

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 3.0  
LITER RESOLUTION AGREEMENTS ENTERED MAY 17, 2017:**

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

SEPTEMBER 13, 2019

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Consistent with the requirements of the 3.0 Liter Resolution Agreements,<sup>1</sup> the independent Claims Supervisor respectfully submits this report, which, unless otherwise specified, addresses progress in the 3.0 Liter Claims Program for the period from June 10, 2019 to September 8, 2019.

**I. Executive Summary**

During the quarterly reporting period, Volkswagen continued to effectively administer the 3.0 Liter Claims Program, resulting in the timely completion of Buybacks, Trade-Ins, and AEMs for the vast majority of eligible consumers. In addition to efficiently processing standard claims, Volkswagen also advanced non-standard claims, including those submitted by: (i) consumers who purchased vehicles in the United States but registered them in Canada; (ii) military personnel stationed overseas with their vehicles; and (iii) consumers whose vehicles had branded titles.

Preparations have been underway for the approaching September 30, 2019 deadline for eligible consumers with Generation One vehicles to complete their approved remedy. As previously reported, these consumers had until June 1, 2019 to submit a complete claim; however, Volkswagen afforded those consumers with deficient claim submissions an additional thirty days (i.e., until June 30, 2019) to cure. Volkswagen identified the universe of consumers failing to meet these deadlines and, after the Claims Supervisor validated those determinations, the company sent notifications to impacted consumers advising that their claims had been deemed ineligible. In an ongoing effort to keep consumers apprised of Claims Program deadlines, the company also sent additional reminders on July 12, 2019 and September 10, 2019

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<sup>1</sup> Capitalized and/or abbreviated terms in this report take on the definition in the 3.0 Liter Resolution Agreements or the initial report submitted by the Claims Supervisor in June 2017.

to eligible consumers with Generation One vehicles who had not yet completed an approved remedy of the September 30, 2019 deadline to do so and be eligible for compensation.<sup>2</sup>

In addition, on July 30, 2019, Volkswagen mailed a notice to 23,689 consumers with Generation Two Passenger Cars (“Generation Two PCs”) regarding the availability of a voluntary Emissions System Modification Correction (“AEM Correction”) to the previously approved emissions modification.<sup>3</sup> The AEM Correction was developed to reduce the accumulation of soot related to the vehicle’s oxygen sensor. The AEM Correction involves, among other things, the replacement of the oxygen sensor and its relocation to a different area in the vehicle’s exhaust pipe. The AEM Correction, which is expected to take up to four hours to complete, was offered to consumers at their preferred dealer free of charge starting on August 14, 2019.

The Claims Review Committee (“CRC”) also made substantial progress adjudicating consumer appeals. Since the June 2019 Report, the CRC had reached determinations with respect to 288 additional consumer appeals, while 333 appeals remained as of September 12, 2019.

The statistics below cumulatively present key 3.0 Liter Claims Program metrics as of September 8, 2019:

- 86,322 registrations had been created in Volkswagen’s Claims Portal;
- 72,413 consumers had submitted claims for Volkswagen to review;
- 68,481 consumers had been issued offer letters, the aggregate value of which totaled \$1,071,880,808.94;

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<sup>2</sup> These communications followed Reminder Notices sent in November 2018 through January 2019, as well as supplemental communications sent in April and May 2019 reminding consumers of the Claims Program deadlines. Notably, consumers with Generation One vehicles seeking an AEM will still be able to have one performed after September 30, 2019 but, consistent with the terms of the 3.0 Liter Resolution Agreements, will be ineligible to receive compensation.

<sup>3</sup> Generation Two PCs are comprised of 2014-2016 model year Audi A6, A7, A8, A8L, and Q5 3.0 Liter vehicles.

- 66,901 consumers had accepted offer letters, the aggregate value of which totaled \$1,061,250,077.98;
- 16,644 consumers with Generation One vehicles had closed on their Buyback or Trade-In, and Volkswagen had paid \$675,268,592.61 to, or on behalf of, consumers in connection with these claims;
- 1,269 consumers with Generation One vehicles had completed a Reduced Emissions Modification (“REM”), including 1,048 consumers who also had completed the claims process, and Volkswagen had paid \$10,364,969.94 to consumers in connection with completed REM claims;<sup>4</sup>
- 46,975 consumers with Generation Two vehicles had completed an ECR, including 43,369 consumers who also had completed the claims process, and Volkswagen had paid \$340,675,002.16 to consumers, which includes Repair Participation Payments and Repair Payments;
- For Generation One vehicles, 655 Former Owners, 64 Owners with totaled vehicles, and 9 Former Lessees had received Restitution Payments, and the aggregate values of these payments totaled \$3,376,297.60, \$640,632.45, and \$49,846.33, respectively;
- For Generation Two vehicles, 2,323 Former Lessees, 1,111 Former Owners, and 168 consumers with totaled vehicles had received Repair Payments, and the aggregate values of these payments totaled \$4,645,000.00, \$4,718,762.52, and \$1,337,595.65, respectively;
- Volkswagen had paid a total of \$66,013.82 in connection with 547 extended warranty or service contract refund claims; and

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<sup>4</sup> Data related to AEMs are as of September 4, 2019, and include both REMs and ECRs.

- Volkswagen had removed from commerce or modified 93.8% of all Generation One Subject Vehicles, 93.3% of all Generation Two Subject Vehicles, 94.7% of all Generation One Subject Vehicles registered in California, and 93.9% of all Generation Two Subject Vehicles registered in California, and thus has exceeded the required 85% threshold for each Subject Vehicle category.

## II. Volkswagen's Performance Metrics

This section discusses the status of Volkswagen's 3.0 Liter Claims Program and the company's compliance with certain requirements mandated in the 3.0 Liter Resolution Agreements. All data is as of September 8, 2019, unless otherwise specified. Information relating to Generation One and Generation Two vehicles generally is reported separately because the 3.0 Liter Resolution Agreements afford different remedies to consumers depending on the generation of vehicle. References to Volkswagen's performance during "this quarter" refer to the period from June 10, 2019 through September 8, 2019.

### A. Consumer Registrations

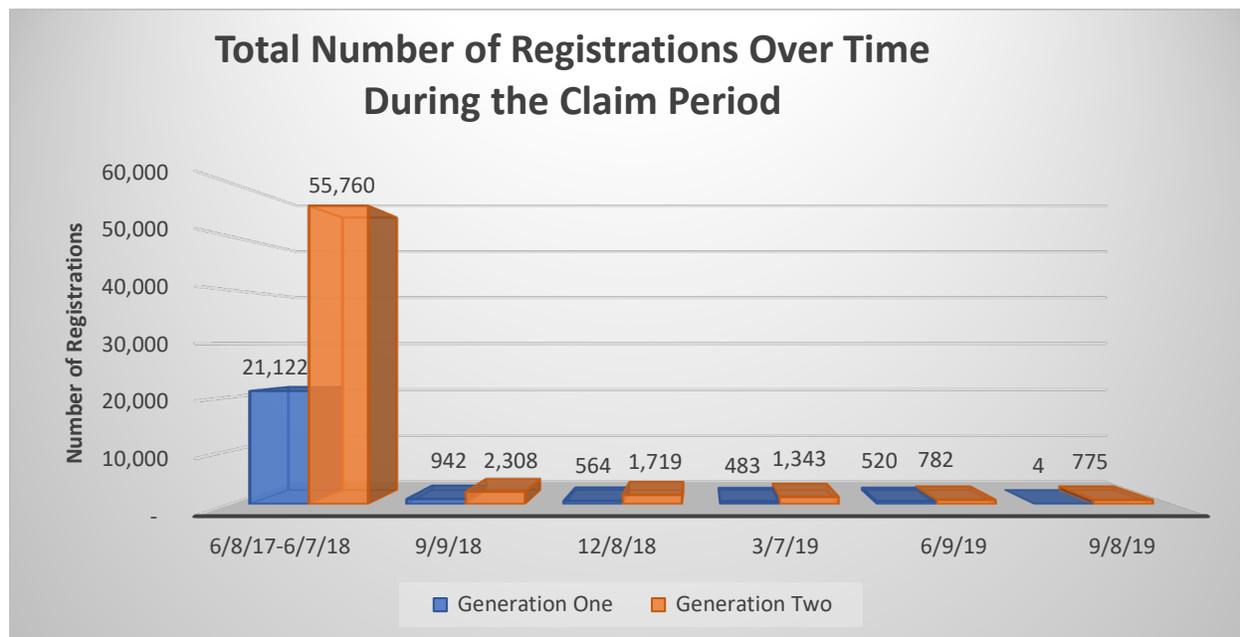
As of September 8, 2019, there had been a total of 86,322 registrations in Volkswagen's system, including 779 registrations created during this quarter.<sup>5</sup> A registration occurs when a consumer provides Volkswagen with basic information including name, contact information, vehicle identification number ("VIN"), and preferred dealership. Of these registrations, 23,635 related to Generation One vehicles (21,215 individuals and 2,420 businesses), and 62,687 related to Generation Two vehicles (55,800 individuals and 6,887 businesses). Chart 2-1 shows the total number of registrations created by consumers over time during the Claim Period, including during this quarter. The few Generation One registrations created during this quarter and after

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<sup>5</sup> These figures include a significant number of duplicate entries. Duplicate entries 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.

the June 30, 2019 extended deficiency cure period deadline described below were all unique circumstances that required that new registrations be created in order for consumers to complete their remedies in connection with timely submitted claims.

**Chart 2-1**



Charts 2-2 and 2-3 reflect all registrations created by consumers according to eligibility category across Generation One and Generation Two vehicles through September 8, 2019. The “No Category Selected” population consists of consumers who had created a registration as of September 8, 2019, but had not provided details identifying their eligibility category.

Chart 2-2

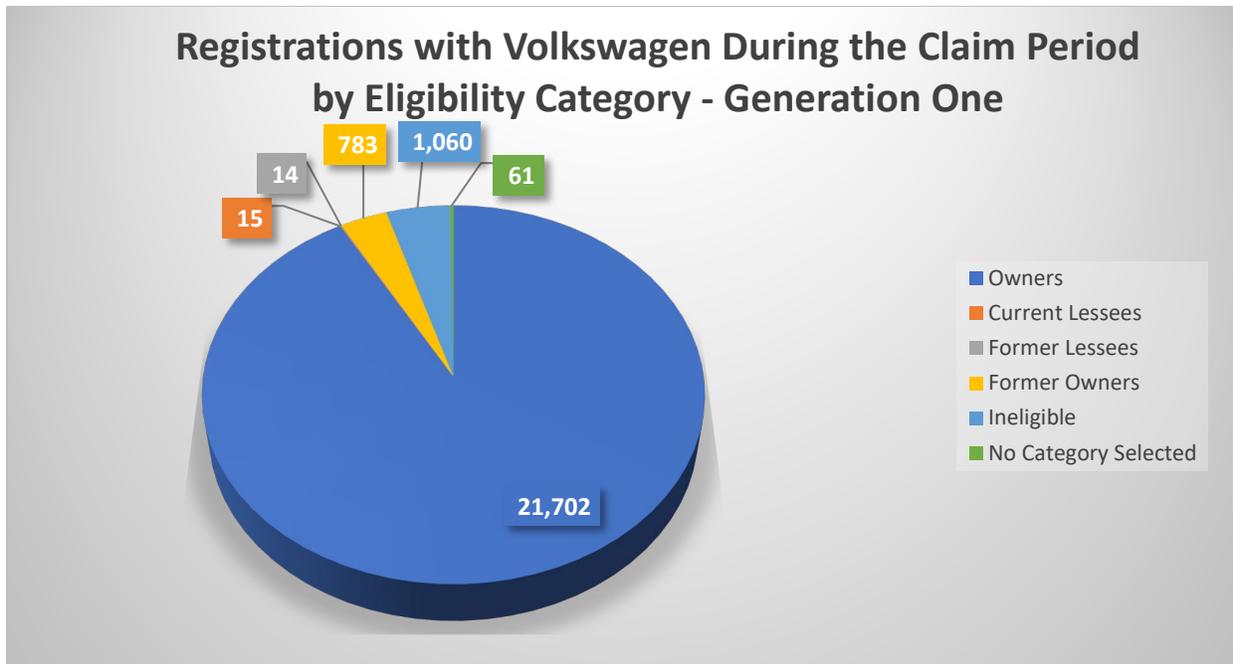


Chart 2-3

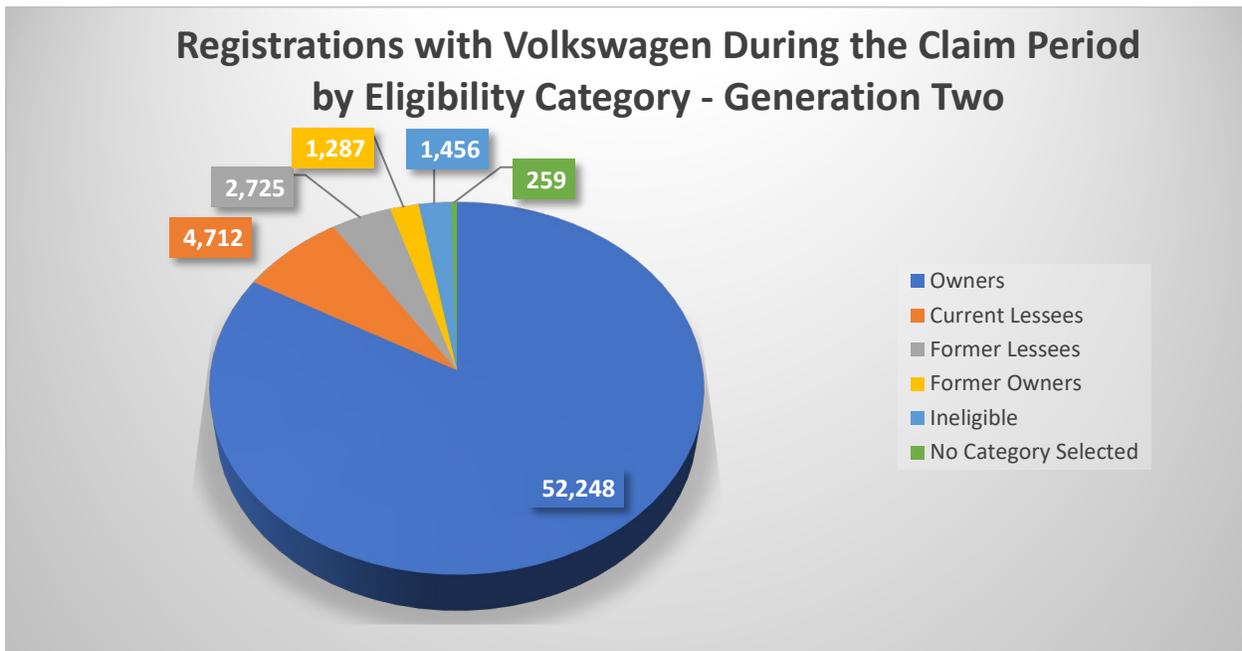
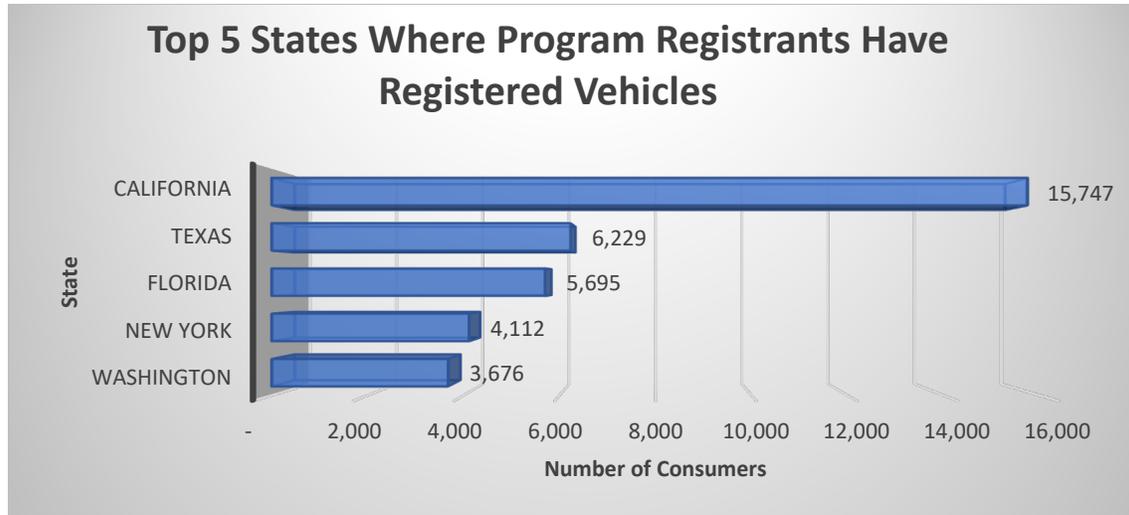


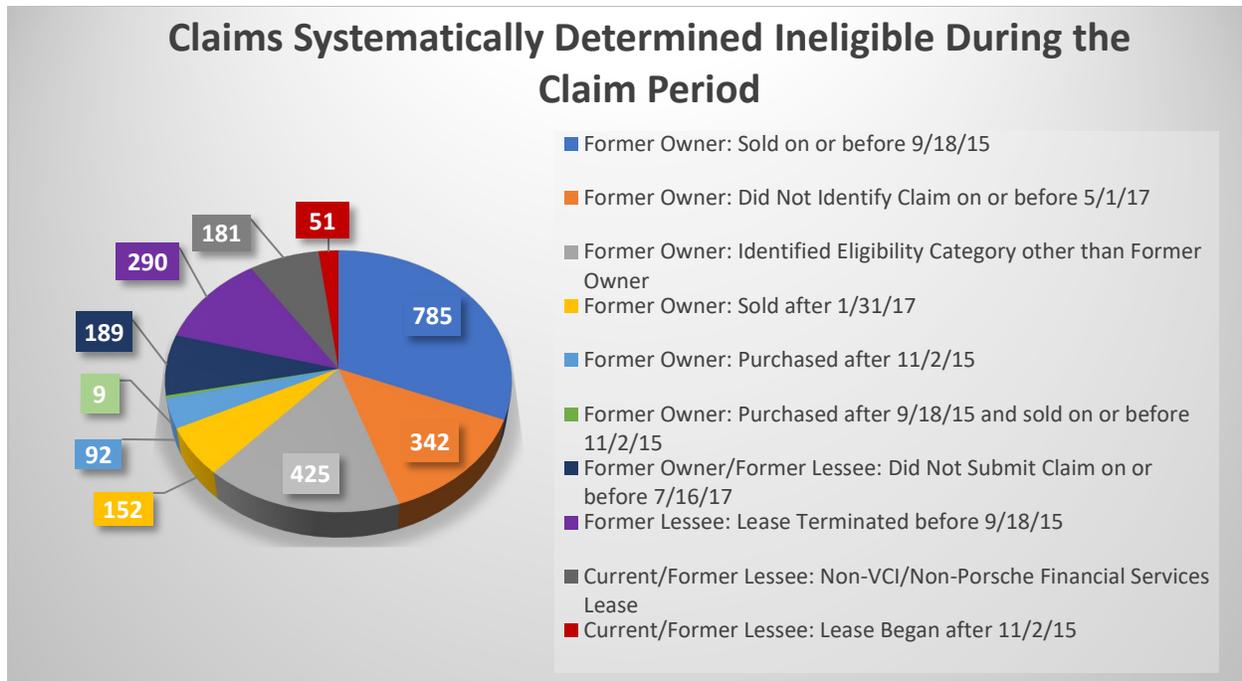
Chart 2-4 shows, among the population of vehicles associated with registered claims, the states where the largest number of vehicles are registered.

