

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

JUNE 15, 2020

TABLE OF CONTENTS

I. Executive Summary 1

II. Volkswagen’s Performance Metrics 4

 A. Registrations Through Offer Letter Issuance 4

 B. Offer Acceptance, Appointments, Closings, and Payments..... 6

 C. Volkswagen’s 85% Targets..... 8

III. Consumer Experience..... 12

 A. Claims Program Updates..... 12

 1. Assistance to Consumers Impacted by COVID-19..... 12

 2. Non-Standard Claims 13

 3. Extended Warranty and Service Contract Refund Program..... 15

 4. CRC Appeals..... 16

 5. Post-Closing Processing of Vehicles..... 17

 6. Escrow Account Funding 18

 B. Customer Service 19

IV. Conclusion..... 21

Consistent with the requirements of the 3.0 Liter Resolution Agreements,¹ 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 March 9, 2020 to June 8, 2020. This will be the Claims Supervisor's final quarterly report in accordance with the terms of the 3.0 Liter Resolution Agreements.²

I. Executive Summary

As the May 30, 2020 deadline for consumers to participate in the 3.0 Liter Claims Program arrived,³ Volkswagen stayed focused on processing the remaining standard and non-standard claims, and administering the Claims Program in accord with the requirements of the Resolution Agreements. Notably, the company expeditiously took steps to address consumer challenges associated with the COVID-19 pandemic, implementing a combination of proactive outreach efforts and offering responsive customer support. Indeed, impacted consumers with eligible claims were largely able to complete their approved remedy and receive the compensation to which they were entitled under the Claims Program without significant issue.

Although Volkswagen reported that the effects of the pandemic on the Claims Program were relatively limited, the company nevertheless implemented various measures to address potential challenges confronted by affected consumers, including: (i) extending the deadline for eligible consumers with Generation Two vehicles to complete ECRs from April 30, 2020 to May 30, 2020; (ii) waiving the notarization requirement for accepted offer letters when consumers

¹ 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.

² The March 13, 2020 report of the Claims Supervisor was previously expected to be the final quarterly report as the Claims Program originally was scheduled to conclude on April 30, 2020. However, in response to the COVID-19 pandemic, Volkswagen extended the deadline for eligible consumers with Generation Two vehicles to complete an Emissions Compliant Repair ("ECR") from April 30, 2020 to May 30, 2020 (as further described below).

³ Pursuant to the terms of the Resolution Agreements, consumers will still be able to obtain Approved Emissions Modifications ("AEMs") free of charge going forward, but will not be eligible to receive associated compensation.

encountered challenges utilizing a notary; (iii) sending notifications to consumers who previously indicated that they intended to provide their signed offer letters by mail or fax, advising them to only utilize fax, as the shelter-in-place restrictions impacted the company's ability to process mail; and (iv) extending the deadline for consumers with Generation Two vehicles to submit an appeal to the Claims Review Committee ("CRC") to contest their eligibility determinations or award amounts from May 21, 2020 to June 21, 2020. These measures generally served to provide assistance to consumers across the United States who were facing the unique challenges brought about by the COVID-19 pandemic.

Following the May 30, 2020 deadline for eligible consumers with Generation Two vehicles to complete an approved remedy, Volkswagen undertook an analysis to identify the remaining universe of claims for which offer letters had been extended, but a remedy had not been completed. After review and validation of the analysis by the Claims Supervisor, the company issued 1,171 ineligibility determinations to consumers with Generation Two vehicles who did not meet the May 30, 2020 deadline.

While Volkswagen completed the review and processing of remaining claims, the CRC made additional progress adjudicating consumer appeals. Since March 13, 2020, the CRC rendered determinations in connection with an additional 224 unique appeals involving Generation Two vehicles. As of June 12, 2020, the company had issued decisions involving all 454 consumer appeals relating to Generation One vehicles, and 903 of 1,064 appeals (84.9%) relating to Generation Two vehicles. A total of 161 appeals remained to be adjudicated.

The statistics below cumulatively present key 3.0 Liter Claims Program metrics as of June 8, 2020:

- 87,328 registrations had been created in Volkswagen's Claims Portal;
- 73,426 consumers had submitted claims for Volkswagen to review;

