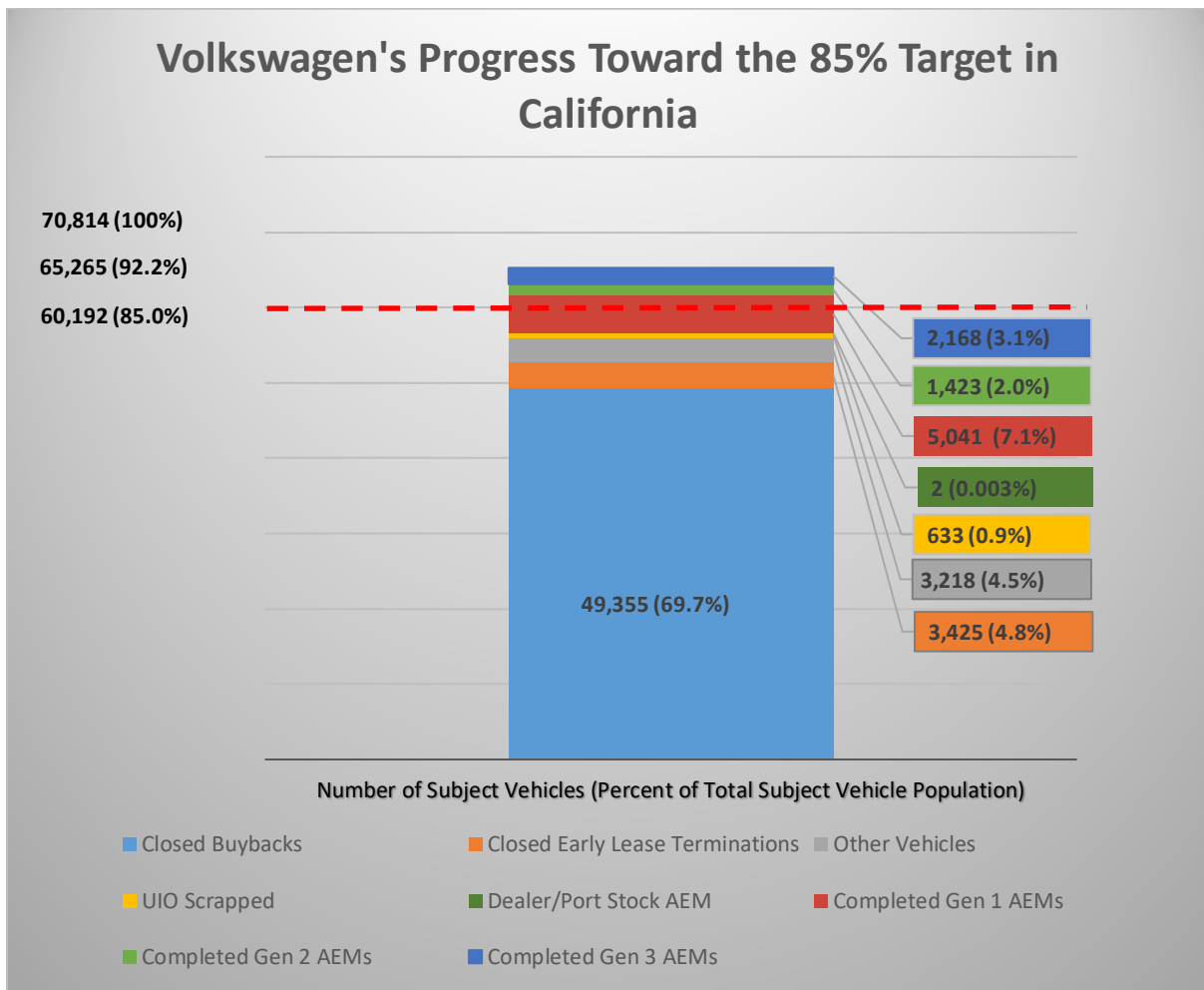
The “Other Vehicles” category depicted in Charts 2-32 and 2-33 represents vehicles Volkswagen had removed from commerce outside of the Claims Program. This includes, among other things, leased vehicles that were returned by a consumer to VW Credit, Inc. or Audi Financial Services, used vehicles that Volkswagen acquired from dealerships, and company cars previously utilized by Volkswagen employees that have since been retired.