Chart 2-4



With respect to the population of 2,516 claims identified as ineligible in Charts 2-2 and 2-3, Volkswagen’s system is configured to automatically determine certain ineligible claims where information provided by the consumer indicates the consumer is not eligible under the requirements of the 3.0 Liter Resolution Agreements. For example, a consumer who attempts to submit a Former Owner claim indicating the vehicle was sold on or before September 18, 2015 is ineligible under the “Eligible Former Owner” definition. In these instances, Volkswagen sends the consumer a letter explaining the basis for the ineligibility determination. Chart 2-5 shows the reasons for ineligibility determinations across the claims that have been deemed systematically ineligible.

Chart 2-5



During this quarter, there were seven new systematic ineligibility determinations. The Claims Supervisor reviewed all of these determinations and confirmed that Volkswagen's systematic ineligibility logic continues to operate appropriately.

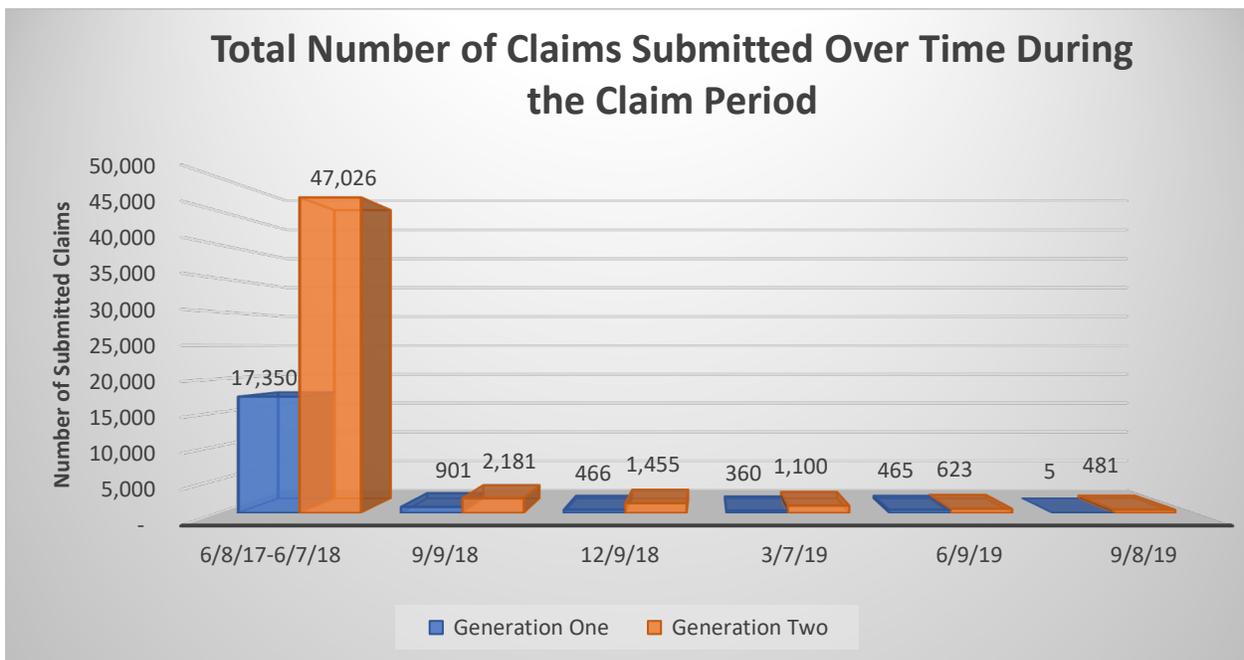
Finally, after the passage of the June 1, 2019 deadline for consumers with Generation One vehicles to submit complete claims, Volkswagen and the Claims Supervisor worked together to analyze instances in which a consumer had registered in the Claims Portal but had not submitted required supporting documents (i.e., the consumer never actually submitted a claim). Volkswagen identified 2,970 instances in which this occurred. The Claim Supervisor reviewed all instances and agreed with all but one of Volkswagen's determinations that the consumer never submitted a claim. The one claim as to which the Claims Supervisor did not agree ultimately was considered submitted and moved to the first ten-business-day period review. All consumers who did not timely submit a claim were provided notice of their ineligibility by Volkswagen.

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

Following registration and preliminary remedy selection, a consumer’s next steps in the process are to provide prescribed documents needed to substantiate the claim and submit the claim to Volkswagen for review. As of September 8, 2019, a total of 72,413 unique claims had been submitted by consumers for Volkswagen to review, including 486 claims submitted by consumers during this quarter.<sup>6</sup> Of these, 19,547 related to Generation One vehicles (17,859 individuals and 1,688 businesses), and 52,866 related to Generation Two vehicles (47,757 individuals and 5,109 businesses).

Chart 2-6 shows, across Generation One and Generation Two vehicles, the total number of unique claims submitted by consumers over time during the Claim Period, including during this quarter.

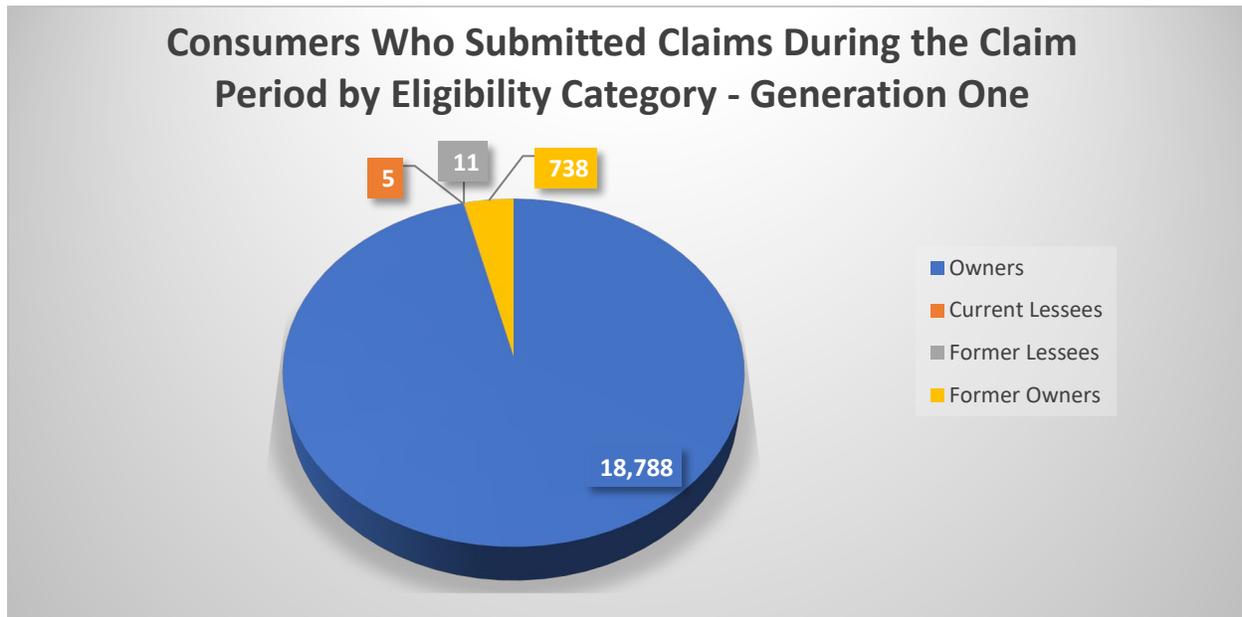
**Chart 2-6**



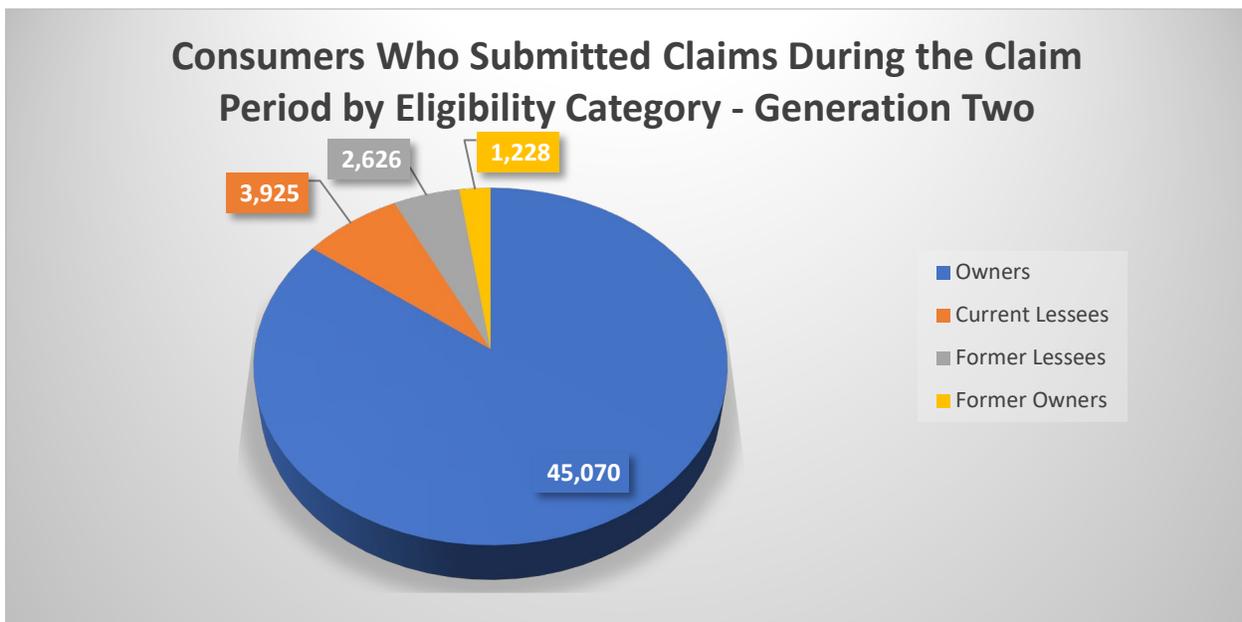
<sup>6</sup> “Unique claims” means unique VINs within unique eligibility categories. A claim by an Owner and a Former Owner regarding the same VIN is counted as two unique claims. A claim by one Owner who owns five separate vehicles is counted as five unique claims.

Charts 2-7 and 2-8 show, across Generation One and Generation Two vehicles, respectively, the total population of consumers who had submitted claims by eligibility category.<sup>7</sup>

**Chart 2-7**



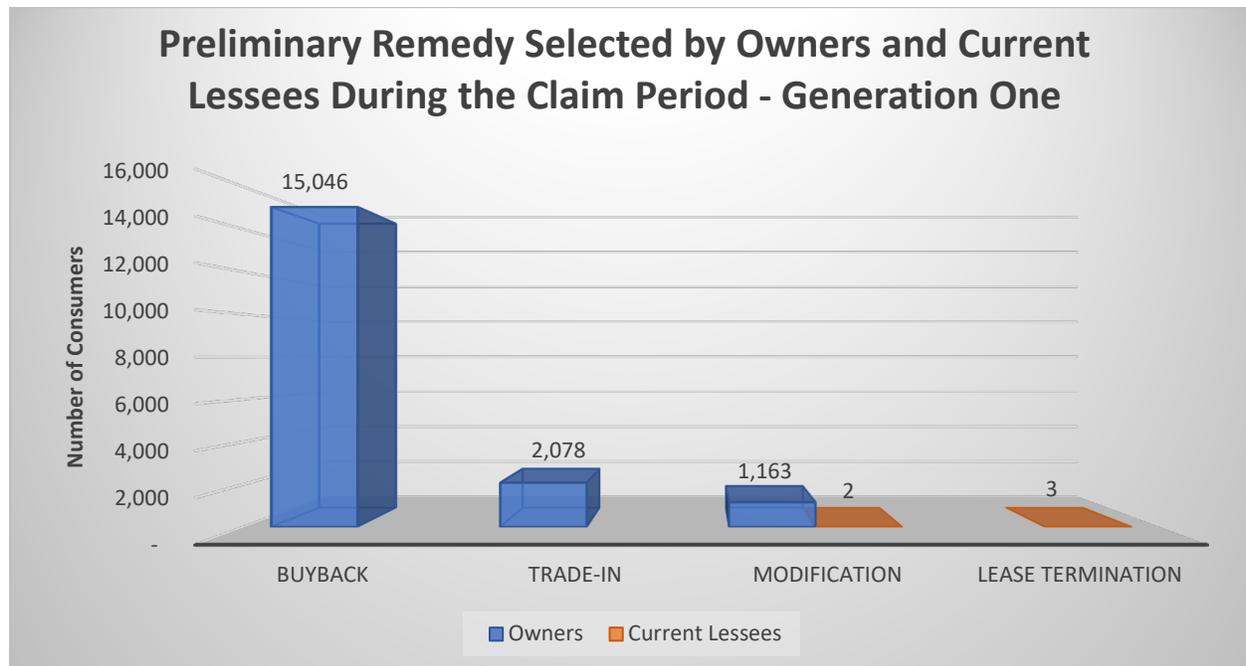
**Chart 2-8**



<sup>7</sup> The five claims not reflected in Chart 2-7 and seventeen claims not reflected in Chart 2-8 were ultimately deemed not eligible.

Chart 2-9 shows the preliminary remedy selections for Owners and Current Lessees of Generation One vehicles who had submitted claims through September 8, 2019.

**Chart 2-9<sup>8</sup>**



The only remedy available to the 43,831 Owners and 3,744 Current Lessees of Generation Two vehicles who had submitted claims through September 8, 2019 is an ECR. A Repair Payment is the only remedy available for the 2,582 Former Lessees, as well as 1,215 Former Owners, and 189 consumers with totaled vehicles who had submitted claims associated with Generation Two vehicles. Additionally, there were 1,288 claims that were cancelled, usually as a result of the submission of duplicate claims or at the consumer's request, and 17 claims that ultimately were deemed not eligible.

Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it timely issue a determination of whether a claim was complete and

<sup>8</sup> Chart 2-9 does not include remedy selections for 724 Former Owners, 69 Owners with totaled vehicles, or 10 Former Lessees who had submitted claims associated with Generation One vehicles because the only remedy available to these consumers is Restitution. The chart also excludes 447 claims that were cancelled, usually due to the submission of duplicate claims or at the consumer's request, as well as 5 claims that were deemed not eligible.

preliminarily eligible (or ineligible) within ten business days of the claim submission by the consumer. As of September 8, 2019, excluding the 6 claims that were pending a determination but for which the first ten-business-day review period had not yet elapsed, Volkswagen had been required to make 110,864 first ten-business-day review period determinations. The company timely rendered 110,307 decisions for an overall first ten-business-day review period compliance rate of 99.5%. During this quarter, Volkswagen was required to make 878 first ten-business-day review period decisions and timely did so in 876 instances for a reporting period-specific first ten-business-day review period compliance rate of 99.8%. As of September 8, 2019, there were no overdue claims pending in the first ten-business-day review period.

Chart 2-10 shows Volkswagen's performance during the Claim Period in timely issuing first ten-business-day review period decisions, and Chart 2-11 shows Volkswagen's overall first ten-business-day review period performance by eligibility category.