- 69,417 consumers had been issued offer letters, the aggregate value of which totaled \$1,079,674,346.04;
- 68,309 consumers had accepted offer letters, the aggregate value of which totaled \$1,073,090,208.40;
- 16,832 consumers with Generation One vehicles had closed on their Buyback or Trade-In, and Volkswagen had paid \$684,501,082.17 to, or on behalf of, consumers in connection with these claims;
- 1,462 consumers with Generation One vehicles had completed a Reduced Emissions Modification (“REM”), including 1,093 consumers who also had completed the claims process, and Volkswagen had paid \$10,595,912.30 to consumers in connection with completed REM claims;⁴
- 48,454 consumers with Generation Two vehicles had completed an ECR, including 45,283 consumers who also had completed the claims process, and Volkswagen had paid \$349,597,144.52 to consumers, which includes Repair Participation Payments and Repair Payments;
- For Generation One vehicles, 657 Former Owners, 64 Owners with totaled vehicles, and 9 Former Lessees had received Restitution Payments, and the aggregate values of these payments totaled \$3,394,295.70, \$640,632.45, and \$49,846.33, respectively;
- For Generation Two vehicles, 2,383 Former Lessees, 1,115 Former Owners, and 179 consumers with totaled vehicles had received Repair Payments, and the aggregate values of these payments totaled \$4,765,000.00, \$4,741,926.93, and \$1,430,742.29, respectively;

⁴ Data related to AEMs are as of June 7, 2020, and include both REMs and ECRs.

- Volkswagen had paid a total of \$68,647.71 in connection with 566 extended warranty or service contract refund claims; and
- Volkswagen had removed from commerce or modified 95.6% of all Generation One Subject Vehicles, 95.9% of all Generation Two Subject Vehicles, 96.8% of all Generation One Subject Vehicles registered in California, and 96.6% 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 June 8, 2020, 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 March 9, 2020 through June 8, 2020.

A. Registrations Through Offer Letter Issuance

With the claims submission period deadline and the extended deficiency cure period deadline for Generation Two claims passing on December 31, 2019 and January 30, 2020, respectively, and the same periods for Generation One claims long-since passed, additional registration creation and claims processing activities no longer are expected to occur apart from specific types of circumstances (e.g., following a consumer's successful CRC appeal).

During this quarter, there were no new Generation One registrations, claims submissions, first or second ten-business-day review period decisions, or offer letters issued. The aggregate value of the 18,699 Generation One offer letters that have issued increased by \$530,359.86 to \$703,000,967.36. The increase resulted from top-off payments being issued to certain

consumers who initially had received Vehicle Value-only awards under the branded title eligibility and award protocols, and had those awards increased after no prior owner claimed the remaining restitution associated with the vehicle during the claim period or as part of any successful Generation One CRC appeal.⁵

Comprehensive historical information regarding Generation Two registrations, claims processing activities, and offer letters issued is set forth in the March 13, 2020 Claim Supervisor's Report, except for the following that occurred during this quarter:

- *Registrations.* No additional registrations were submitted.
- *Claim Submission.* Three claims were submitted for review in the first ten-business-day review period during this quarter. All three claims related to successful consumer CRC appeals.
- *Preliminary Eligibility.* Ten claims were timely deemed complete and preliminary eligible by Volkswagen during this quarter. All ten claims were related to successful consumer CRC appeals.⁶
- *Second Ten-Business-Day Review Period.* The same ten claims that were deemed complete and preliminarily eligible during this quarter entered the second ten-business-day review period, and Volkswagen timely issued decisions on all ten claims.
- *Offer Letters.* Twenty offer letters were issued aggregately valued at \$96,535.23, bringing the total number of offer letters issued to 50,718, aggregately valued at \$376,673,378.68.⁷

⁵ Comprehensive historical information regarding Generation One registration and claims processing activities is set forth in the Claims Supervisor's September 13, 2019 report, and the limited additional activities that occurred after that report are detailed in the Claims Supervisor's December 13, 2019 and March 13, 2020 public reports. Comprehensive historical information regarding Generation One offer letter issuance, apart from the aggregate value increase referenced above, is set forth in the Claims Supervisor's March 13, 2020 public report.

⁶ Seven of the ten claims that were deemed complete and preliminarily eligible during this quarter already were within the population of submitted claims, which is why the number of complete and preliminarily eligible determinations during this quarter is greater than the number of consumer claim submissions for the first ten-business-day review period.

⁷ The substantial majority of these offer letters arise out of either successful CRC appeals or the handling of certain offline exceptions, and most of these claims were moved directly into the offer issuance and then acceptance phases of the claims process. This is the reason the number of issued offer letters exceeds the number of claims that have moved through the first and second ten-business-day review periods during this quarter.

- *Military Overseas & Decedent Estates.* There were no changes associated with registrations, claims activity, or offer letters for these two consumer populations.