Chart 2-32 does not include 976 consumers with Generation 3 Subject Vehicles who, as of August 10, 2018, only had completed the first phase of the AEM process. Likewise, Chart 2-31 excludes 8,203 Generation 3 Subject Vehicles that were part of Volkswagen dealers’ or port

stock at the time Volkswagen issued the stop-sale order in response to the notices of violation and had not yet been shown to have completed phase two of the AEM.

As of the May 2018 reporting period, Volkswagen also had satisfied the requirement in the DOJ Consent Decree that the company remove from commerce or modify 85% of the Subject Vehicles registered in California that were captured within the settlement.³² Chart 2-33 generally reflects data as of August 19, 2018 on the number of Subject Vehicles registered in California that Volkswagen had removed from commerce or modified.

Chart 2-33



³² The DOJ Consent Decree states that “the total number of all 2.0 Liter Subject Vehicles registered in California is 70,814.”

Chart 2-33 does not include 117 consumers with Generation 3 Subject Vehicles from California who, as of August 10, 2018, had only completed the first phase of the AEM process. Likewise, Chart 2-33 excludes seven Generation 3 Subject Vehicles that were part of Volkswagen dealers' or port stock at the time Volkswagen issued the stop-sale order in response to the notices of violation and had not yet been shown to have completed phase two of the AEM.

III. Consumer Experience

As reflected in the above performance metrics, Volkswagen was generally effective in processing claims for the vast majority of eligible consumers, resulting in the timely completion of Buybacks, Early Lease Terminations, and AEMs, as well as in timely issuing payments to eligible consumers consistent with the terms of the Resolution Agreements. This section provides updates regarding certain aspects of the Claims Program and provides analyses of the company's delivery of customer support over the course of the quarterly reporting period.

A. Claims Program Updates

1. Non-Standard Claims

a. Branded Title Claims

As detailed in prior reports, on February 26, 2018, Volkswagen implemented an agreed-upon general framework for the processing of certain branded title claims that had been on hold, in some cases for many months, pending discussions between the Parties and the CRC regarding eligibility.³³ The Parties and CRC recognized that while the framework should address most

³³ Title brands include salvage, rebuilt, reconstructed, and prior salvage, and indicate, among other things, whether a vehicle has sustained damage or may be unsafe to drive. A vehicle branded with a salvage title is typically one that was damaged to the point that it was declared a total loss by an insurance company, often because the cost to repair the vehicle was greater than the value of the vehicle in its damaged state. In some states, a vehicle with a salvage title cannot be registered with the applicable department of motor vehicles. However, the nomenclature related to title brands varies from state to state and will be analyzed accordingly, so that the eligibility requirements are consistently applied.

claims associated with vehicles with titles branded after September 18, 2015, there may be certain claims that present unique factual circumstances and require further collaboration.

Following implementation of the agreed upon framework, Volkswagen has processed the vast majority of claims that were previously placed on hold. As of August 19, 2018, the company had processed a total of 3,916 such claims, including 1,488 claims over the course of the quarterly reporting period.³⁴ Chart 3-1 reflects the total number of these claims Volkswagen had processed as of August 19, 2018, as well as those processed during this quarterly reporting period, by the company’s eligibility determination.

Chart 3-1

Branded Title Claims Determinations	Total Claims	Claims During the Quarterly Reporting Period
Eligible	2,045	807
Ineligible	1,871	681

The majority of eligible claims involved vehicles with rebuilt titles, and the majority of ineligible claims involved vehicles that had salvage titles as of February 26, 2018.

At the conclusion of the reporting period, a total of 587 claims required additional information from consumers before the company could render an eligibility and award determination. For those consumers from whom Volkswagen requested additional information, the most common forms of documentation required were: (i) copy of certificate of title (324); (ii) proof of vehicle acquisition (277); (iii) proof of government issued vehicle registration (225); (iv) government issued ID for the registered owner (156); and (v) proof of vehicle operability

³⁴ Included in these totals and the totals that follow in this section are claims submitted by consumers who Volkswagen has identified as acquiring a significant number of vehicles with branded titles for the purpose of participating in the Claims Program. Although some of these consumers have also submitted claims involving vehicles with non-branded, clean titles, Volkswagen previously placed all claims submitted by these consumers on hold while it continued discussions with the PSC and the CRC, and analyzed the details surrounding these consumers’ acquisitions of their vehicles.