**Chart 2-10**

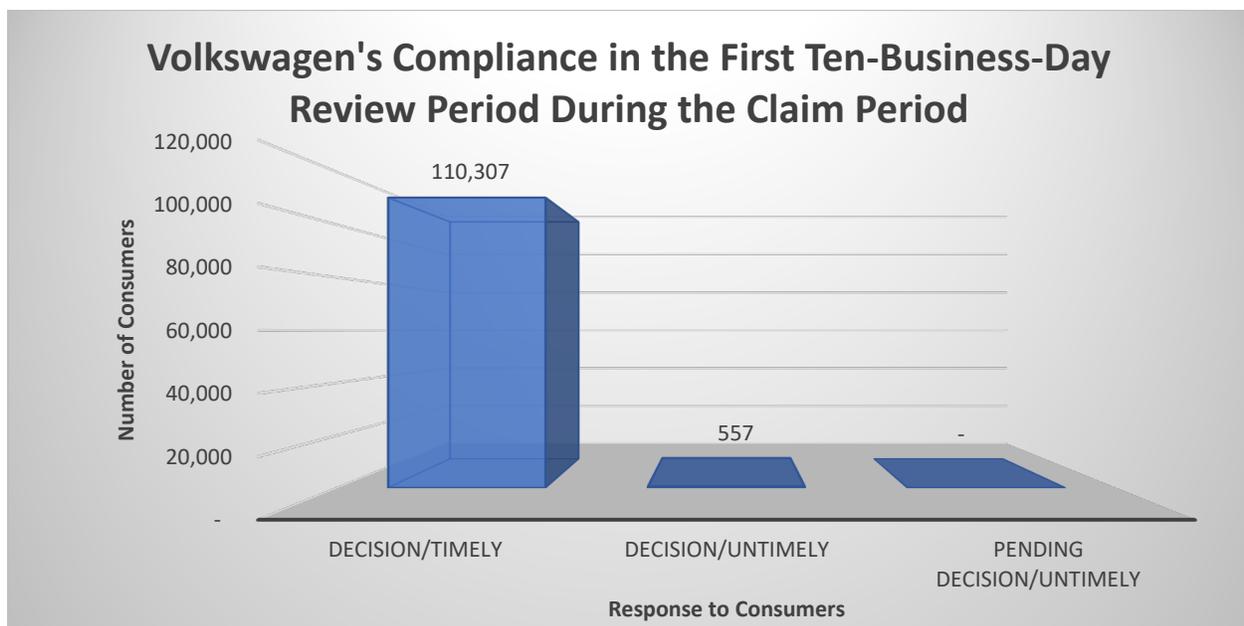


Chart 2-11<sup>9</sup>

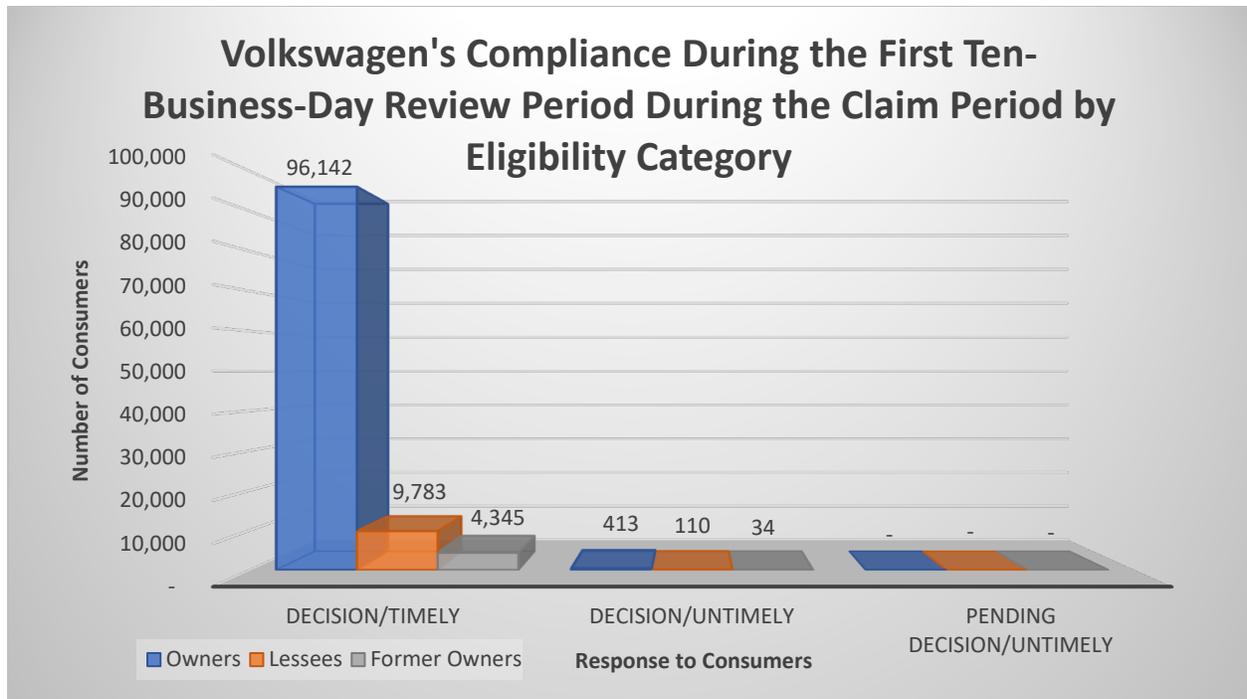
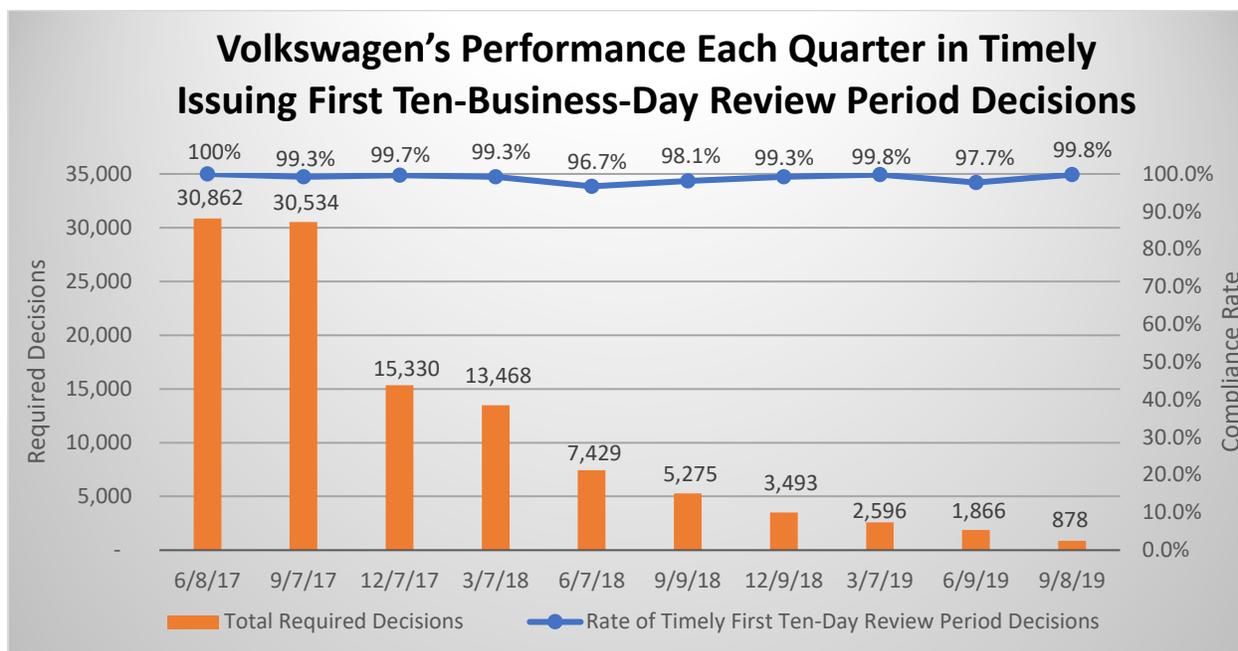


Chart 2-12 shows the number of required decisions as well as Volkswagen’s performance in timely issuing first ten-business-day review period decisions across all quarters of the Claim Period, including during this quarter.

<sup>9</sup> The thirty-seven claims not reflected in Chart 2-11 were all claims that were timely deemed not eligible.

Chart 2-12<sup>10</sup>

The first ten-business-day review period figures (and the second ten-business-day review period figures below) historically have excluded three groups of claims: (i) claims by consumers who initially purchased the vehicle in the United States but registered it in Canada; (ii) claims from consumers who indicated that they were employed by Volkswagen or the Court; and (iii) certain claims associated with vehicles with branded titles.<sup>11</sup> As of September 8, 2019, there were no active claims submitted by consumers within any of these three categories.<sup>12</sup> Further discussion of non-standard claims is set forth in Section III below.

<sup>10</sup> The aggregated total of all claims in Chart 2-12 is 867 decisions (0.8%) greater than the aggregated total of 110,864 required decisions through September 8, 2019. 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 2-12 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.

<sup>11</sup> The first two categories of claims have been excluded from the timeliness analysis because the consumers do not meet the Class Member definition. While Volkswagen has used the claims process to identify and engage with these consumers, they would not receive funds out of the Funding Pool.

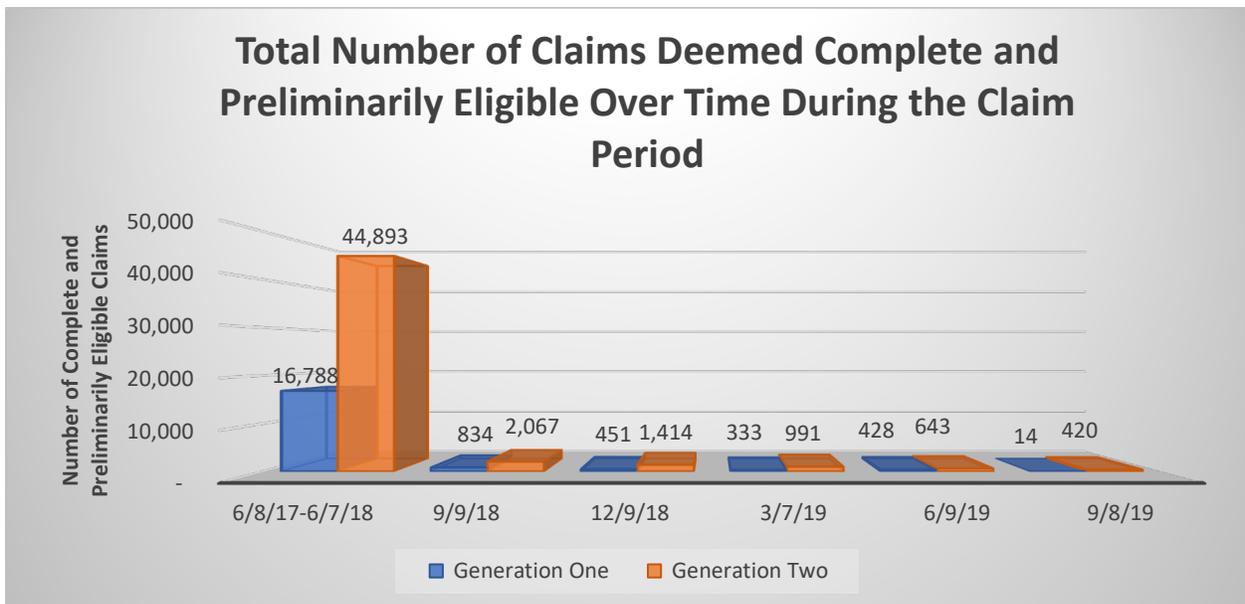
<sup>12</sup> For these purposes, a claim is considered "active" once a consumer submits it, but before a final determination on eligibility and award (or ineligibility) has been rendered.

C. Preliminary Eligibility Determinations and Deficiencies

Through September 8, 2019, a total of 69,276 claims had been determined by Volkswagen to be complete and preliminarily eligible, including 434 unique claims during this quarter. Across these claims, 18,848 claims related to Generation One vehicles (17,349 individuals and 1,499 businesses) and 50,428 claims related to Generation Two vehicles (45,927 individuals and 4,501 businesses).

Chart 2-13 shows, for Generation One and Generation Two vehicles, the total number of claims deemed complete and preliminarily eligible by Volkswagen over time during the Claim Period, including during this quarter.

**Chart 2-13**



Charts 2-14 and 2-15 reflect the number of claims Volkswagen determined to be complete and preliminarily eligible by eligibility category across Generation One and Generation Two vehicles as of September 8, 2019.<sup>13</sup>

<sup>13</sup> The one claim not accounted for in Chart 2-14 and eight claims not accounted for in Chart 2-15 were ultimately deemed not eligible.

Chart 2-14

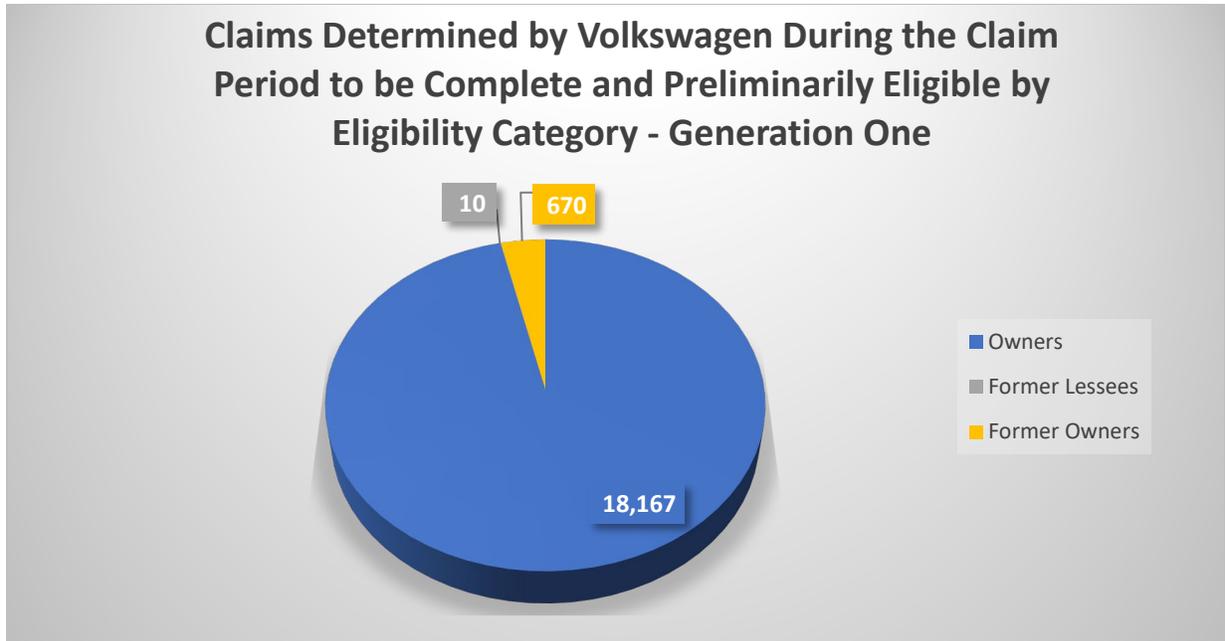
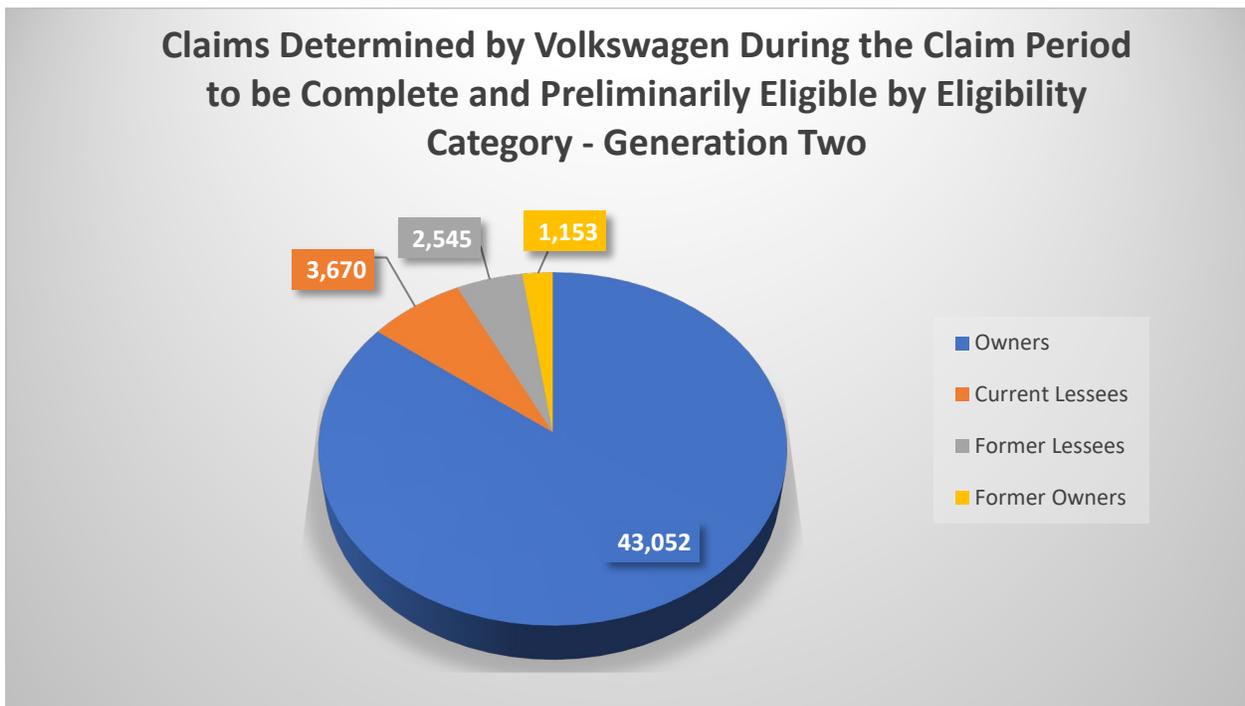


Chart 2-15



Charts 2-16 shows the most common states in which Eligible Vehicles associated with preliminarily eligible claims have been registered.

**Chart 2-16**

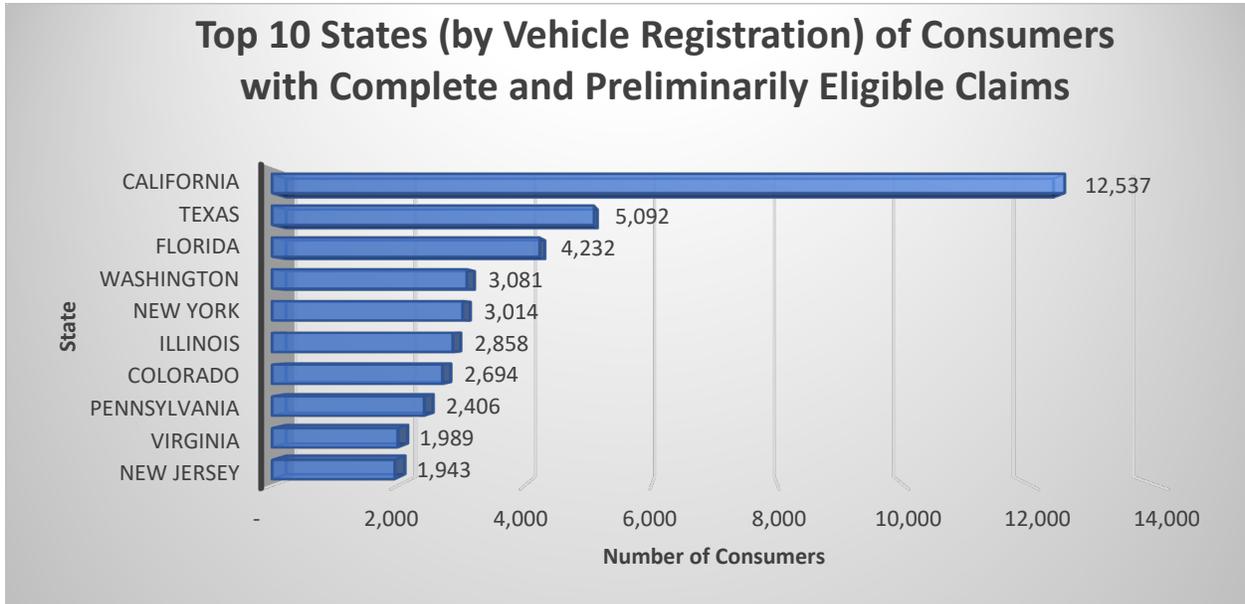
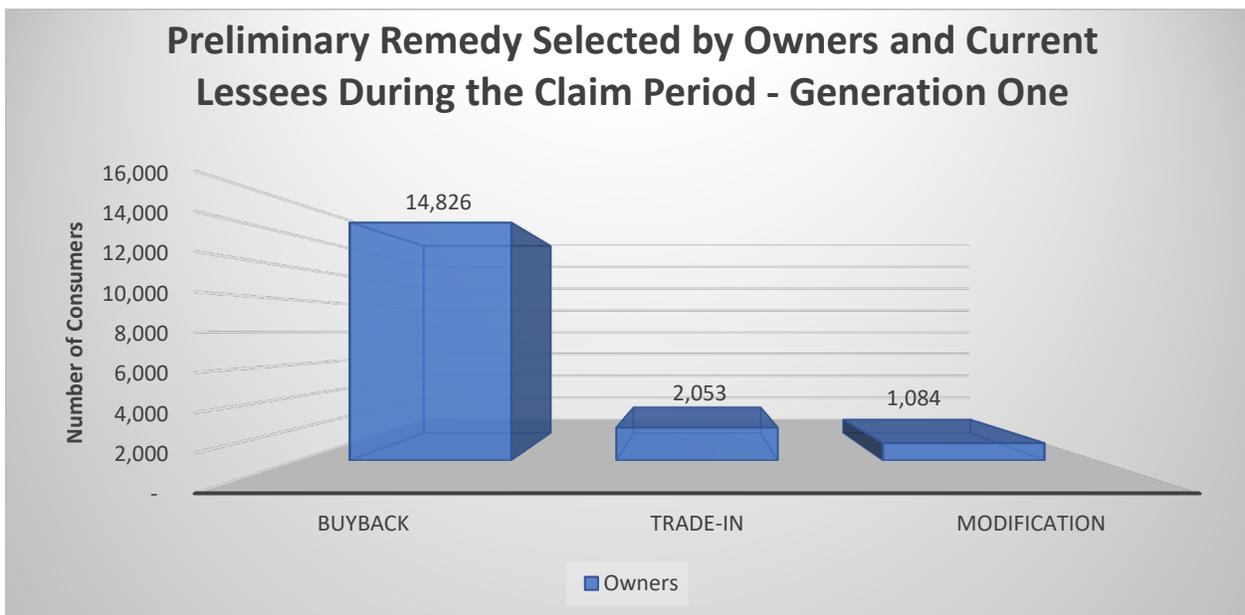


Chart 2-17 shows, as of September 8, 2019, the remedy selected by Owners and Current Lessees of Generation One vehicles whose claims Volkswagen had deemed complete and preliminarily eligible.