B. Offer Acceptance, Appointments, Closings, and Payments

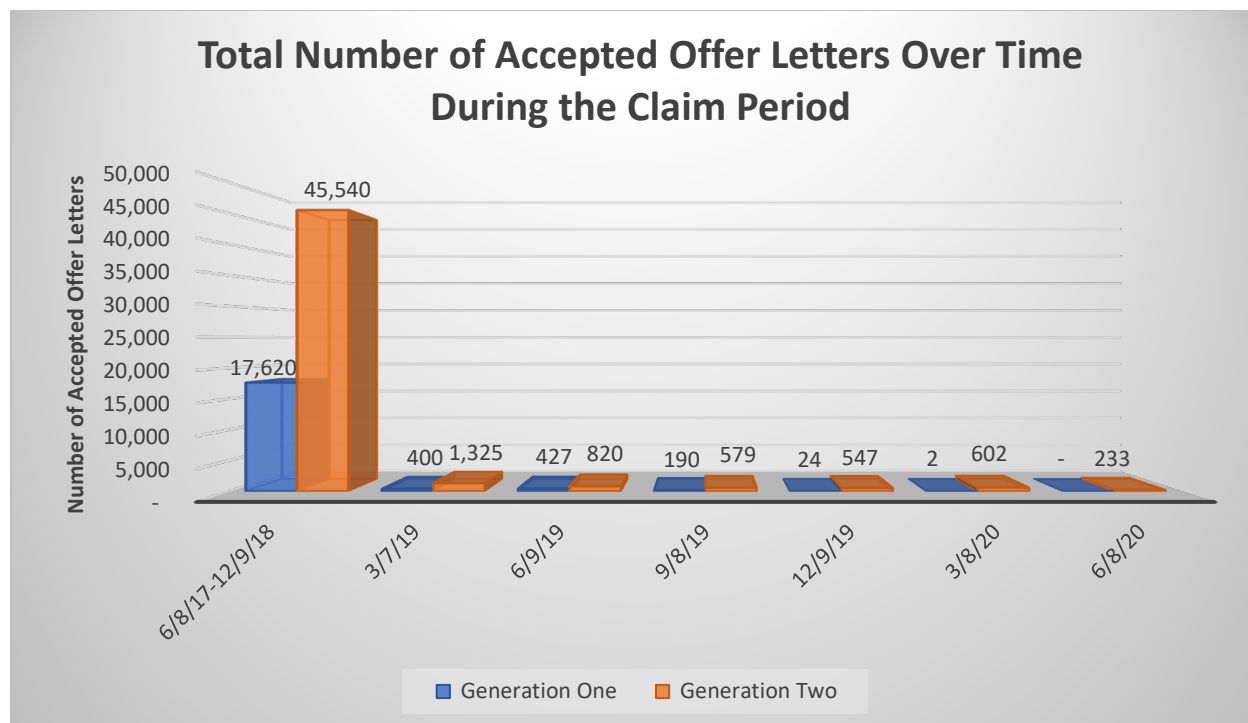
As of June 8, 2020, a total of 68,309 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$1,073,090,208.40.⁸ This includes 18,663 accepted offer letters associated with Generation One vehicles valued in the aggregate at \$702,405,163.40,⁹ and 49,646 accepted offer letters associated with Generation Two vehicles valued in the aggregate at \$370,685,045.00. During this quarter, 233 offer letters were accepted by consumers with an aggregate value of \$2,157,726.20, all of which were associated with Generation Two vehicles.

Chart 2-1 shows, for Generation One and Generation Two vehicles, the total number of accepted offer letters over time, including during this quarter.

⁸ 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.

⁹ During this quarter, the total value of accepted offer letters associated with Generation One vehicles has increased by \$530,359.86, even though the nominal total of accepted offer letters has not changed, as a result of the above-mentioned top-off payments.

Chart 2-1



Comprehensive information regarding closings on Buyback and Trade-In claims related to Generation One vehicles is set forth in the Claims Supervisor's December 13, 2019 public report. Notably, as compared to the last quarter, total payments to, or on behalf of, Owners who had closed on Buyback or Trade-In claims increased by \$577,188.54 to \$684,501,082.17.

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. As of June 7, 2020, Volkswagen had completed 1,462 REMs on Generation One vehicles and 48,454 ECRs on Generation Two vehicles, while the vehicles were in the possession of consumers.¹⁰ Chart 2-2 shows the status of these completed modifications relative to whether the consumer also had completed the claims process and received payment.

¹⁰ REM and ECR figures are based on data provided monthly by Volkswagen to the Claims Supervisor.

Chart 2-2

	Completed REM: Generation One Vehicles	Completed ECR: Generation Two Vehicles
Completed Claims Process while in a Consumer's Possession	1,093	45,283
Pending Completion of the Claims Process	0	4
No Claim Registered, Claim Ineligible, or Claim Cancelled	369	3,167

As of June 8, 2020, Volkswagen had paid \$10,595,912.30 in connection with REMs on Generation One vehicles, an increase of \$48,797.19 during this quarter. Volkswagen had paid \$349,597,144.52 in connection with ECRs on Generation Two vehicles, including \$1,386,308.97 during this quarter.