(138). Additionally, there were 127 claims that remained on hold, including those involving unique factual circumstances requiring additional analysis by Volkswagen and, potentially, further discussions with the PSC.³⁵ The Claims Supervisor will continue to closely monitor developments related to the processing of these claims for the duration of the Claims Program, and will provide updates in upcoming reports.

b. Canadian Claims

Volkswagen made further progress during the quarterly reporting period completing closings for consumers who had purchased vehicles in the United States but registered them in Canada.³⁶ The company reported that, as of August 19, 2018, it had received a total of 1,155 such claims. Charts 3-2 and 3-3 reflect the status of those claims and the number of completed claims and claims remaining to be processed by remedy selected.

Chart 3-2

Canadian Claims Eligibility Determinations	Total Claims
Eligible/Completed	926
Ineligible	6
Pending	223

Chart 3-3

Canadian Claims -- Remedy Selected	Total Eligible/Completed Claims	Completed Claims During the Quarterly Reporting Period	Claims Remaining to Be Processed
Buybacks	817	129	161
AEMs	107	14	61
Seller Restitution	2	2	1

³⁵ There were also 103 claims for which the first-ten-business day and second ten-business-day review periods had not yet elapsed.

³⁶ As previously reported, these claims were initially deemed ineligible by Volkswagen based on express language in the Class Action Settlement Agreement requiring Eligible Vehicles to have been registered in the United States at some point between September 18, 2015 and June 28, 2016. Upon further analysis, it appeared that these claims were not covered by either the United States or Canadian settlements. Volkswagen ultimately determined to provide compensation to consumers who purchased an Eligible Vehicle in the United States but registered it in Canada if they otherwise meet the eligibility requirements.

c. Military Overseas Claims

Volkswagen made further progress processing claims submitted by military personnel deployed overseas with their vehicles. The company reported that, as of August 19, 2018, it had received a total of 739 such claims -- none of which had been deemed ineligible. Chart 3-4 reflects the number of completed claims and claims remaining to be processed by the remedy selected.

Chart 3-4

Military Overseas Claims -- Remedy Selected	Total Completed Claims	Completed Claims During the Quarterly Reporting Period	Claims Remaining to Be Processed
Buybacks ³⁷	646	27	31
AEMs	36 ³⁸	30	26

Chart 3-5 lists the sixty-two AEM claims by the country in which the consumer who submitted the claim is currently stationed with his or her vehicle.

Chart 3-5

AEM Claims Submitted by Overseas Military Personnel	
Country	# of Claims
Germany	45
Italy	7
United Kingdom	3
To Be Determined ³⁹	2
Belgium	1
Finland	1
Guam	1
Iceland	1
Luxembourg	1

As previously reported, completing AEMs overseas poses various legal and logistical

³⁷ Buybacks were completed in twenty-four different countries outside of the United States.

³⁸ All completed AEMs were performed in Germany.

³⁹ Two consumers had not yet provided a current location to Volkswagen.

challenges, including: consideration of import/export laws; a lack of readily available United States vehicle parts in foreign countries; and the training of personnel at foreign dealerships on the Claims Program and the technical aspects of performing an AEM. Volkswagen developed a process to address those challenges and elected to begin offering overseas AEMs in Germany first due to the high concentration of AEM claims submitted by military personnel stationed there. The process involves military personnel delivering their vehicle to their preferred dealership in Germany, at which point it is transported to a Technical Service Center (“TSC”) in Germany for the AEM to be completed. All consumers receive a loaner vehicle while their AEM is being completed. As reflected in Chart 3-5, a total of thirty-six AEMs had been completed in Germany, including thirty AEMs over the course of this quarterly reporting period.