**Chart 2-17<sup>14</sup>**



<sup>14</sup> Chart 2-17 excludes 668 Former Owners, 66 Owners with totaled vehicles, and 10 Former Lessees because Restitution is the only remedy available to those consumers. It also excludes 140 cancelled claims and 1 claim that was deemed ineligible.

As discussed above, consumers with Generation Two vehicles only have one remedy option available. All claims of the 42,539 Owners and 3,593 Current Lessees of Generation Two vehicles that had been deemed complete and preliminarily eligible by Volkswagen through September 8, 2019 were for the ECR remedy. A Repair Payment is the only remedy available for 2,530 Former Lessees, as well as for 1,150 Former Owners, and 178 Owners with totaled vehicles who had submitted claims associated with Generation Two vehicles that, through September 8, 2019, had been deemed complete and preliminarily eligible by Volkswagen. There were an additional 430 cancelled claims and 8 claims that ultimately had been deemed not eligible.

Through September 8, 2019, there were 35,054 instances where Volkswagen had deemed a claim deficient during its first ten-business-day review period. More than 59,000 individual deficiency codes had been applied by Volkswagen as of that date, as multiple deficiencies may be associated with a single claim submission. The most common deficiency codes have been: (i) an incorrect document was uploaded (15,446 claims); (ii) a document was illegible (10,300 claims); (iii) a document was incomplete or the document image was cut off (7,732 claims); and (iv) a document was missing pages (4,965 claims).

As the same claim may be resubmitted to Volkswagen after initially being deemed deficient, the 35,054 instances of deficiency determinations were associated with 23,133 unique claims. Of those 23,133 unique claims, consumers had made at least one attempt to cure in connection with 22,114 claims (95.6%), while no attempt to cure had been made with respect to the remaining 1,019 claims (4.4%). Across the 22,114 claims where consumers had attempted to cure: (i) for 20,952 claims (94.7%), consumers successfully cured the deficiency; (ii) for 1,161 claims (5.3%), consumers had not resubmitted claims after their most recent attempt to cure the deficiency was unsuccessful; and (iii) for 1 claim (0.004%), a consumer had resubmitted a claim that was pending a completeness determination by Volkswagen as of September 8, 2019. For the

last category, Volkswagen determined, after September 8, 2019, that the consumer had not successfully cured the deficiency, and Volkswagen has notified the consumer.

Through September 8, 2019, there were 752 consumer claims with active deficiencies. The most common deficiency codes among active deficient claims were: (i) an incorrect document was uploaded (318 claims); (ii) a document was illegible (162 claims); (iii) a name on a document did not match the name in the Claims Portal (82 claims); and (iv) a document was incomplete or the document image was cut off (72 claims).

During this quarterly reporting period, the Claims Supervisor reviewed a sample of 262 documents deemed deficient by Volkswagen reviewers during the first ten-business-day review period to assess whether the codes were properly applied. The Claims Supervisor validated Volkswagen's deficiency determinations in 248 instances (94.7%). This concurrence rate is relatively consistent with that of previous quarters. The majority of the fourteen documents where Ankura disagreed with the initial deficiency determination related to "complex documents."<sup>15</sup>

Volkswagen also agreed to extend the deadline for consumers with Generation One vehicles who timely submitted claims to cure deficiencies from June 1, 2019 to June 30, 2019. Following the conclusion of the extended deadline, the Claims Supervisor independently reviewed all 149 Generation One claims to confirm Volkswagen's deficiency determinations before any of these claims were re-categorized as ineligible for failure to timely submit a complete claim. For 146 claims (98.0%), the Claims Supervisor concurred with Volkswagen's deficiency determinations. These claims were re-categorized as ineligible. After discussion with

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<sup>15</sup> "Complex documents" include: power of attorney; death certificate; proof of VCI 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. Notably, where the Claims Supervisor disagrees with a deficiency code determination and that deficiency determination is the sole reason the claim has been deemed deficient, the Claims Supervisor will raise the claim with Volkswagen for additional review.

Volkswagen, the other three claims (2.0%) were converted to complete and preliminarily eligible, and offer letters subsequently were issued to the consumers.<sup>16</sup>

D. The “Pause” Period

For Owners of Generation One vehicles who elect a Buyback or Trade-In remedy, whose claims are deemed complete and preliminarily eligible by Volkswagen, and whose vehicles are encumbered by a loan, the second ten-business-day review period does not begin until Volkswagen obtains loan payoff information from the lender. This information is necessary for Volkswagen to generate an offer letter for the consumer.

As of September 8, 2019, there had been 792 instances in which a claim had been “paused” pending receipt of loan payoff information from a lender. On average, the “pause” period has lasted less than two business days per claim. As of September 8, 2019, there were no actively paused claims pending receipt of loan payoff information from a lender.

E. The Second Ten-Business-Day Review Period

Subject to the “pause” period discussed above, 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.<sup>17</sup>

As of September 8, 2019, a total of 69,373 consumers had reached the second ten-business-day review period after having been deemed preliminarily eligible by Volkswagen,

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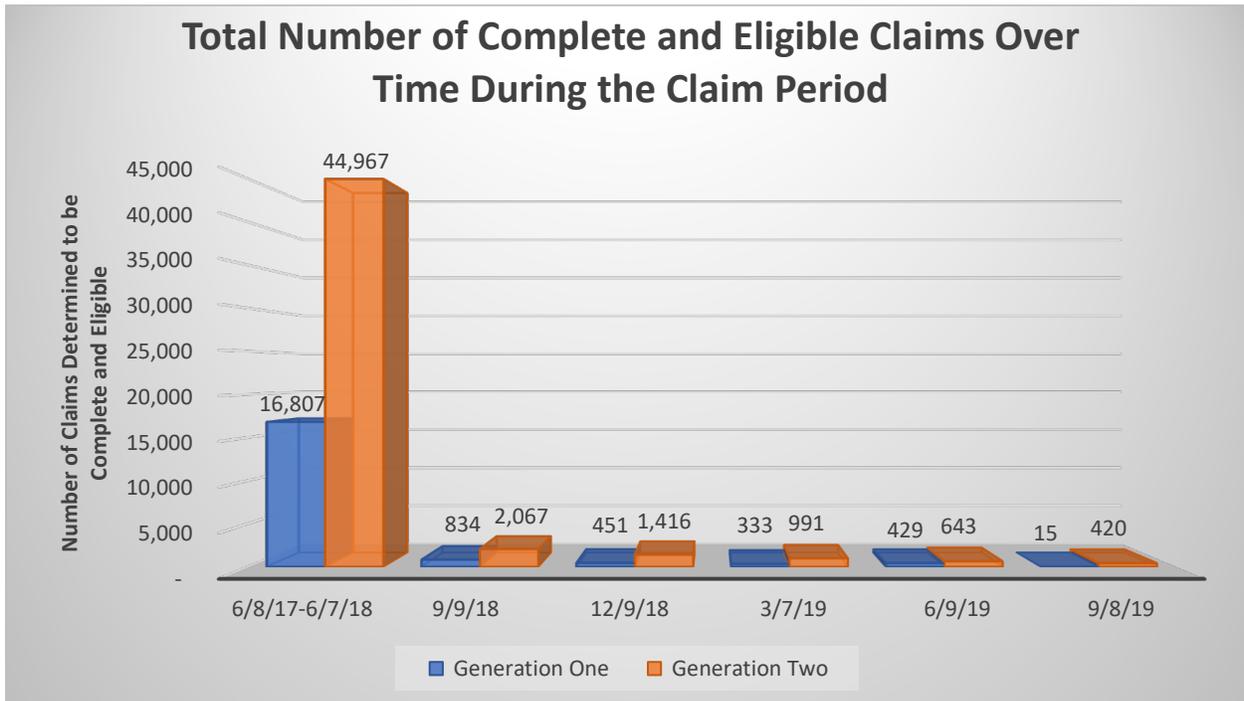
<sup>16</sup> As previously stated, eligible consumers who have accepted an offer letter on a claim associated with a Generation One vehicle have until September 30, 2019 to complete their remedy and receive compensation under the terms of the 3.0 Liter Resolution Agreements.

<sup>17</sup> 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 automatically deemed ineligible by Volkswagen’s system based on information input by the consumer in the Claims Portal. Through September 8, 2019, there had been 1,624 instances in which claims had been deemed ineligible upon review by Volkswagen. For 1,379 of these claims, the ineligibility determination had been validated by the Claims Supervisor and communicated by Volkswagen to the consumer. Remaining claims generally either were actively under review or were instances where claims were deemed deficient instead of ineligible, offering the consumer a chance to cure.

including 435 such consumers during this quarter.<sup>18</sup> Of these, 18,869 claims related to Generation One vehicles (17,368 individuals and 1,501 businesses) and 50,504 claims related to Generation Two vehicles (46,000 individuals and 4,504 businesses). Across this population, 68,481 consumers (98.7%) had been issued offer letters, including 449 offer letters issued during this quarter.

Chart 2-18 shows, for Generation One and Generation Two vehicles, the total number of claims reaching the second ten-business-day review period over time during the Claim Period, including during this quarter.

**Chart 2-18**



Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it timely issue second ten-business-day review period decisions. As of

<sup>18</sup> As described above, there were 69,276 consumers whose claims were deemed complete and preliminarily eligible by Volkswagen, but 69,373 preliminarily eligible claims reached the second ten-business-day review period. The difference relates to instances where claims reached the second ten-business-day review period having skipped the status that ends the first ten-business-day review period. The distinction does not substantively affect claims processing. It is only reflected when data is queried to generate aggregated figures for reporting.

September 8, 2019, excluding the 17 claims that had reached the second ten-business-day review period but for which the review period had not yet elapsed, the company had been required to make 75,966 second ten-business-day review period decisions. The company timely rendered determinations in 74,185 instances, for a second ten-business-day review period compliance rate of 97.7%. During this quarter, Volkswagen was required to make 661 second ten-business-day review period decisions, and timely did so in 650 instances for a reporting period-specific compliance rate of 98.3%. As of September 8, 2019, there were no overdue claims pending in the second ten-business-day review period.

Chart 2-19 shows Volkswagen’s performance during the Claim Period in timely issuing second ten-business-day review period decisions, and Chart 2-20 reflects Volkswagen’s overall second ten-business-day review period performance by eligibility categories.

**Chart 2-19**

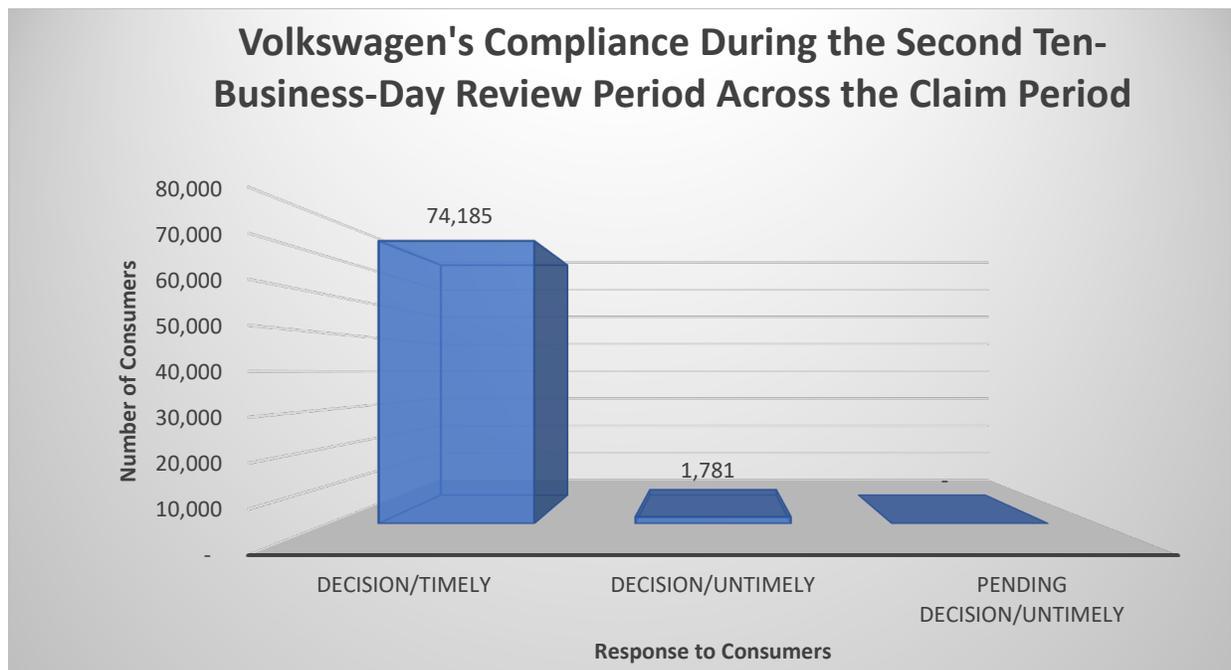


Chart 2-20<sup>19</sup>

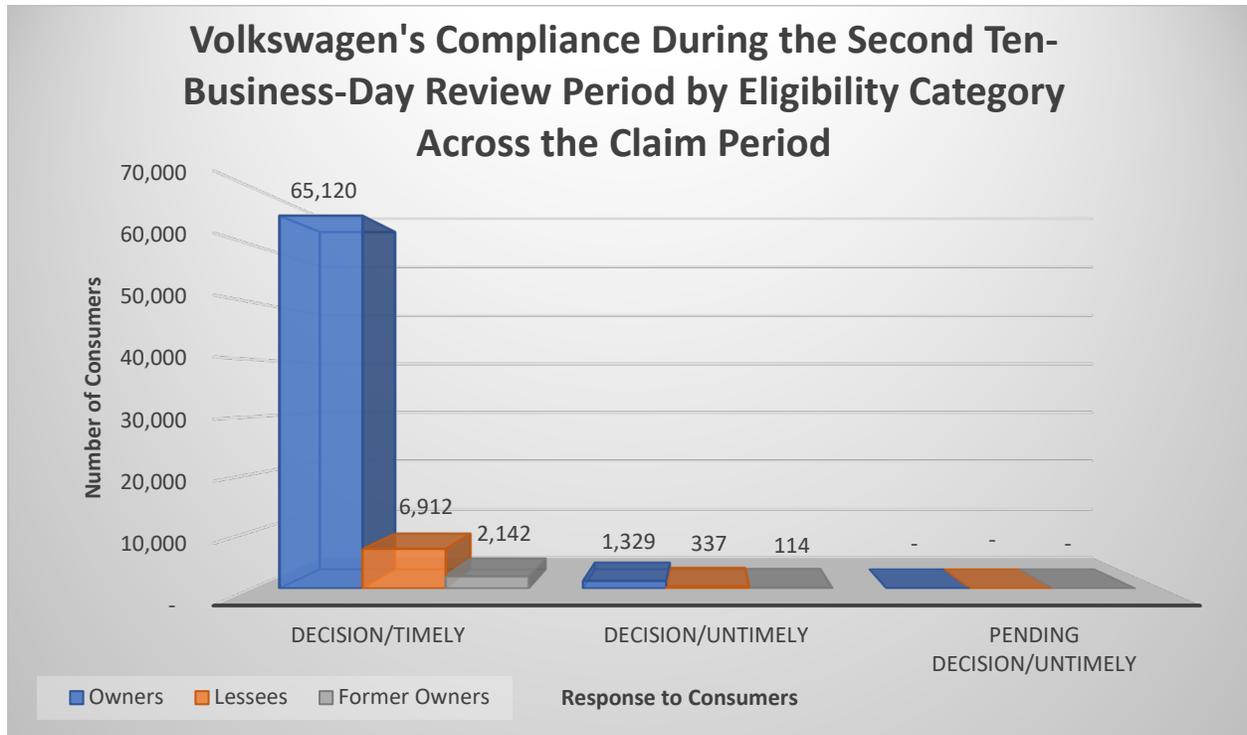
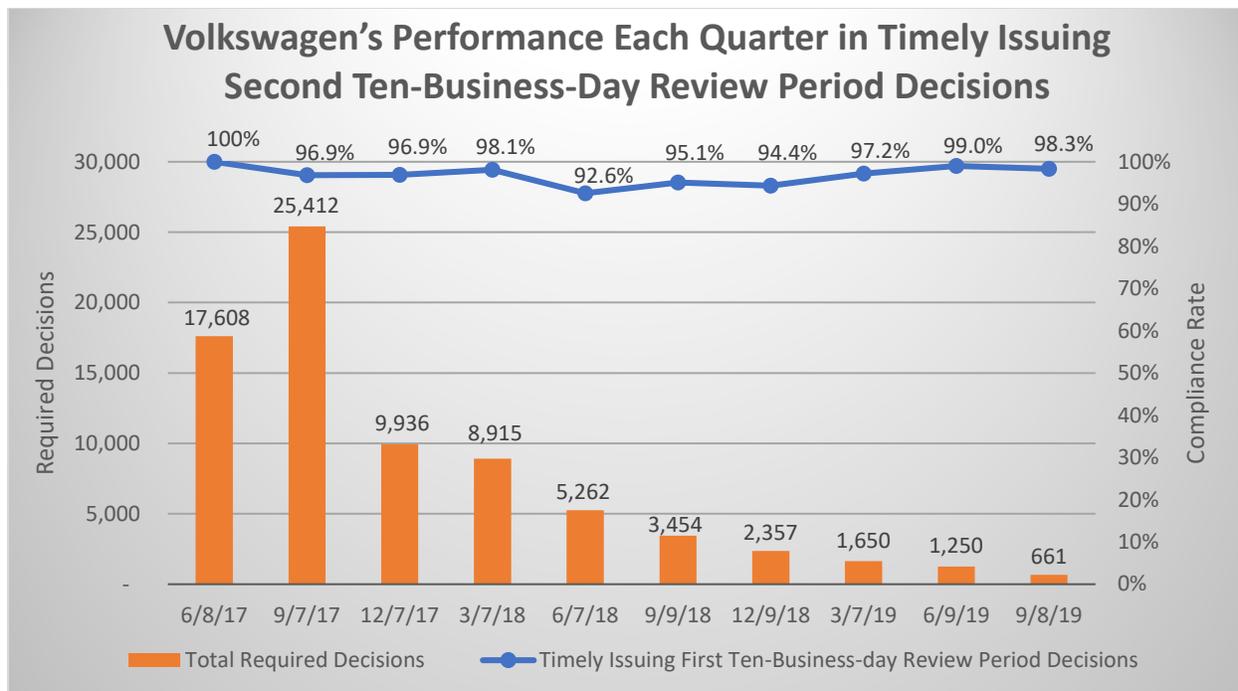


Chart 2-21 reflects the total number of required decisions as well as Volkswagen's performance in timely issuing second ten-business-day review period decisions across each quarter of the Claim Period.