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. Chart 2-3 shows the number and total amount of payments associated with Generation Two claims by eligibility category.¹¹

Chart 2-3

Generation Two - Eligibility Category	Total Number of Payments Issued	Total Amount of Payments Issued
Former Owners	1,115	\$4,741,926.93
Former Lessees	2,383	\$4,765,000.00
Consumers with Claims Related to Totaled Vehicles	179	\$1,430,742.29

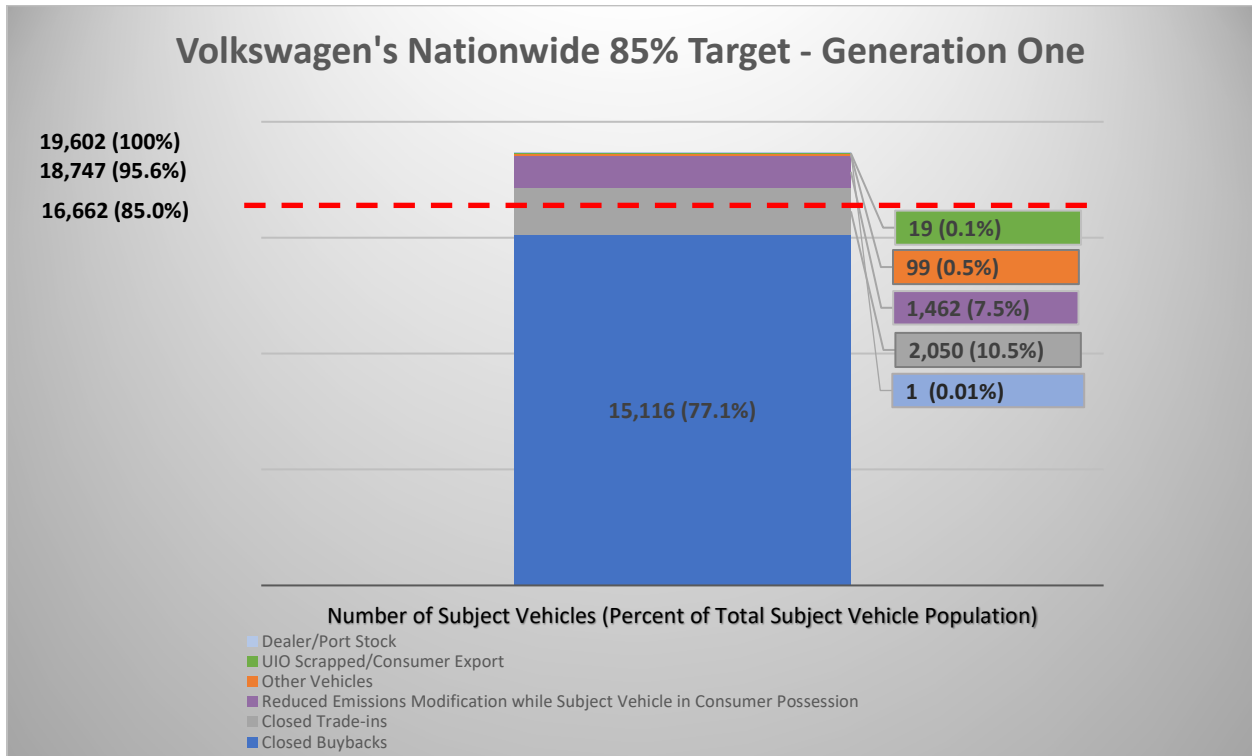
C. Volkswagen's 85% Targets

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

¹¹ For Generation One vehicles, there were no changes to the total number of payments issued or payment amounts for these types of claimants as compared to those reported in the Claims Supervisor's March 13, 2020 Report.

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 2-4 reflects data on the number of Generation One Subject Vehicles that Volkswagen had removed from commerce or modified.