Because of the success of the process for completing AEMs in Germany, Volkswagen began implementing a similar process for military personnel stationed in Italy, which has the next highest number of AEM claims submitted by military personnel stationed overseas with their vehicles. However, instead of utilizing a TSC, the company anticipates that AEMs will be completed at dealerships in Italy. Consumers will be provided a complimentary loaner vehicle until the AEM is completed. The company scheduled the first AEM appointment for the end of August 2018 as part of a pilot program. Following the outcome of that appointment, and potentially others, Volkswagen will determine how best to expand the offering of AEM appointments to additional military personnel stationed in Italy. The company also is considering options for completing AEMs for the few eligible military personnel stationed outside of Germany and Italy who elected an AEM remedy.

The Claims Supervisor will continue to monitor progress related to the scheduling and completion of AEMs overseas and will provide updates in future reports.

d. Hawaiian Claims

Volkswagen reported completing seventy-three total closings for consumers residing on Hawaiian Islands who do not have a Volkswagen dealership. This includes two claims over the course of the quarterly reporting period, with one remaining claim to be processed. Thirty-nine of the claims were completed through on-island appointments and thirty-four involved instances where the consumer shipped the vehicle to a designated location and was reimbursed by Volkswagen for expenses incurred.

2. Claims Review Committee

Over the course of this quarterly reporting period, the CRC continued to make progress in adjudicating consumer appeals. As of August 24, 2018, a total of 2,968 unique appeals (0.6% of all submitted claims) had been filed by consumers -- an increase of 1,001 unique appeals from the May 2018 Report. The majority of appeals challenged Volkswagen's eligibility determinations or award calculations. The CRC had reached determinations on 1,608 (54.2%) of all appeals, including 518 CRC determinations since the May 2018 Report, which are summarized as follows:

- The CRC denied 387 appeals;
 - For 92 consumers, the CRC advised that the issues that were the subject of the appeal had previously been resolved, thus mooting the appeal;
 - In 29 instances, the CRC advised consumers that they may be eligible for benefits, provided that a new claim be submitted for review and consideration;
- and

- The CRC ruled in favor of the consumer in 10 instances.⁴⁰

All decisions issued by the CRC have involved appeals in which the Volkswagen and Class Counsel representatives have agreed on the outcome. The Parties continue to work together to resolve pending appeals and will call upon the court-appointed neutral when necessary. The company reported that it sent a notification to approximately 1,150 consumers with pending appeals assuring them that their appeal will be given a thorough review and remain under consideration until a final determination is reached, notwithstanding the September 1, 2018 claim submission deadline. Additionally, Volkswagen provided notice on www.VWCourtSettlement.com that the deadline to submit an appeal to the CRC is January 13, 2019.

3. Reminder Notices

As previously reported, pursuant to the FTC Consent Order, Volkswagen is required to provide Reminder Notices to consumers to: (i) inform them of the deadline to file a claim application and/or schedule a closing appointment in order to receive compensation; and (ii) direct them to the claims website. The FTC Consent Order requires that Volkswagen issue two of these Reminder Notices -- one at least 180 days prior to the December 30, 2018 end of the Claim Period (i.e., by July 3, 2018) and the second at least 150 days prior to the December 30, 2018 end of the Claim Period (i.e., by August 2, 2018). The Reminder Notices are to be sent by at least two means (e.g., mail, e-mail, telephone) to every eligible consumer who has not submitted a claim application, elected a remedy, or scheduled a closing appointment.

⁴⁰ The CRC awarded nine consumers Vehicle Value in accordance with the protocols for the processing of branded title claims, and one consumer additional compensation for expenses incurred as a result of a delay in the receipt of a payoff check by the consumer's lender.