<sup>19</sup> The twelve claims not accounted for in Chart 2-20 were deemed not eligible, eleven of which were timely decisions and one of which was untimely.

Chart 2-21<sup>20</sup>

#### F. Offer Letters

Through September 8, 2019, Volkswagen had issued 68,481 offer letters, the aggregate value of which totaled \$1,071,880,808.94, including 449 offer letters issued during this quarter aggregately valued at \$3,978,878.66.<sup>21</sup> Of these, 18,691 offer letters with an aggregate value of \$702,122,460.02 related to Generation One vehicles (17,220 offers to individuals with an aggregate value of \$646,970,166.70 and 1,471 offers to businesses with an aggregate value of \$55,152,293.32). The remaining 49,790 offer letters with an aggregate value of \$369,758,348.92

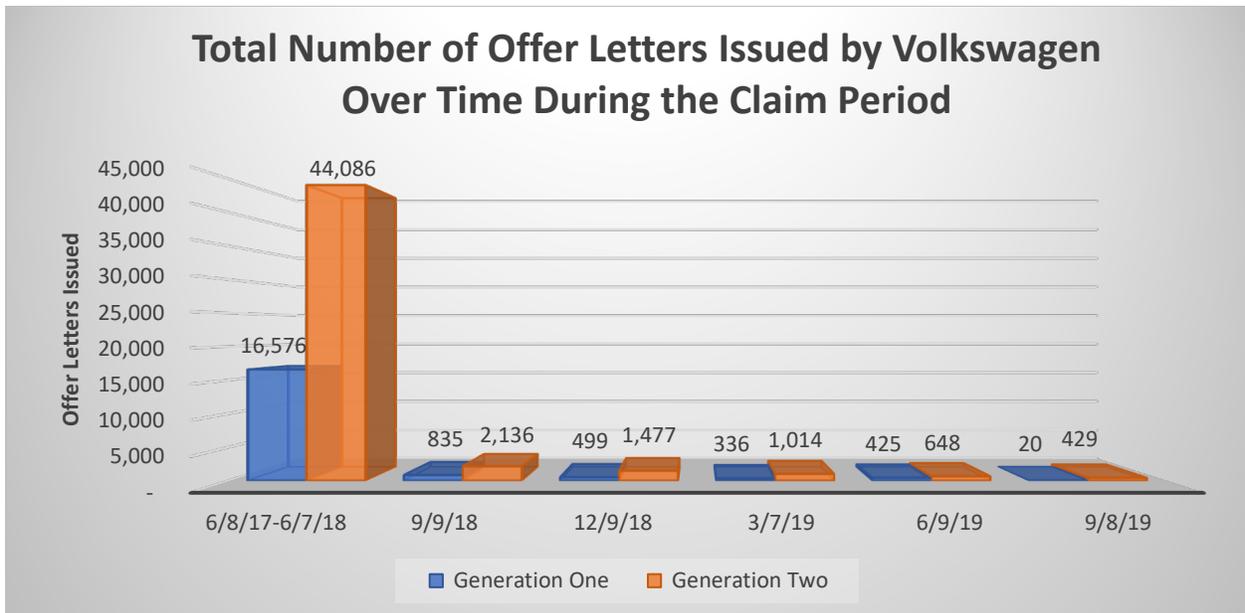
<sup>20</sup> For the same reasons described in footnote 10, the aggregated total of required decisions reflected in Chart 2-21 is 539 decisions (0.7%) greater than the 75,966 required second ten-business-day review period decisions set forth above.

<sup>21</sup> The Claims Supervisor identified 1,102 claims -- 34 claims related to Generation One vehicles and 1,068 claims related to Generation Two vehicles -- where it appears that consumers who leased Eligible Vehicles and later purchased the vehicles after January 31, 2017 had claims that were categorized as Owner (Lease Conversion) claims when they may be more appropriately categorized as Eligible Lessee claims under Section 2.38 of the 3.0 Liter Class Action Settlement Agreement. A review of the claims showed that when offers were extended, those offers were appropriately being valued using the Lessee valuation formulas for Generation One and Generation Two vehicles. Therefore, this issue is not substantively affecting consumers. It is purely one of data categorization that affects the aggregation of figures for reporting. For purposes of this report, unless otherwise noted, these claims will be captured as Owner claims, as that is how they are currently reflected in Volkswagen's claims system.

related to Generation Two vehicles (45,424 offers to individuals with an aggregate value of \$337,582,054.32, and 4,366 offers to businesses with an aggregate value of \$32,176,294.60).

Chart 2-22 shows, for Generation One and Generation Two vehicles, the total number of offer letters issued by Volkswagen over time during the Claim Period, including during this quarter.

**Chart 2-22**



Charts 2-23 and 2-24 show, across Generation One and Generation Two vehicles, the total number of offer letters issued by Volkswagen by eligibility category.

Chart 2-23<sup>22</sup>

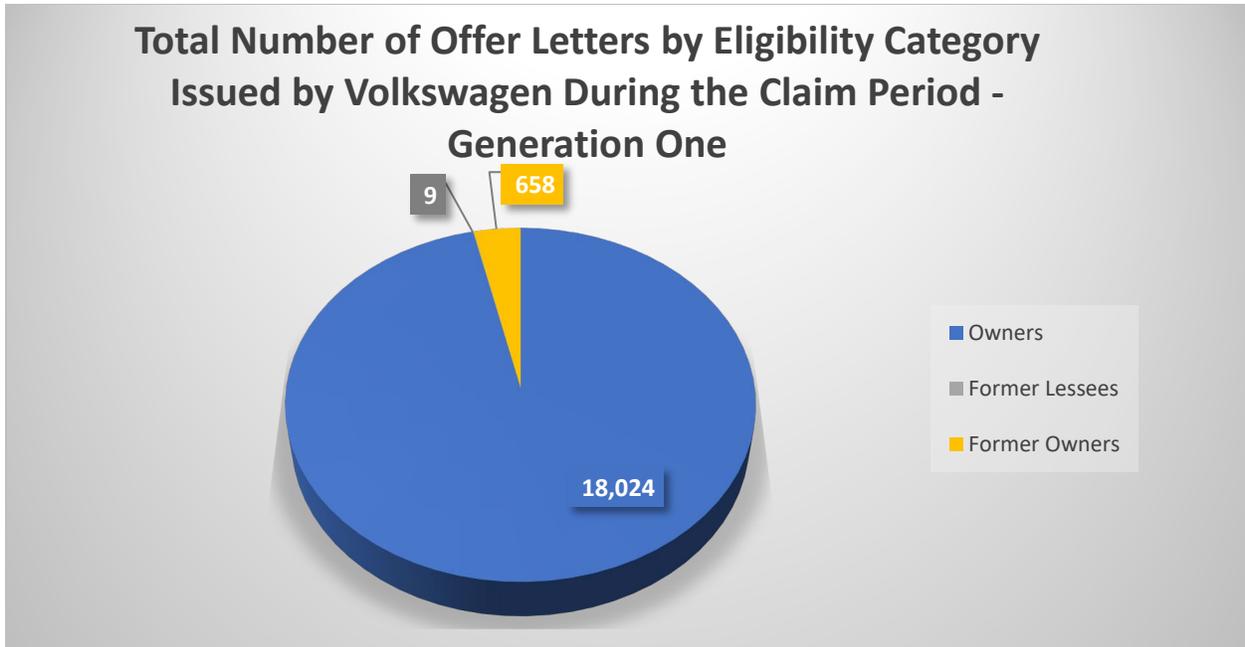
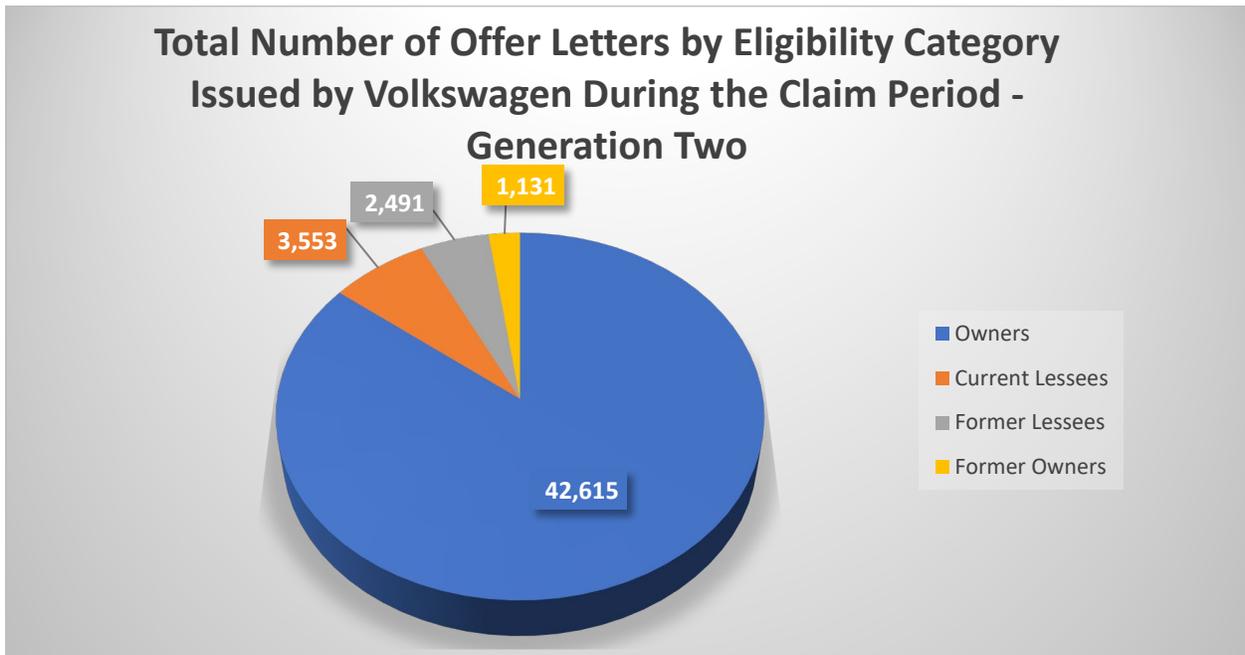


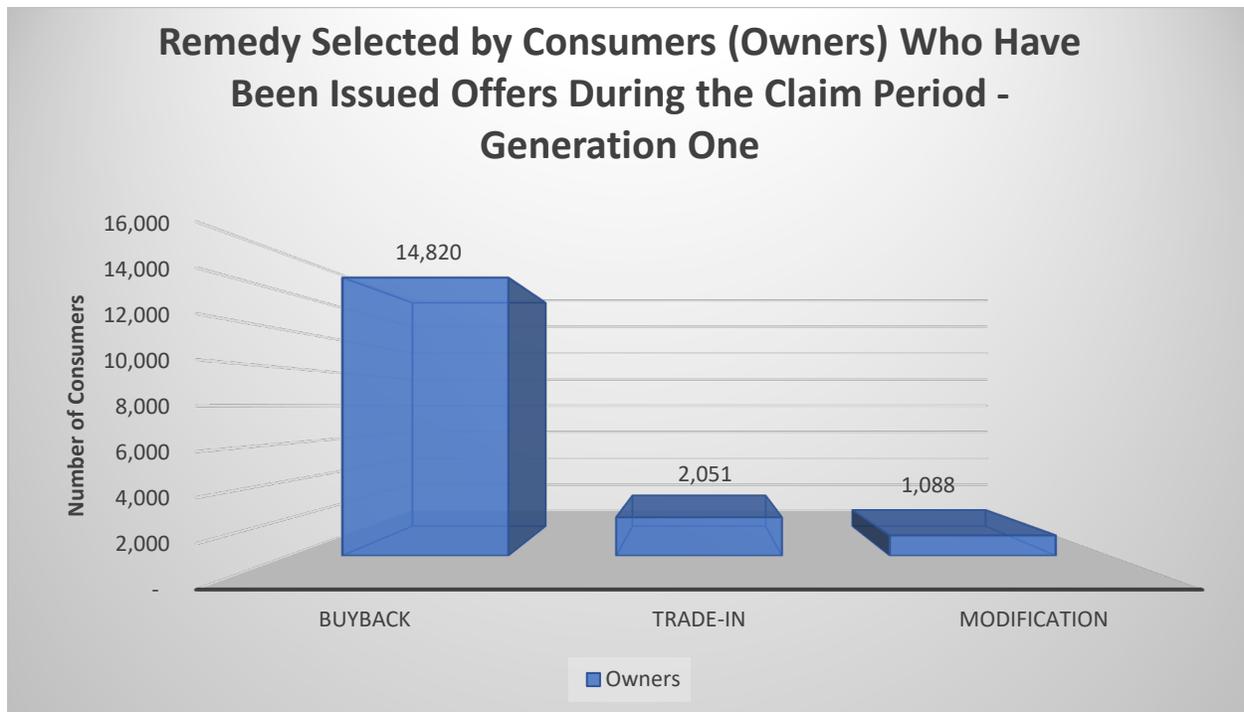
Chart 2-24



<sup>22</sup> No offers were extended to Generation One Current Lessees. Only five such claims were submitted during the Generation One claim submission period for Volkswagen to review, and none reached the second ten-business-day review period as complete and preliminarily eligible. The small number of these submitted claims and processing outcomes were a function of the earlier model years of Generation One vehicles. Specifically, the vehicles that were the subject of these five claims were not under active leases at the time the claims were submitted.

Chart 2-25 shows offer letters related to Generation One vehicles issued to Owners by remedy selections.

**Chart 2-25<sup>23</sup>**

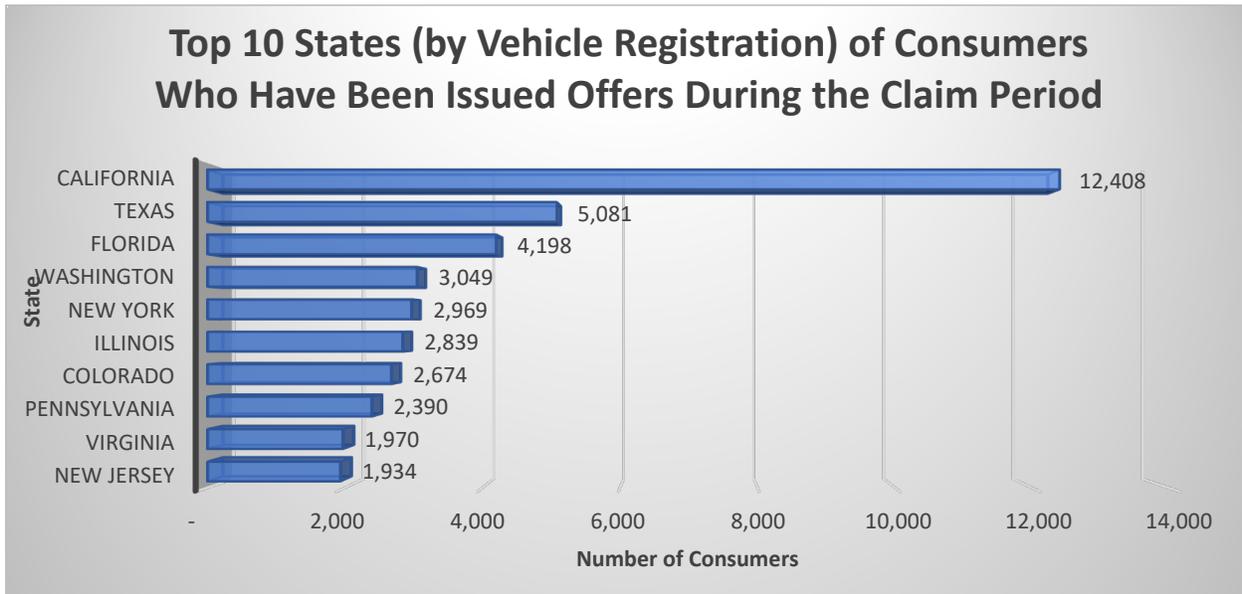


As to Generation Two vehicles, a total of 42,438 Owners and 3,553 Current Lessees had received offer letters for an ECR, while 2,491 Former Lessees, 1,131 Former Owners, and 177 Owners with totaled vehicles had received offer letters associated with Repair Payments.

Chart 2-26 shows the top ten states by vehicle registration of consumers who had received offer letters through September 8, 2019.

<sup>23</sup> Chart 2-25 excludes 658 Former Owners, 65 Owners with totaled vehicles, and 9 Former Lessees who had received offer letters because the only remedy available to those consumers is Restitution.

Chart 2-26



Through September 8, 2019, of the approximately \$702.12 million corresponding to the offer letters issued by Volkswagen relating to Generation One vehicles, Owners account for about \$698.68 million. Across these consumers: about \$465.02 million related to Owners without loans; about \$233.01 million related to Owners with loans; \$650,088.70 related to sixty-five Owners with totaled vehicles; and \$11,291.75 related to two Owner claims where the consumer purchased the vehicle between September 18, 2015 and January 31, 2017, following the expiration of the lease.<sup>24</sup> The remainder was split among Former Owners (658 offer letters valued in the aggregate at about \$3.39 million) and Former Lessees (9 offer letters valued in the aggregate at \$49,846.33).

Chart 2-27 shows the average, minimum, and maximum awards issued to consumers with Generation One vehicles by eligibility category and offer selection through September 8, 2019.

<sup>24</sup> Through September 8, 2019, there had been one instance where a loan amount on a Generation One vehicle that was the subject of a Buyback or a Trade-In claim had exceeded 130% of the award amount. The difference between the loan value and 130% of the award value was approximately \$3,300.

**Chart 2-27<sup>25</sup>**

<b>Eligibility Category and Offer Selection</b>	<b>Average Value</b>	<b>Minimum Value</b>	<b>Maximum Value</b>
Owner – Buyback	\$40,557.67	\$13,575.00 <sup>26</sup>	\$64,846.12
Owner – Trade In	\$41,893.90	\$18,055.75	\$62,984.50
Current Lessee – REM	\$10,162.98	\$3,990.00	\$13,607.83
Owner – Totaled Vehicle Restitution	\$10,001.36	\$4,808.48	\$12,516.20
Former Lessee Restitution	\$5,538.48	\$5,100.00	\$6,344.12
Former Owner Restitution	\$5,148.76	\$2,612.17	\$6,997.50

Through September 8, 2019, of the approximately \$369.76 million associated with offer letters to consumers with Generation Two vehicles, Owners accounted for about \$352.90 million. The remainder was split among: Current Lessees (3,553 offer letters valued in the aggregate at \$7.064 million); Former Lessees (2,491 offer letters valued in the aggregate at \$4.982 million); and Former Owners (1,131 offer letters valued in the aggregate at about \$4.81 million).

Chart 2-28 shows the average, minimum, and maximum awards issued to consumers with Generation Two vehicles based on eligibility category and offer selection through September 8, 2019.

<sup>25</sup> Chart 2-27 excludes the thirty-four Generation One claims discussed in footnote 21 above that were categorized as Owner instead of Eligible Lessee claims.