Chart 2-4¹²

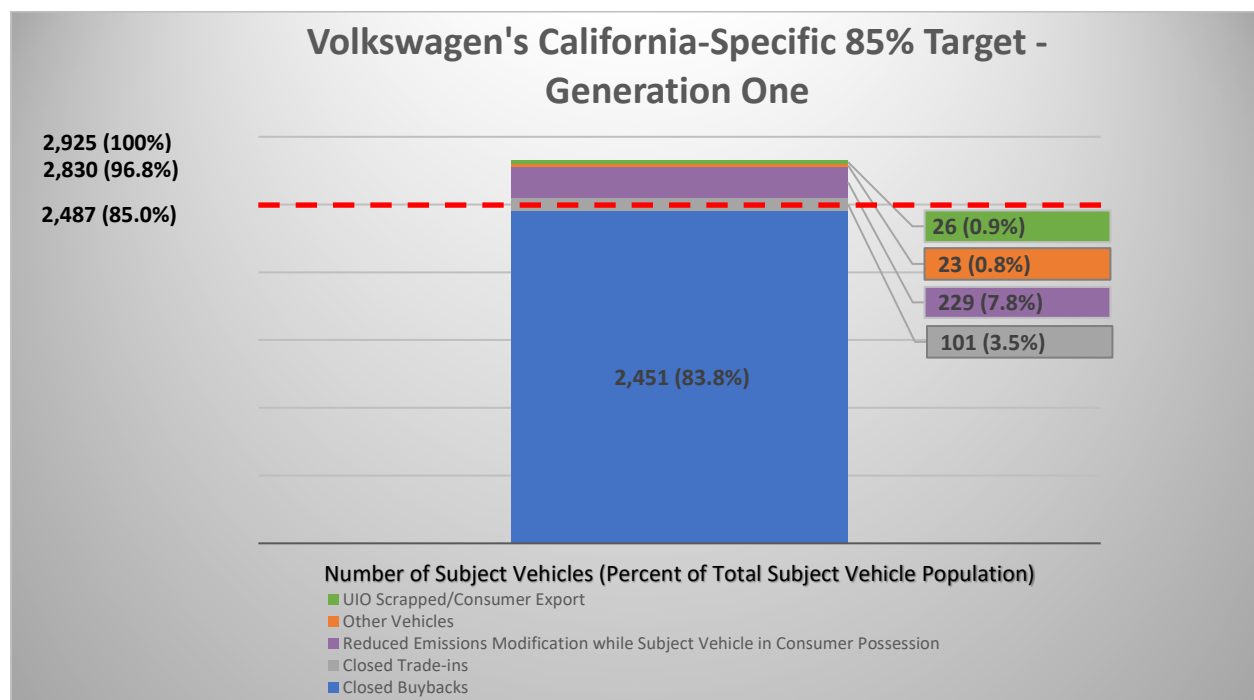


¹² Figures in Charts 2-4 through 2-7 relating to Polk Units in Operation (“UIO”) Scrapped or Consumer Export, as well as Other Vehicles, are based on Volkswagen data as of March 31, 2020. The population of Other Vehicles includes certain vehicles associated with completed Buyback, Trade-In, or AEM appointments. To avoid double-counting, these vehicles are excluded from the Buyback, Trade-In, and AEM figures reflected in Charts 2-4 through 2-7 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 June 8, 2020. 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. Vehicles categorized as scrapped account for about 2.5% of the total population of Generation One-Nationwide vehicles removed from commerce or modified, just under 2% of the total population of Generation Two-California vehicles removed from commerce or modified, and about 1% of the remaining two populations of Subject Vehicles removed from commerce or modified. Finally, 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 AEM.

The “Other Vehicles” category depicted in Chart 2-4 (and Charts 2-5, 2-6, and 2-7 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 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 2-5 reflects data on the number of Generation One Subject Vehicles registered in California that had been modified or removed from commerce.