As stated in the May 2018 Report, on April 30, 2018 and May 1, 2018, Volkswagen sent the First Reminder Notice by regular mail to approximately 153,700 consumers and by email to approximately 52,850 consumers for whom Volkswagen had email addresses. The company also posted the First Reminder Notice on www.VWCourtSettlement.com. The First Reminder Notice encouraged recipients to submit their claim as soon as possible and advised recipients, among other things, that: (i) they must submit a complete claim application (including all required documents) by September 1, 2018 either online through the Claims Portal (accessible via www.VWCourtSettlement.com) or using a paper claim form (also accessible at www.VWCourtSettlement.com), or they risk losing the opportunity to participate in the Claims Program; (ii) they should submit the necessary documents by August 1, 2018 to ensure that they are able to timely address any document deficiencies; (iii) if their claim is approved, they must return a signed and notarized offer letter to the company to receive benefits; (iv) the signed and notarized offer letter should be submitted by December 1, 2018 because, if it is submitted after that date, there is significant risk that it will not be reviewed and approved in time to schedule and complete a Buyback of Early Lease Termination prior to the end of the Claims Program on December 30, 2018; and (v) if the selected remedy is not completed by December 30, 2018, benefits under the Claims Program will not be provided.

From July 13, 2018 through July 23, 2018, the company mailed the Second Reminder Notice to approximately 124,000 consumers and, on July 17, 2018, began emailing the Second Reminder Notice on a rolling basis to approximately 53,500 consumers for whom Volkswagen had email addresses. The company also posted the Second Reminder Notice on www.VWCourtSettlement.com, as well as on the *In re: Volkswagen "Clean Diesel"* *Multidistrict Litigation* webpage located on the website for the United States District Court for

the Northern District of California (accessible via <https://www.cand.uscourts.gov/crb/vwmdl>).

Although the First Reminder Notice and Second Reminder Notice are substantively similar, the Second Reminder Notice additionally advised recipients that: (i) if they decide to switch their remedy after September 1, 2018, they must do so before September 30, 2018, and are limited to one change;⁴¹ and (ii) if they delay scheduling their AEM appointment and ultimately are unable to schedule an appointment prior to the December 30, 2018 deadline, they will still be able to have the AEM performed free-of-charge, but will not receive compensation under the terms of the Claims Program.

4. Additional Benefits Provided to Consumers Completing the Second Phase of the Emissions Modification for Generation 3 Vehicles

Section 4.3.4 of the Class Action Settlement Agreement provides that, in addition to receiving the remaining one-third Restitution Payment following completion of the second phase of the AEM for Generation 3 Vehicles, eligible consumers are also to receive a free oil change and oil filter. Volkswagen reported that Owners and Current Lessees of approximately 4,200 Generation 3 Vehicles were eligible for the benefit but may not have received it. To address the issue, the company reported that, on June 22, 2018, it sent communications to: (i) dealerships to remind them that eligible consumers who complete the second phase of the AEM for Generation 3 Vehicles are entitled to a complimentary oil change and oil filter; and (ii) eligible consumers who may not have received the benefit but should have, advising them to contact their dealership to schedule an appointment to receive the complimentary oil change and oil filter. As of August 21, 2018, the company reported that 179 consumers who were provided the communication had

⁴¹ The Second Reminder Notice further advised recipients that: (i) they should contact Volkswagen by phone to switch their remedy; (ii) if they change their remedy selection from an AEM to a Buyback, they will be required to submit additional documents to establish their eligibility including, but not limited to, proof of vehicle registration and the vehicle title; and (iii) they must submit all required documentation within three days of requesting the change of remedy -- and no later than October 3, 2018 -- to participate in the Claims Program.

claimed the complimentary oil change and oil filter. The Claims Supervisor will continue to monitor developments related to this aspect of the Claims Program.

5. Post-Closing Processing of Vehicles

As discussed in prior reports, once a Buyback appointment is completed, arrangements are made by Volkswagen to transfer the vehicle to one of several secure storage facilities throughout the country, at which point each vehicle is inspected to determine if it should be destroyed due to excessive wear and tear or undergo an AEM, if one is available, and be offered for sale in accordance with an approved resale plan. Volkswagen is required to track each vehicle from closing to either destruction, or modification and resale, in order to report these figures to the DOJ, EPA, and CARB on a quarterly basis. The most recent data supplied by Volkswagen to the environmental regulator reflects that, as of June 30, 2018, Volkswagen had reacquired 355,758 Eligible Vehicles through the Claims Program, resold 27,610 Eligible Vehicles, and destroyed 67,972 Eligible Vehicles. Accordingly, approximately 260,176 Eligible Vehicles reacquired through the Claims Program were in a Volkswagen storage facility or in transit to a storage facility as of June 30, 2018.