<sup>26</sup> This lower amount was in connection with a vehicle associated with a branded title for which, under the branded title eligibility and award protocols, the consumer was entitled only to receive Vehicle Value.

**Chart 2-28**<sup>27</sup>

<b>Eligibility Category and Offer Selection</b>	<b>Average Value</b>	<b>Minimum Value</b>	<b>Maximum Value</b>
Owner – ECR	\$8,379.37	\$1,830.44 <sup>28</sup>	\$16,113.64
Owner – Totaled Vehicle Restitution	\$7,914.87	\$1,977.94	\$10,466.84
Current Lessee – ECR	\$2,000.00	\$2,000.00	\$2,000.00
Former Lessee – Restitution	\$2,000.00	\$2,000.00	\$2,000.00
Former Owner – Restitution	\$4,253.12	\$1,841.69	\$5,722.12

Finally, Chart 2-29 shows, through September 8, 2019, data related to two categories of non-standard claimants: (i) military personnel deployed overseas with their vehicles; and (ii) decedent estates.

**Chart 2-29**<sup>29</sup>

	<b>Military Overseas</b>	<b>Decedent Estates</b>
Registrations	96	184
Submitted Claims	94	178
Deemed Complete and Eligible	94	171
Offer Letters Issued	94	171
Total Offer Amounts	\$1,840,074.17	\$2,918,952.28

<sup>27</sup> With respect to the figures for Owner-ECR claims, Chart 2-28 excludes the 1,068 Generation Two claims discussed in footnote 21 above that were categorized as Owner instead of Eligible Lessee claims.

<sup>28</sup> This amount is a Repair Participation Payment where the consumer sold the vehicle after the initial payment was issued and received but before the ECR was completed. The subsequent purchaser received the remaining payment owed on the vehicle upon completion of the ECR.

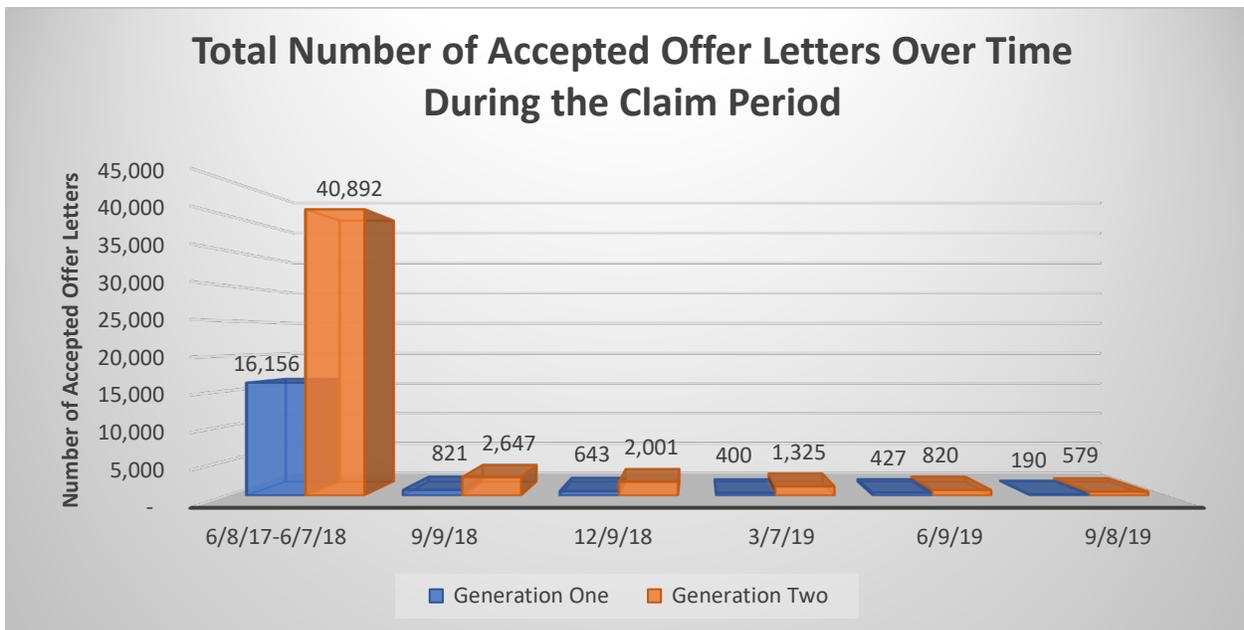
<sup>29</sup> Military overseas claims are categorized as non-standard claims because of the unique issues they present in terms of claims processing and closing logistics. While decedent estate claims present unique claims processing issues, closings generally follow the standard process, so information regarding these claims is included within the closing data in this Section along with other standard claims.

G. Appointments, Closings, and Repair Participation Payments

As of September 8, 2019, a total of 66,901 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$1,061,250,077.98.<sup>30</sup> This includes 18,637 accepted offer letters associated with Generation One vehicles valued in the aggregate at \$701,009,695.13, and 48,264 accepted offer letters associated with Generation Two vehicles valued in the aggregate at \$360,240,382.85. During this quarter, 769 offer letters were accepted by consumers with an aggregate value of \$11,414,071.12.

Chart 2-30 shows, for Generation One and Generation Two vehicles, the total number of accepted offer letters over time during the Claim Period, including during this quarter.

**Chart 2-30**

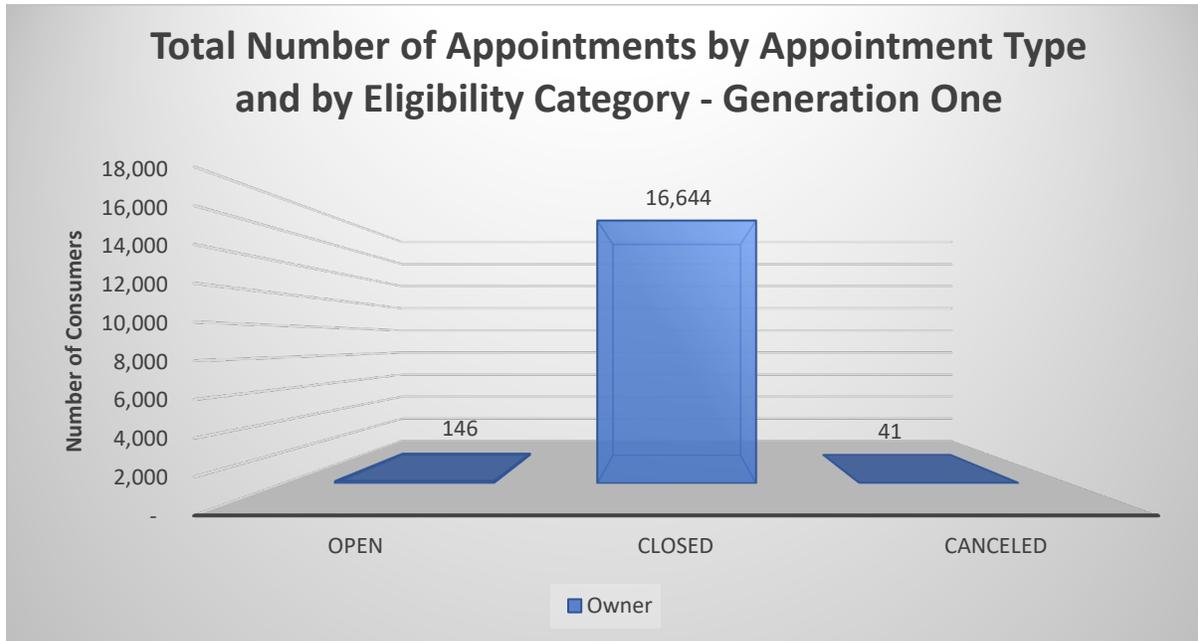


Of the 18,637 consumers with Generation One vehicles who had accepted offer letters as of September 8, 2019, 17,909 were Owners. Within that group of 17,909 consumers, 16,831

<sup>30</sup> In addition to Owners, this figure includes Former Lessees, Former Owners, and consumers with totaled vehicles who do not need to proceed through the closing phase because they do not have possession of an Eligible Vehicle. Information on payments made to consumers in these eligibility categories is set forth below.

consumers (94.0%) had scheduled Buyback or Trade-In closing appointments as of September 8, 2019.<sup>31</sup> Chart 2-31 shows for these consumers the total number of appointments by appointment type across eligibility categories, and Chart 2-32 shows the remedy selection of consumers with closed appointments.<sup>32</sup>

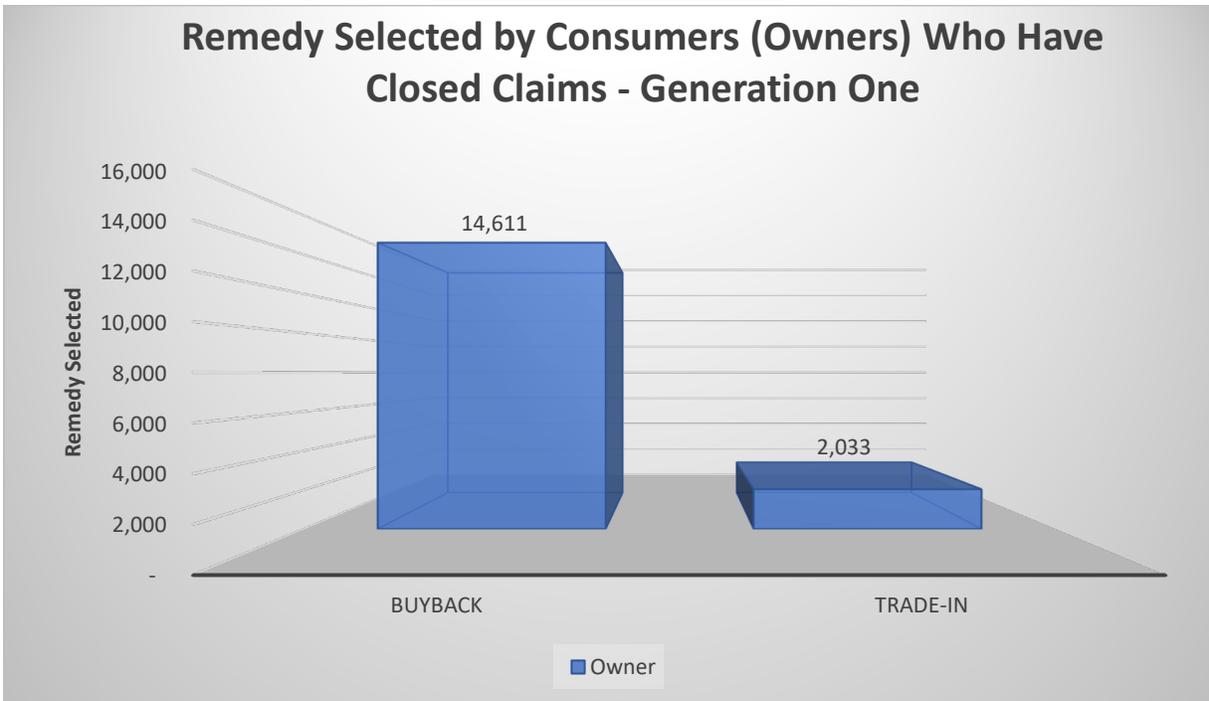
**Chart 2-31**



<sup>31</sup> Information regarding completed REMs on Generation One vehicles is set forth below.

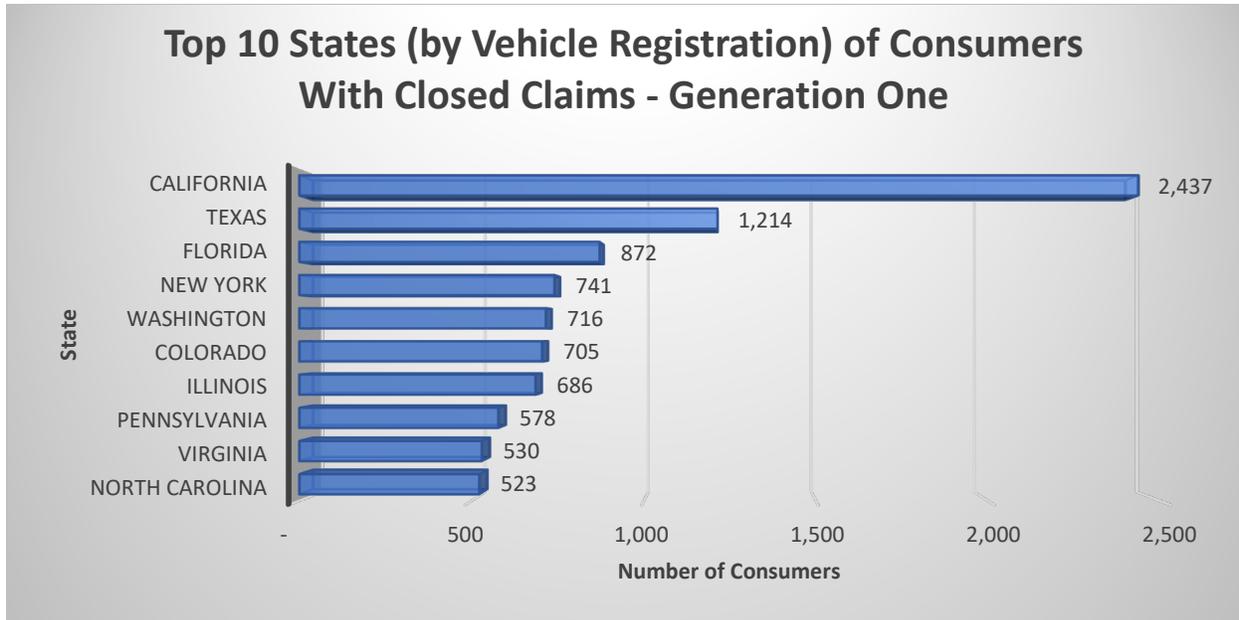
<sup>32</sup> As of September 8, 2019, there had been 5,936 instances where a scheduled Buyback or Trade-In appointment for a Generation One vehicle had resulted in cancellation. Of these, 5,660 appointments (95.4%) were cancelled at the consumer's request. Other common reasons for cancellations included: (i) the customer did not show up to the appointment (126 instances); (ii) the title holder was not present at the closing (24 instances); and (iii) the Owner or Current Lessee was not present at the closing and the consumer did not provide a valid power of attorney with his or her claim submission (18 instances). Notably, most cancelled appointments reflected in Chart 2-31 are instances where the consumer changed his or her remedy selection from a Buyback or Trade-In to a REM.

Chart 2-32



As set forth in Chart 2-32, there had been 16,644 Buyback and Trade-In appointments associated with Generation One vehicles that had resulted in closing as of September 8, 2019, the aggregate value of the offer letters for which totaled \$677,076,702.58. This includes 297 closings during this quarter with offer letters aggregately valued at \$12,739,468.13. Chart 2-33 shows the top ten states for consumers with Generation One vehicles who proceeded through closing based on the state in which the vehicle was registered.

Chart 2-33



Through September 8, 2019, Volkswagen had issued payments totaling \$675,268,592.61 to, or on behalf of, Owners with Generation One vehicles who had closed Buyback or Trade-In claims.

As discussed in prior reports, a REM has been approved for all Generation One vehicles and an ECR has been approved for all Generation Two vehicles.<sup>33</sup> As of September 4, 2019, Volkswagen had completed 1,269 REMs on Generation One vehicles and 46,975 ECRs on Generation Two vehicles, while the vehicles were in the possession of consumers. Chart 2-34 shows the status of these completed modifications relative to whether the consumer also had completed the claims process and received payment.

<sup>33</sup> Aggregated data for completed AEMs and associated payments are derived from Volkswagen data provided each month.

**Chart 2-34**

	<b>Completed REM: Generation One Vehicles</b>	<b>Completed ECR: Generation Two Vehicles</b>
Completed Claims Process while in a Consumer's Possession	1,048	43,369
Pending Completion of the Claims Process <sup>34</sup>	18	1,517
No Claim Registered, Claim Ineligible, or Claim Cancelled	203	2,089

As of September 4, 2019, Volkswagen had paid \$10,364,969.94 in connection with REMs on Generation One vehicles and \$340,675,002.16 in connection with ECRs on Generation Two vehicles. This includes \$510,407.31 and \$5,240,655.26 paid during the past ninety days in connection with Generation One vehicles and Generation Two vehicles, respectively.

The figures above for Generation One and Generation Two vehicles do not account for claims from Former Owners, Former Lessees, and Owners with totaled vehicles because these consumers do not need to go through the closing process. Charts 2-35 and 2-36 show the number and amount of Generation One and Generation Two payments associated with these eligibility categories, respectively.

**Chart 2-35**

<b>Generation One - Eligibility Category</b>	<b>Total Number of Payments Issued</b>	<b>Total Amount of Payments Issued</b>
Former Owners	655	\$3,376,297.60
Former Lessees	9	\$49,846.33
Consumers with Claims Related to Totaled Vehicles	64	\$640,632.45

<sup>34</sup> The overwhelming majority of these claims are instances in which offers had been extended by Volkswagen to consumers but had not yet been accepted.

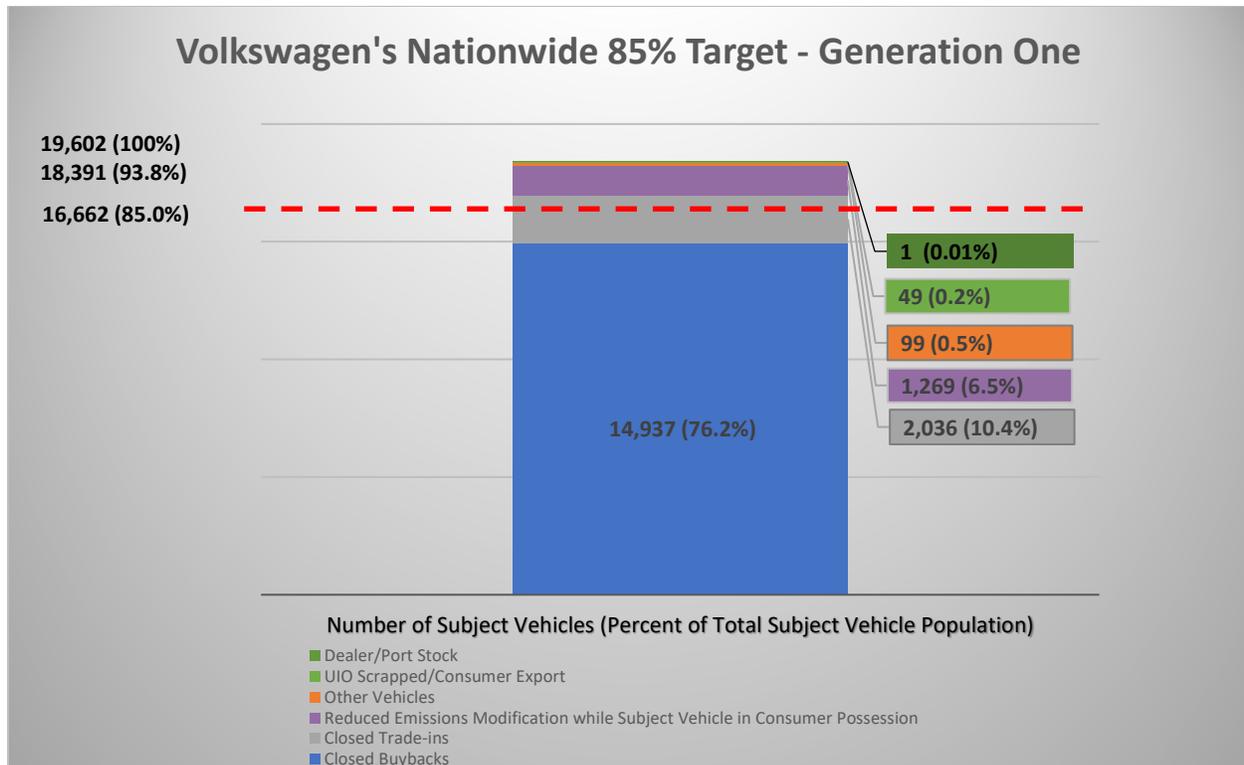
Chart 2-36

<b>Generation Two - Eligibility Category</b>	<b>Total Number of Payments Issued</b>	<b>Total Amount of Payments Issued</b>
Former Owners	1,111	\$4,718,762.52
Former Lessees	2,323	\$4,645,000.00
Consumers with Claims Related to Totaled Vehicles	168	\$1,337,595.65

Finally, during this reporting period, the Claims Supervisor updated its analysis of all payments made by Volkswagen to consumers to confirm that no consumers had received payouts less than the amount to which they were entitled pursuant to the terms of the 3.0 Liter Resolution Agreements. Consistent with past analyses, in the overwhelming majority of instances, consumers were not underpaid. The Claim Supervisor did identify three instances in which consumers appeared to have been underpaid in amounts of \$37.50, \$140.15, and \$775.00, respectively. Volkswagen reviewed these three claims and agreed with the Claims Supervisor's analysis. The company has made top-off payments to these three consumers.