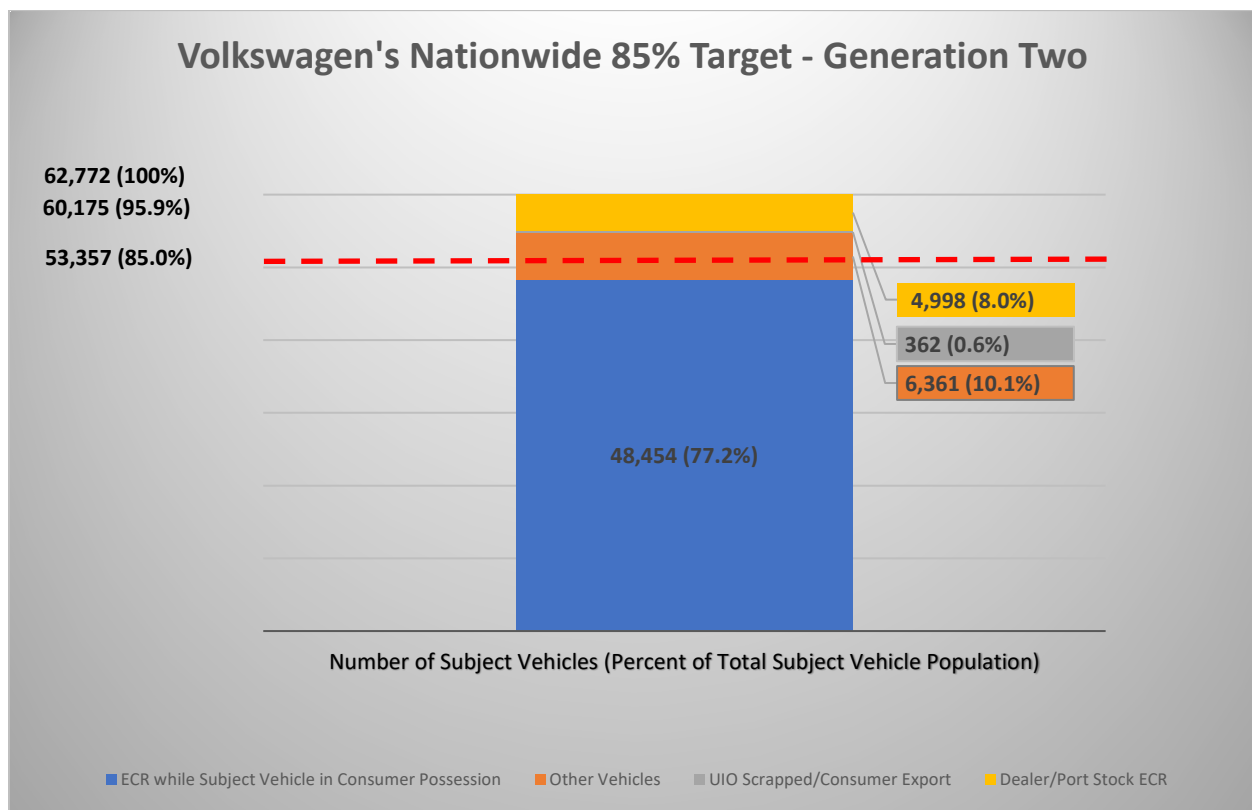
Chart 2-5¹³



¹³ The Nationwide UIO Scrapped/Consumer Export figure appears lower than the California-specific figure because Volkswagen calculates the Nationwide figure based on the number of vehicles above the original 2,102 counted for that category at the time of the settlement. There was no original UIO Scrapped/Consumer Export count for California, however, so California-specific data is based on the number of California vehicles Volkswagen has identified as falling into the UIO Scrapped/Consumer Export category.

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 2-6 generally reflects data on the number of Generation Two Subject Vehicles that had been modified or removed from commerce.