6. Preparations for the Conclusion of the Claims Program

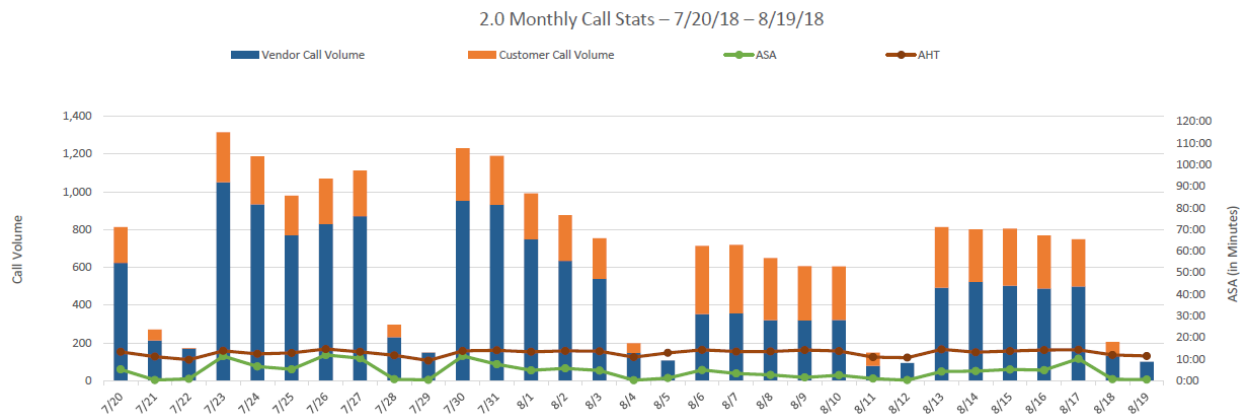
As reflected above, Volkswagen generally met the requirements of the Resolution Agreements over the course of the quarterly reporting period. With the approaching September 1, 2018 deadline for consumers to submit claims and the December 30, 2018 deadline for eligible consumers to schedule appointments for Buybacks, Early Lease Terminations, and AEMs, the company has reaffirmed its commitment to closely monitoring staffing levels and refining processes and procedures for completing claims where appropriate to keep pace with the flow of claim submissions, and ensuring the ongoing effective and efficient administration of the

Claims Program. The Claims Supervisor will continue to closely monitor all aspects of the Claims Program as the deadlines to submit claims and complete remedies approach.

B. Analysis of Consumer Outreach & Volkswagen’s Response

Consumer call and chat volume increased from the prior quarterly reporting period. Between May 20, 2018 and August 19, 2018, call volume averaged 863 calls per weekday compared to 796 calls per weekday during the prior quarterly reporting period. The average abandonment rate over the course of the quarter increased from 4.1% to 8.6%, and the average speed to answer increased from slightly under one minute to two minutes and sixteen seconds. During the last thirty days of the quarterly reporting period, there was an increase in the number of calls received, as well as the average wait time and number of abandoned calls. These increases coincided with the issuance of the Second Reminder Notice and the approaching claims submission deadline. The following chart depicts the daily Hotline call volume and related data from July 20, 2018 to August 19, 2018.⁴²

Chart 3-6



⁴² ASA is the abbreviation for average speed of answer and AHT represents average handle time. The chart only reflects calls received from consumers and does not include calls received from dealers.

Between May 20, 2018 and August 19, 2018, the company received an average of 420 chats per weekday compared to 382 chats per weekday during the prior quarterly reporting period. The abandonment rate increased from 16.1% to 35.0%. Consistent with the call data, during the last thirty days of the quarterly reporting period, there was also an increase in the number of chats received and number of abandoned chats -- coinciding with the issuance of the Second Reminder Notice.

Based on the Claims Supervisor's analysis of a sample of 582 recorded calls and 1,044 chats that occurred during the quarterly reporting period, Volkswagen continued to generally deliver effective and responsive customer support. The overall success rate for the sample of calls analyzed was 99.3% -- a 3.4% increase from the prior quarterly reporting period. The overall success rate for the sample of chats analyzed was 99% -- a 1.7% increase from the prior quarterly reporting period. The primary reason that the limited number of calls and chats were deemed unsuccessful was that agents failed to properly verify the identity of the consumer -- although that issue was less prevalent toward the end of the quarterly reporting period.