#### H. Volkswagen's 85% Targets

As of the October 2018 reporting period, Volkswagen had satisfied the requirement in the 3.0 Liter DOJ Consent Decree that the company permanently remove from commerce or perform an AEM on at least 85% of Generation One 3.0 Liter Subject Vehicles by November 30, 2019. The 3.0 Liter DOJ Consent Decree provides that "the total number of Generation 1.x 3.0 Liter Subject Vehicles is 19,602." Chart 2-37 reflects data on the number of Generation One Subject Vehicles that Volkswagen had removed from commerce or modified.

Chart 2-37<sup>35</sup>

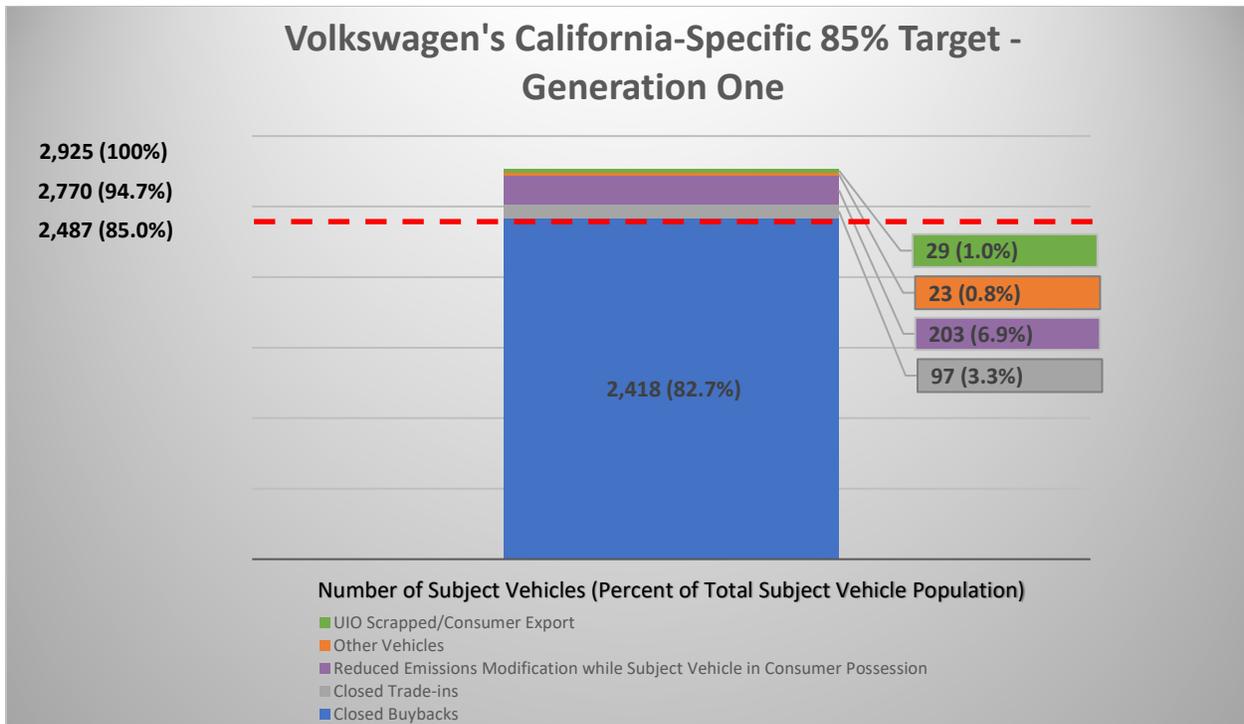
The “Other Vehicles” category depicted in Chart 2-37 (and Charts 2-38, 2-39, and 2-40 below) represents vehicles Volkswagen has removed from commerce outside of the Claims Program. This includes, among others, used vehicles that Volkswagen acquired from dealerships and company cars previously utilized by Volkswagen employees that have since been retired.

As of the November 2018 reporting period, Volkswagen had satisfied the requirement in the 3.0 Liter DOJ Consent Decree that the company permanently remove from commerce or

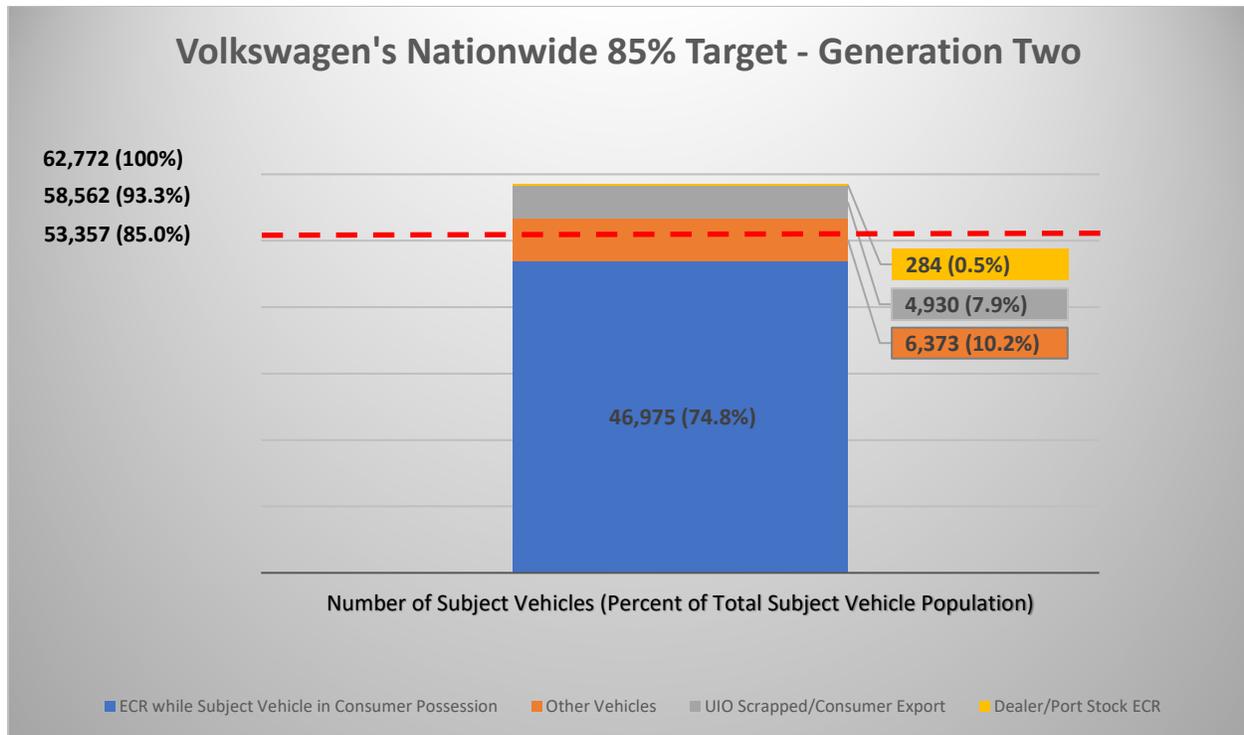
<sup>35</sup> Figures in Charts 2-37 through 2-40 relating to Polk Units in Operation (“UIO”) Scrapped and Other Vehicles are based on Volkswagen data as of June 30, 2019. The population of Other Vehicles includes certain vehicles associated with completed Buyback, Trade-In, or AEM appointments. To avoid double-counting, these vehicles are excluded from the Buyback, Trade-In, and AEM figures reflected in Charts 2-37 through 2-40 and are counted only in the Other Vehicles figure. Buyback and Trade-In figures also would 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. The data also reflect closed Buyback and Trade-In claims on Generation One vehicles purchased in the United States but registered in Canada through September 4, 2019. Data on Canadian-registered vehicles that have received an AEM are subsumed within the REM and ECR figures shown by vehicle generation. Vehicles initially characterized as scrapped that proceeded through the claims process, often after a consumer took steps to obtain a rebuilt title, are counted toward the 85% requirement to give Volkswagen credit for addressing these operable and polluting vehicles. Across Charts 2-37 through 2-40, vehicles initially categorized as scrapped never account for more than 1% of the total population of vehicles removed from commerce or modified.

perform an AEM on at least 85% of Generation One 3.0 Liter Subject Vehicles registered in California by November 30, 2019. The 3.0 Liter DOJ Consent Decree provides that “the total number of all Generation 1.x 3.0 Liter Subject Vehicles registered in California is 2,925.” Chart 2-38 reflects data on the number of Generation One Subject Vehicles registered in California that had been modified or removed from commerce.

**Chart 2-38**



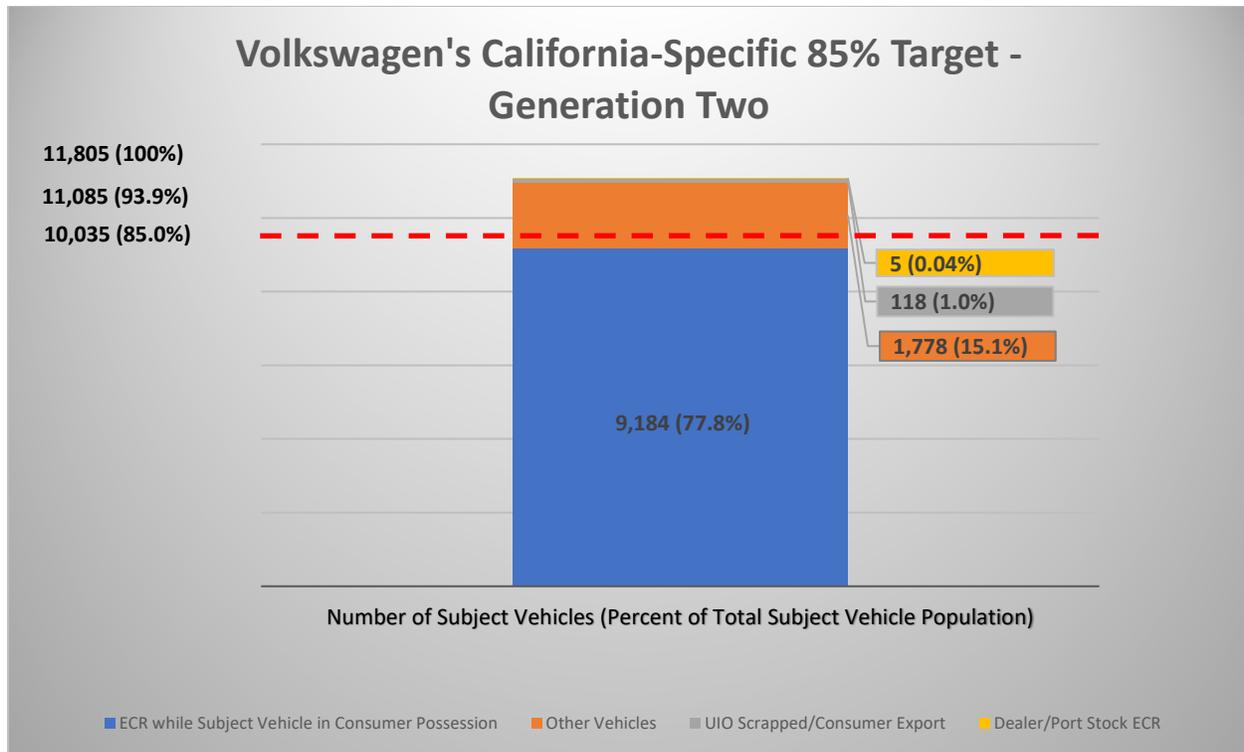
There are similar targets for Generation Two vehicles. As of the October 2018 reporting period, Volkswagen had satisfied the requirement in the 3.0 Liter DOJ Consent Decree that, by May 31, 2020, the company permanently remove from commerce or perform an ECR on at least 85% of Generation Two 3.0 Liter Subject Vehicles. The 3.0 Liter DOJ Consent Decree states that “the total number of Generation 2.x 3.0 Liter Subject Vehicles is 62,772.” Chart 2-39 generally reflects data on the number of Generation Two Subject Vehicles that had been modified or removed from commerce.

Chart 2-39<sup>36</sup>

As of the October 2018 reporting period, Volkswagen also had satisfied the requirement in the 3.0 Liter DOJ Consent Decree that, by May 31, 2020, the company permanently remove from commerce or perform an ECR on at least 85% of Generation Two 3.0 Liter Subject Vehicles that were registered in California as of November 2, 2015. The 3.0 Liter DOJ Consent Decree states that “the total number of all Generation 2.x 3.0 Liter Subject Vehicles registered in California is 11,805.” Chart 2-40 generally reflects data on the number of Generation Two Subject Vehicles registered in California that had been modified or removed from commerce.

<sup>36</sup> Subject Vehicles that were part of Volkswagen dealers’ or port stock at the time Volkswagen issued the stop-sale order are only included in the 85% analysis if they have been shown to have completed the ECR.

Chart 2-40



### III. Consumer Experience

#### A. Claims Program Updates

##### 1. Non-Standard Claims

##### a) Canadian Claims

During this quarter, Volkswagen continued to make progress in connection with claims submitted by consumers who had purchased a vehicle in the United States but registered it in Canada.<sup>37</sup> As of September 4, 2019, the company reported processing 409 out of 431 (94.9%) submitted claims, including 351 resulting in a completed remedy and 58 that were determined to be ineligible.<sup>38</sup> A total of thirty-one claims were completed since the June 2019 Report (twenty-

<sup>37</sup> As previously reported, following the approval of the Canadian 3.0 Liter settlement in April 2018, Volkswagen decided to extend benefits to these consumers, although the claims were not expressly covered under either the United States or Canadian settlement.

<sup>38</sup> The total number of claims submitted decreased by one from the June 2019 Report as a result of certain claims being recategorized.

four Buybacks and seven AEMs), and twenty-two claims remained pending.<sup>39</sup> Chart 3-1 reflects the number of completed Canadian claims and the claims remaining to be completed by remedy selection.

**Chart 3-1**

<b>Canadian Claims by Remedy Selection</b>	<b>Eligible/Completed Claims</b>	<b>Eligible/Completed Claims During the Quarter</b>	<b>Ineligible Claims</b>	<b>Claims Remaining to be Completed</b>
Buyback/Trade-In	264	24	40	2
AEM	82	7	17	20
Seller Restitution	2	0	-	0
Owner Restitution	3	0	1	0
<b>TOTAL</b>	<b>351</b>	<b>31</b>	<b>58</b>	<b>22</b>

b) Military Overseas Claims

Volkswagen made additional progress processing claims submitted by military personnel stationed overseas with their vehicles. As of September 4, 2019, the company reported completing eighty of the eighty-four (95.2%) claims it had received, including three claims since the June 2019 Report (one AEM and one Buyback in Italy, as well as one AEM in Germany).<sup>40</sup> Chart 3-2 reflects the number of completed military overseas claims and those remaining to be completed by country and remedy selection.

<sup>39</sup> None of the twenty-two pending claims were considered active (as defined in footnote 12). Inactive claims include claims that have been registered but for which documents have not yet been submitted, and claims for which offers have been extended but a remedy has not yet been completed.

<sup>40</sup> The total number of claims submitted decreased by four since the June 2019 Report as the result of the recategorization of certain claims.

Chart 3-2

Overseas Military Claims					
Consumer and Vehicle Location	Total Claims	Buybacks Completed	Buybacks Remaining	AEMs Completed	AEMs Remaining
Germany	69	25	1	42	1
Italy	4	2	-	2	-
Belgium	3	1	-	2	-
South Korea	3	2	-	-	1
United Kingdom	1	1	-	-	-
Macedonia	1	-	-	1	-
Malaysia	1	-	-	1	-
Mexico	1	-	-	-	1
Turkey	1	-	-	1	-
<b>TOTAL</b>	<b>84</b>	<b>31</b>	<b>1</b>	<b>49</b>	<b>3</b>

The company advised that it is continuing efforts toward completing the three pending AEM claims involving vehicles located in Germany, Mexico, and South Korea, as well as the one remaining Buyback claim involving a vehicle located in Germany.

c) Branded Title Claims

In accordance with the framework developed by the Parties and CRC in February 2018, Volkswagen continued to timely process the relatively few pending claims involving vehicles with branded titles.<sup>41</sup> At the conclusion of the reporting period, the company had completed 426 such claims, including 11 during the quarter.<sup>42</sup> Chart 3-3 reflects the total number of claims that

<sup>41</sup> 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 is analyzed accordingly, so that the eligibility requirements are consistently applied.

<sup>42</sup> The group of 426 completed claims includes claims submitted by consumers who Volkswagen identified as having acquired a significant number of vehicles with branded titles for the purpose of participating in the Claims Program. As previously reported, although some of these consumers 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.

Volkswagen had completed as of September 8, 2019, as well as the number of claims completed during the quarter by the company's eligibility determination.

**Chart 3-3<sup>43</sup>**

<b>Branded Title Claims Determinations</b>	<b>Total Claims</b>	<b>Claims Completed During the Quarter</b>
Eligible	151	3
Ineligible	275	8

At the end of the quarter, there were eleven pending claims -- all of which required additional information from consumers before the company could render a determination. The most common forms of outstanding documentation required from consumers were proof of ownership (4) and proof of vehicle purchase (4).