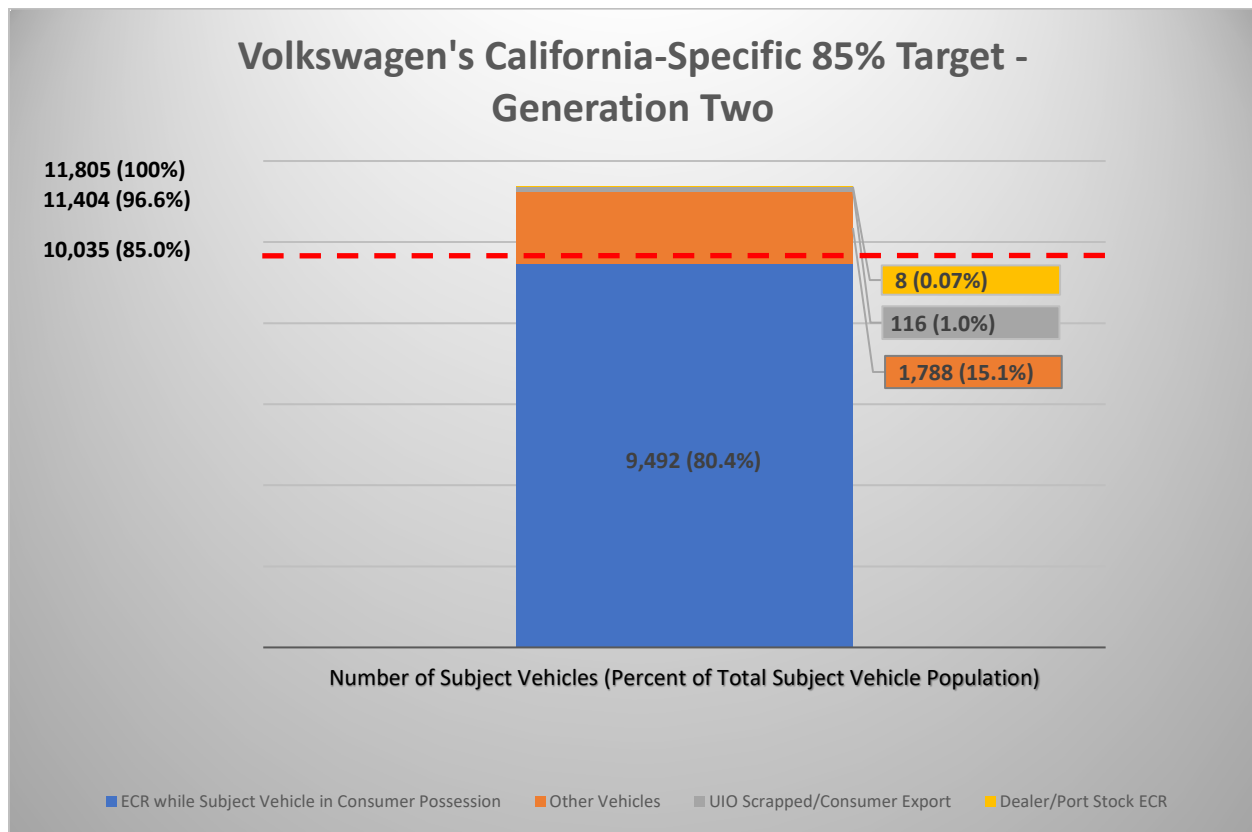
Chart 2-6



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 2-7 generally reflects data on the number of Generation Two Subject Vehicles registered in California that had been modified or removed from commerce.

Chart 2-7



III. Consumer Experience

A. Claims Program Updates

1. Assistance to Consumers Impacted by COVID-19

Over the course of the quarter, Volkswagen addressed certain challenges resulting from COVID-19 that included office and dealership closures, as well as difficulties faced by consumers in providing notarized signatures in connection with their acceptance of offer letters.

To mitigate potential impacts to consumers caused by COVID-19, the company extended the deadline for eligible consumers with Generation Two vehicles to complete ECRs from April 30, 2020 to May 30, 2020, as well as the deadline for consumers with Generation Two vehicles to appeal eligibility determinations or award amounts from May 21, 2020 to June 21, 2020. In

addition, the company waived the requirement of notarized signatures on offer letters when consumers encountered difficulties utilizing a notary. Between April 16, 2020 and April 21, 2020, the company also provided an email to sixty-eight consumers who previously indicated their intention to submit their signed offer letter by mail or fax, advising them to only transmit by fax, as the shelter-in-place restrictions impacted the company's ability to process mail. The company advised that, although its offices remain closed, it has retrieved mail that arrived through mid-May, and will review any offer letters received prior to May 30, 2020 and process them accordingly.

Notwithstanding the issues experienced by some consumers as a result of COVID-19, the company advised that the overall impact to claims processing was limited, and the vast majority of remaining eligible consumers were able to complete their approved remedies without substantial issue. The Claims Supervisor reviewed consumer interactions with Volkswagen's customer service team during the quarter and confirmed that the number of consumers experiencing challenges completing their remedy as a result of COVID-19 was, in fact, limited.

2. Non-Standard Claims

a) Canadian Claims

As of June 4, 2020, Volkswagen reported processing all 432 Buyback, AEM, Trade-In, Seller Restitution, and Owner Restitution claims submitted by consumers who purchased a vehicle in the United States but registered it in Canada.¹⁴ Of the 432 total processed claims, 366 were deemed eligible and resulted in a completed remedy, and 66 were deemed ineligible. Chart 3-1 reflects the number of completed Canadian claims by remedy selection.

¹⁴ 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.

Chart 3-1

Canadian Claims by Remedy Selection	Eligible/Completed Claims	Completed Claims From 3/5/20 - 6/4/20	Ineligible Claims
Buyback/Trade-In	270	-	34
AEM	91	5	31
Seller Restitution	2	-	-
Owner Restitution	3	-	1
TOTAL	366	5	66

b) Military Overseas Claims

As of June 4, 2020, the company reported completing all eighty-eight claims (fifty-six AEM claims and thirty-two Buyback claims) submitted by military personnel stationed overseas with their vehicles, including one AEM claim in Italy over the quarter. Chart 3-2 reflects the number of completed military overseas claims by country and remedy selection.

Chart 3-2

Overseas Military Claims			
Consumer and Vehicle Location	Total Claims	Buybacks Completed	AEMs Completed
Germany	71	26	45
Italy	5	2	3
Belgium	3	1	2
South Korea	3	2	1
Kazakhstan	1	-	1
Macedonia	1	-	1
Malaysia	1	-	1
Mexico	1	-	1
Turkey	1	-	1
United Kingdom	1	1	-
TOTAL	88	32	56

c) Branded Title Claims

As previously reported, Volkswagen completed all 440 claims involving vehicles with branded titles in accordance with the framework developed by the Parties and CRC in February

2018.¹⁵ A total of 288 of those claims were determined to be ineligible and 152 of those claims were determined to be eligible.¹⁶

In accordance with the branded title framework, some eligible consumers seeking a Buyback or Trade-In only were entitled to Vehicle Value while others were entitled to both Vehicle Value and Restitution, depending on several factors, including whether a previous owner timely submitted a claim for Owner Restitution (or Former Owner Restitution) by the claim submission deadline. Following the passage of the claim submission deadline, the company identified fifty-six claims for which owners of branded title vehicles were eligible for Owner Restitution and, during the quarter, issued payments to those consumers in the total amount of \$530,359.86. The Claims Supervisor validated all related eligibility and award determinations reached by Volkswagen.