Volkswagen's improvement in verifying consumers' identities over the course of the quarterly reporting period followed measures it recently undertook to reduce the likelihood of agents not adhering to the identity verification protocols, including holding training sessions for all of the company's customer support agents in which they reviewed actual, sample calls to assess their ability to properly apply the verification protocols.

Complaint volume declined from the prior quarterly reporting period. Of the limited complaints received by Volkswagen, the most common related to: (i) service at dealerships, including the failure of dealerships to provide free oil changes and oil filters in connection with

the second phase of the AEM for Generation 3 Vehicles (as discussed above);⁴³ (ii) perceived changes to vehicle performance following AEMs;⁴⁴ (iii) documentation requirements, including documents being rejected; (iv) payments to consumers (including the failure of consumers to receive the initiating EFT email from J.P. Morgan Chase); and (v) the Claims Program in general, including its length.

Volkswagen's Resolution Team continued to effectively provide assistance to consumers with more complicated issues over the course of the quarterly reporting period. From May 20, 2018 to August 19, 2018, the Resolution Team received 355 inquiries and resolved 925 consumer inquiries, including hundreds from prior reporting periods. The vast majority of consumer inquiries handled by the Resolution Team continued to involve payment issues. Since the inception of the Claims Program, the Resolution Team has resolved nearly every inquiry it has received: 12,430 out of 12,498 (a 99.5% resolution rate).

IV. Conclusion

Over the course of this quarterly reporting period, Volkswagen continued to administer the Claims Program in accordance with the requirements of the Resolution Agreements. Throughout the Claim Period, the company had issued payments to, or on behalf of, consumers in the amount of \$8,017,009,194.08. Moreover, the company had removed from commerce or completed an AEM on approximately 91.0% of all Subject Vehicles and 92.2% of Subject Vehicles registered in California, exceeding the 85% requirements set forth in the Resolution

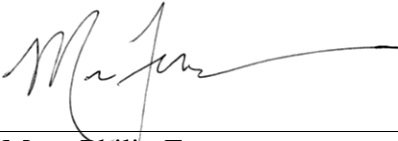
⁴³ Complaints from consumers who completed the second phase of the AEM for Generation 3 Vehicles but did not receive the complimentary oil change and oil filter declined over the course of the quarterly reporting period following the transmission of the communications described in Section III.A.4 above.

⁴⁴ The Claims Supervisor is aware of 79 unique complaints related to post-AEM performance made since the inception of the Claims Program, which amounts to approximately 0.1% of completed AEMs on 2.0 Liter consumer vehicles, inclusive of completed phase one AEMs on Generation 3 Vehicles. Volkswagen has advised that specially trained customer care representatives assist consumers in determining whether perceived vehicle changes are attributable to an AEM.

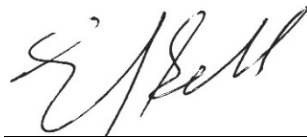
Agreements. The company also continued to steadily process and complete non-standard claims during this quarterly reporting period, including (i) approximately 1,500 claims that had previously been on hold pending discussions between the Parties and CRC regarding the application of an agreed-upon framework for the processing of certain branded title claims, (ii) nearly 150 claims submitted by consumers who purchased vehicles in the United States but registered them in Canada, and (iii) dozens of claims by military personnel stationed overseas with their vehicles. The company likewise continued to generally deliver effective customer support to consumers requiring assistance. As contemplated by the Resolution Agreements, the Claims Supervisor will continue to evaluate and report on Volkswagen's progress with, and adherence to, the terms of the Resolution Agreements for the duration of the Claims Program.

Sincerely,

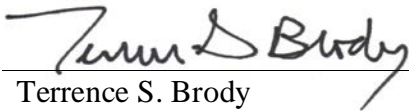
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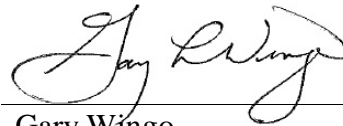
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Submitted: August 27, 2018