## 2. Claims Program Deadline Reminders

As set forth in the June 2019 Report, the company previously provided a series of communications to consumers with Generation One vehicles regarding Claims Program deadlines, including the June 1, 2019 deadline to submit a complete claim and the September 30, 2019 deadline for eligible consumers to complete an approved remedy.

From November 2018 through January 2019, the company provided Reminder Notices, as required by the terms of the 3.0 Liter Resolution Agreements, to more than 7,000 consumers with Generation One vehicles. In addition to referencing the Claims Program deadlines, the Reminder Notices encouraged those consumers with Generation One vehicles whose claims were approved to return their signed and notarized offer letter to Volkswagen for review by September 1, 2019. The Reminder Notices further advised that if consumers submit their signed offer letter after September 1, 2019, there is a significant risk that the offer letter will not be

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<sup>43</sup> As previously reported, the majority of eligible claims have involved vehicles with rebuilt titles obtained by February 26, 2018, and the majority of ineligible claims have involved vehicles that had salvage titles after February 26, 2018.

reviewed and approved in time for the consumer to schedule and complete his or her remedy prior to September 30, 2019 -- thus, resulting in the consumer being ineligible to receive benefits under the terms of the 3.0 Liter Resolution Agreements. In April and May 2019, the company also provided supplemental reminders to approximately 2,000 consumers with Generation One vehicles who had registered a claim, but had not completed a remedy, setting forth the Claims Program deadlines, as well as pertinent information regarding changing remedies.

During this quarter, Volkswagen continued to keep consumers with Generation One vehicles apprised of upcoming Claims Program deadlines. On July 12, 2019, Volkswagen sent a notice (the “July 2019 Notice”) to ninety-two consumers with Generation One vehicles who submitted a claim or received an offer for an AEM, but had not yet completed it. The July 2019 Notice reminded these consumers that they are required to sign and return their offer letter as well as complete the AEM by September 30, 2019 to be eligible to receive compensation under the terms of the 3.0 Liter Resolution Agreements. The July Notice encouraged recipients to schedule an appointment as soon as possible to account for possible delays in dealers ordering and receiving parts, as well as the potential need for additional repairs on an eligible vehicle prior to the vehicle being able to undergo an AEM. The July Notice also advised recipients that if their preferred dealer is unable to offer an appointment, they should explore appointment availability at other dealers in order to meet the September 30, 2019 deadline.<sup>44</sup>

In addition, on September 10, 2019, Volkswagen provided another notice (the “September 2019 Notice”) to 287 eligible consumers with Generation One vehicles who had not yet completed an approved claim. The September 2019 Notice reminded these consumers of the September 30, 2019 deadline to complete their approved claim and be eligible to receive benefits

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<sup>44</sup> As stated above, in accordance with the terms of the 3.0 Liter Resolution Agreements, AEMs on Generation One vehicles will still be available after September 30, 2019, although consumers will not be eligible to receive compensation.

under the Claims Program. The September 2019 Notice further advised these consumers that: (i) if they have not already done so, they are required to return a signed and notarized copy of their offer letter to Volkswagen as soon as possible; and (ii) if any deficiencies were identified by Volkswagen regarding a previously submitted signed offer letter, they must remedy those deficiencies and resubmit the signed offer letter to the company for further review. The September 2019 Notice also directed consumers whose signed offer letters had been approved by the company to schedule their closing appointment through the Claims Portal for a Buyback, or directly with their dealer for an AEM. The September 2019 Notice warned recipients that if they delay scheduling their appointment, they may be unable to find an available appointment prior to the September 30, 2019 deadline. Finally, the September 2019 Notice encouraged consumers with approved AEM claims to schedule their appointment as soon as possible in case their dealer either needs to order parts or make other repairs to the vehicle prior to completing the AEM.

### 3. AEM Correction for Generation Two PCs

On July 30, 2019, Volkswagen mailed a notice to 23,689 consumers with Generation Two PCs advising them of the availability of a voluntary AEM Correction to the previously approved emissions modification.<sup>45</sup> Although the AEM Correction is voluntary, the notice stated that if a consumer previously received the AEM but elected not to receive the AEM Correction, the vehicle's on-board diagnostics system could experience issues potentially requiring repair.

As set forth in the notice, the AEM Correction was developed to reduce soot accumulation related to an impacted vehicle's oxygen sensor. The presence of soot can result in the oxygen sensor not working effectively, potentially leading to the illumination of the vehicle's "check engine" light. The AEM Correction involves: (i) the installation of a new diesel particulate filter with an improved oxygen sensor position; (ii) the replacement of the diesel

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<sup>45</sup> The procedure by which to obtain an AEM Correction is set forth in the Amended DOJ Second Partial Consent Decree.

oxidation catalyst; and (iii) a software update to, among other things, improve on-board diagnostics monitoring of the vehicle emissions systems.

The notice stated that the AEM Correction will not adversely impact the drivability, features, fuel economy, or warranty coverage of the vehicle. The AEM Correction, which became available on August 14, 2019, is expected to take up to four hours to complete and is being provided free of charge. A loaner vehicle or alternate transportation is being offered to consumers while the AEM Correction is being completed on their vehicle. Consumers may schedule the AEM Correction directly with their preferred dealer. Eligible consumers with a Generation Two PC who have elected an AEM but not yet completed it will receive both the AEM and AEM Correction at the same appointment.

4. Extended Warranty and Service Contract Refund Program

Consistent with recent quarterly reporting periods, Volkswagen's vendor timely processed claims submitted by consumers in connection with the extended warranty and service contract refund program.

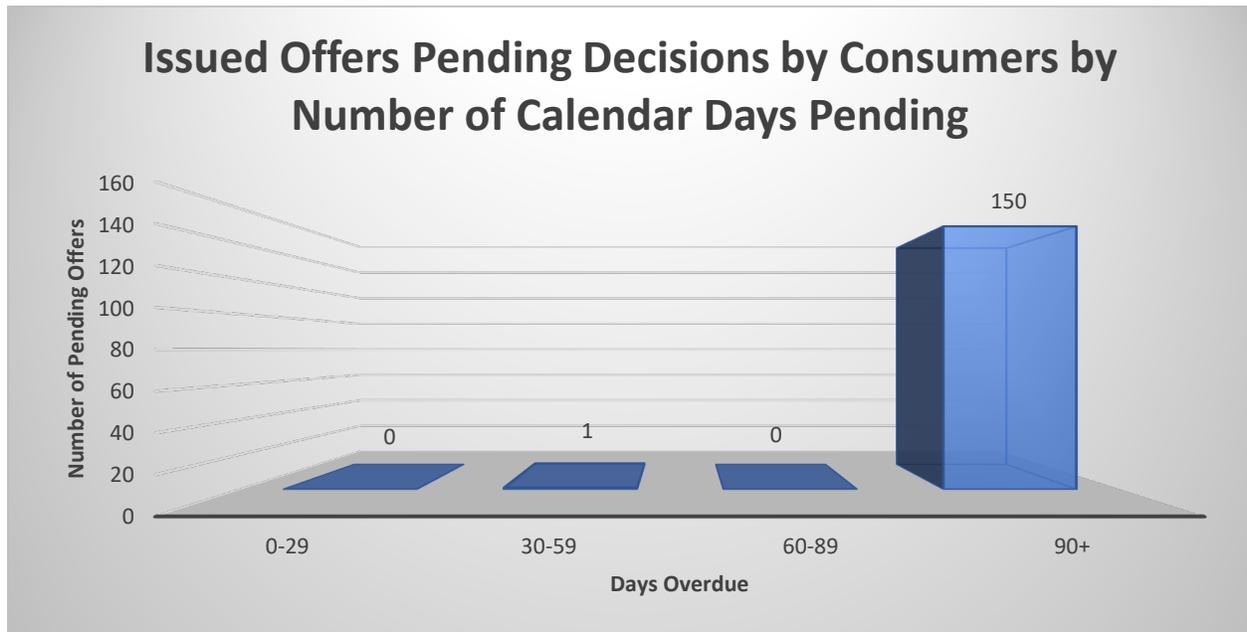
At the conclusion of this quarter, the company's vendor had communicated decisions for 2,118 of the 2,125 (99.7%) extended warranty or service contract claims that were submitted. Across those decisions, 1,397 claims (66%) had been deemed ineligible and 721 claims (34%) had been deemed eligible. Of the 721 eligible claims, Volkswagen had initiated payment on 547, including 13 claims during this quarter. Payments to consumers have totaled \$66,013.82, which averages \$120.68 per eligible claim.<sup>46</sup> Of the remaining 174 claims for which payment had not been initiated: (i) 151 claims were pending a response by the consumer to the offer; (ii) 5 claims

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<sup>46</sup> There were also fifteen claims that involved eligible contracts for which no payment was due. Because consumers only are entitled to a refund of "unused and otherwise nonrefundable portion of the purchase price" of an eligible contract, they do not receive compensation from Volkswagen when the provider is required to directly refund to them the unused portion of the purchase price of the contract.

had resulted in offers being rejected by the consumer; and (iii) 3 claims had resulted in accepted offers for which Volkswagen was in the process of initiating payment. Chart 3-4 depicts the number of days that the 151 pending offers have been outstanding.<sup>47</sup>

**Chart 3-4**



The Claims Supervisor has continued to review all eligibility and award determinations reached by Volkswagen's vendor and concurred with all but one during this quarter.<sup>48</sup> As of September 8, 2019, the vendor was in the process of re-reviewing the determination.

#### 5. CRC Appeals

The CRC made significant progress over this quarter adjudicating consumer appeals. As of September 12, 2019, consumers had submitted 1,213 unique appeals (1.7% of all submitted claims), including 76 unique appeals since the June 2019 Report. These appeals have challenged, among other issues, Volkswagen's eligibility decisions and award calculations.

<sup>47</sup> Volkswagen's vendor sends reminder e-mails on a monthly basis to consumers who have not responded to the offer. Consumers have until the end of the 3.0 Liter Claims Program to accept offers. Consumers may challenge their refund offer by submitting an appeal to the CRC.

<sup>48</sup> The Claims Supervisor may review multiple determinations in connection with a single claim.

The CRC had reached determinations with respect to 880 unique appeals (72.5%) as of September 12, 2019, including 288 determinations since the June 2019 Report. Of those 288 determinations: (i) 248 were denials; (ii) 32 involved instances in which the issues that were the subject of the appeal had previously been resolved, thus mooted the appeal; and (iii) 8 involved instances in which the consumer was advised that he or she may be eligible for benefits subject to receipt and confirmation of additional documentation.<sup>49</sup> The CRC provided consumers with Generation One vehicles who received favorable appeal determinations near the June 1, 2019 claim submission deadline until September 30, 2019 to complete their claim and any approved remedy.

A total of 333 appeals remained to be adjudicated. The deadline for consumers with Generation One vehicles to submit an appeal is October 21, 2019. Volkswagen and the PSC have reported that they will continue to work together to resolve pending appeals and will seek the assistance of the court-appointed neutral if necessary.

#### 6. Post-Closing Processing of Vehicles

As discussed in prior reports, once a Buyback or Trade-In 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 or undergo an AEM 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 DOJ, EPA, and CARB reflected that, as of June 30, 2019, Volkswagen had reacquired 16,751 Eligible Vehicles through the Claims Program, resold 8,080 Eligible Vehicles, and destroyed 2 Eligible

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<sup>49</sup> One such instance involved a consumer potentially being awarded compensation in accordance with the branded title protocols.

Vehicles. Accordingly, the company housed approximately 8,669 Eligible Vehicles at the storage facilities as of June 30, 2019.

7. Escrow Account Funding

As previously reported, pursuant to Section 13 of the 3.0 Liter Class Action Settlement Agreement, Volkswagen was required to fund an Escrow Account to compensate consumers who submit valid claims. On May 24, 2017, Volkswagen deposited into the Escrow Account \$252,000,000, which represented the initial Funding Amount required under the 3.0 Liter Class Action Settlement Agreement. If the Escrow Account were to reach a Minimum Balance of \$168,000,000, Volkswagen was required to replenish the account to bring it back to the Funding Amount. The 3.0 Liter Class Action Settlement Agreement further provides for downward adjustments to both the Funding Amount and Minimum Balance if the company received an ECR for Generation 2.2 SUV vehicles by October 23, 2017. As a result of achieving that milestone, the 3.0 Liter Class Action Settlement Agreement permitted the Funding Amount to be reduced to \$150,000,000 and, following that reduction, further permitted it to be adjusted every six months thereafter to 25% percent of the unspent amount of the maximum compensation then due to all Class Members. Any adjustment to the Funding Amount results in a corresponding adjustment to the Minimum Balance.

Consistent with the requirements of the 3.0 Liter Class Action Settlement Agreement, the following Escrow Account adjustments were made: (i) in November 2017, Volkswagen initiated the process to reduce the Funding Amount to \$150,000,000 as a result of Volkswagen receiving an ECR for Generation 2.2 SUV vehicles by October 23, 2017; (ii) in May 2018, the Funding Amount was reduced to \$89,608,333 (representing 25% percent of the unspent amount of the maximum compensation then due to all Class Members at the time); (iii) in November 2018, the Funding Amount was reduced to \$52,180,764 (representing 25% percent of the unspent amount of the maximum compensation then due to all Class Members at the time); and (iv) in May 2019,

the Funding Amount was reduced to \$35,586,023 (representing 25% percent of the unspent amount of the maximum compensation then due to all Class Members at the time). Based on a review of Volkswagen's monthly Escrow Account statements, the Claims Supervisor has confirmed that the company has complied with the escrow requirements set forth in Section 13 of the 3.0 Liter Class Action Settlement Agreement, and has maintained an Escrow Account balance that meets or exceeds the applicable Funding Amount.

B. Customer Service

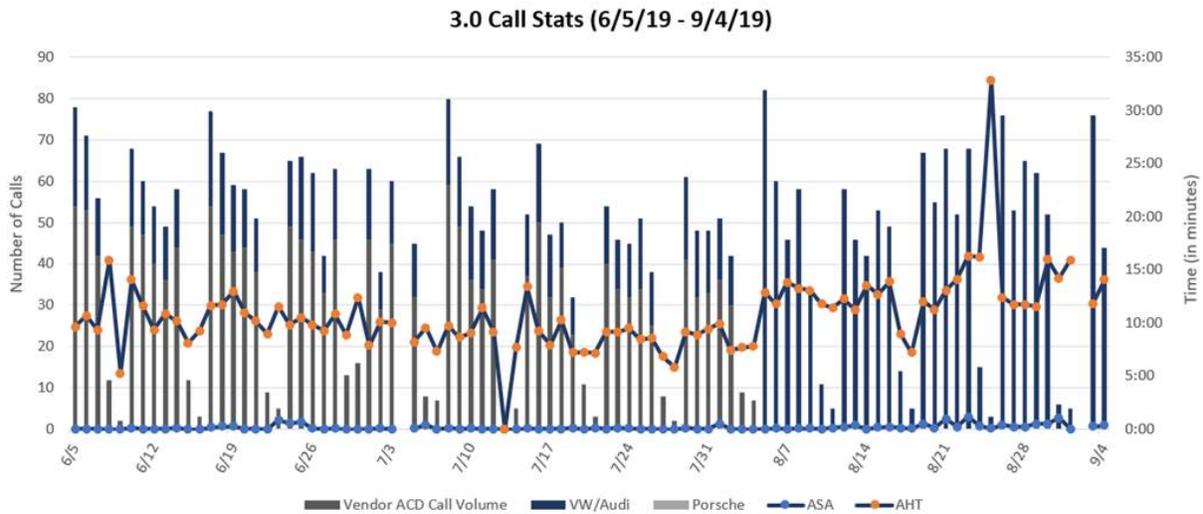
Volkswagen continued to provide generally effective customer support to consumers through its call hotline, chat portal, and Resolution Team.

Following the passage of the deadlines for consumers with Generation One vehicles to submit claims and cure deficiencies, call and chat volume declined. Average call volume decreased from an average of 65 calls per weekday last quarter to an average of 57 calls per weekday this quarter. The average call abandonment rate remained around 1.0%, and the average speed to answer was approximately ten seconds per call -- slightly up from the prior quarter. Chart 3-5 depicts the daily hotline call volume and related data from June 5, 2019 to September 4, 2019.<sup>50</sup>

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<sup>50</sup> ASA is the abbreviation for average speed of answer and AHT represents average handle time.

Chart 3-5



Average weekday chat volume decreased from 24 chats per weekday last quarter to an average of 14 chats per weekday this quarter. The chat abandonment rate decreased from 13.1% last quarter to 4.8% this quarter.

The Claims Supervisor reviewed a sample of 450 chats and 342 recorded calls that occurred between June 1, 2019 and August 30, 2019, and determined that only one call was deemed unsuccessful as a result of a customer agent not properly verifying the identity of a consumer.

Volkswagen's Resolution Team continued to effectively address more complex consumer issues. Over the course of the quarter, the Resolution Team received fifty-five consumer inquiries (the vast majority of which involved payment issues) and resolved fifty-eight consumer inquiries, including some from prior months. As of September 4, 2019, the Resolution Team had resolved a total of 2,641 inquiries since the beginning of the Claims Program.

Consumer complaint volume remained relatively low. The limited complaints received by the company related to, among other things, vehicle performance following the completion of an AEM and general frustration with the claims process.<sup>51</sup>

#### **IV. Conclusion**

During the quarter, Volkswagen continued to administer the Claims Program consistent with the terms of the 3.0 Liter Resolution Agreements. As of September 8, 2019, the company had completed 48,244 AEMs for consumers, 14,611 Buybacks, and 2,033 Trade-Ins, and made associated payments of \$1,041,142,713.08 to eligible consumers.

In addition to providing generally responsive customer support to consumers requiring assistance, Volkswagen also effectively prepared for the September 30, 2019 deadline for eligible consumers with Generation One vehicles to complete an approved remedy. The company provided timely notice to consumers who did not meet the June 1, 2019 deadline to submit a complete claim or the June 30, 2019 extended deadline to cure their deficiency of their ineligibility. Additionally, on July 12, 2019 and September 10, 2019, the company sent reminders to consumers with approved but not yet completed claims involving Generation One vehicles of the September 30, 2019 deadline to complete their remedy and be eligible for compensation.

Other notable developments over the quarter included Volkswagen making available an AEM Correction for Generation Two PC vehicles to address soot buildup related to oxygen sensors, as well as the CRC adjudicating 288 more appeals.

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<sup>51</sup> The Claims Supervisor is aware of 111 unique complaints relating to post-AEM vehicle performance issues since the inception of the Claims Program, which amounts to approximately 0.2% of all completed ECRs and REMs. Volkswagen has advised that specially trained customer care representatives assist consumers in determining whether perceived vehicle changes are attributable to an AEM, including evaluation by a dealership, when necessary.

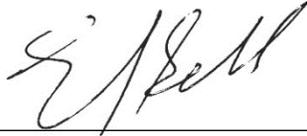
In accordance with the requirements of the 3.0 Liter Resolution Agreements, the Claims Supervisor will continue to evaluate and report on Volkswagen's progress with and adherence to the terms of the 3.0 Liter Resolution Agreements as the Claims Program continues.

Sincerely,

**Ankura Consulting Group, LLC**



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Submitted: September 13, 2019