3. Extended Warranty and Service Contract Refund Program

Volkswagen's vendor completed processing the few remaining extended warranty and service contract refund program claims, and the company continued to render associated payments for eligible claims leading up to the conclusion of the program on April 30, 2020.

¹⁵ 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 was analyzed accordingly, so that the eligibility requirements were consistently applied.

¹⁶ As previously reported, the majority of eligible claims involved vehicles with rebuilt titles obtained by February 26, 2018, and the majority of ineligible claims involved vehicles that had salvage titles after February 26, 2018. The group of 440 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.

As of June 8, 2020, all 2,139 extended warranty or service contract claims had been completed. Of the completed claims, 1,410 claims (65.9%) had been deemed ineligible, and 729 claims (34.1%) had been deemed eligible. Volkswagen had initiated payment on 566 of the 729 eligible claims (77.6%), including 6 claims during the quarter, resulting in payments to consumers totaling \$68,647.71, which on average is \$121.29 per eligible claim. Of the 163 eligible claims for which payment had not been initiated: (i) 140 involved offers to which consumers did not respond;¹⁷ (ii) 5 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. 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.

The Claims Supervisor validated all eligibility determinations and award calculations reached by Volkswagen’s vendor on extended warranty and service contract refund program claims.

4. CRC Appeals

During the quarter, the CRC made additional progress adjudicating consumer appeals challenging Volkswagen’s eligibility decisions and award calculations.

As of June 12, 2020, the CRC had reached determinations with respect to all 454 unique appeals involving Generation One vehicles and 903 of 1,064 unique appeals (84.9%) involving

¹⁷ Throughout the extended warranty and service contract refund program, consumers with an extended offer who had not responded were provided monthly reminders that their offer remained pending. All 140 referenced offers had been pending a response from the consumer for more than 90 days. Due to the conclusion of the extended warranty and service contract refund program on April 30, 2020, these consumers are no longer eligible for compensation.

Generation Two vehicles. Between March 13, 2020 and June 12, 2020, the CRC adjudicated a total of 224 unique appeals involving Generation Two vehicles. Of these appeals determinations, 198 were denials, 15 involved instances in which the consumers were advised that they may be eligible for benefits subject to receipt and confirmation of additional documentation, and 11 involved instances in which the issues that were the subject of the appeal had previously been resolved (thus mooted the appeal). A total of 161 unique appeals remained to be adjudicated.

As mentioned above, consumers with Generation Two vehicles have until June 21, 2020 to submit an appeal. Volkswagen and the PSC have reported that they will continue to work together to resolve pending appeals over the coming weeks, and will seek the assistance of the court-appointed neutral if necessary.

5. 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, 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 DOJ, EPA, and CARB reflects that, as of March 31, 2020, Volkswagen had reacquired 17,177 Eligible Vehicles through the Claims Program, resold 15,868 Eligible Vehicles, and destroyed 148 Eligible Vehicles. Accordingly, the company housed approximately 1,161 Eligible Vehicles at storage facilities as of March 31, 2020.

6. 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 secured approval for an ECR for Generation 2.2 SUVs 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 resulted in a corresponding adjustment to the Minimum Balance. Within thirty days of the conclusion of the Settlement Benefit Period -- which ended on April 30, 2020 -- any funds in the Escrow Account, including all interest accrued, reverted to Volkswagen.

Consistent with the requirements of the 3.0 Liter Class Action Settlement Agreement, Chart 3-3 depicts the Escrow Account adjustments during the claim period.

Chart 3-3

Date	Funding Amount	Adjustment Details
November 2017	\$150,000,000	Reduction as a result of Volkswagen receiving an ECR for Generation 2.2 SUVs by October 23, 2017
May 2018	\$89,608,333	Reductions representing 25 percent of the unspent amount of the maximum compensation then due to all Class Members
November 2018	\$52,180,764	
May 2019	\$35,586,023	
November 2019	\$24,429,805	
May 2020	\$0	Reversion of funds back to Volkswagen after the end of the Settlement Benefit Period

Based on a review of Volkswagen's monthly Escrow Account statements, the Claims Supervisor has confirmed that the company complied with the escrow requirements set forth in Section 13 of the 3.0 Liter Class Action Settlement Agreement, and maintained an Escrow Account balance that met or exceeded the applicable Funding Amount through the conclusion of the Settlement Benefit Period.

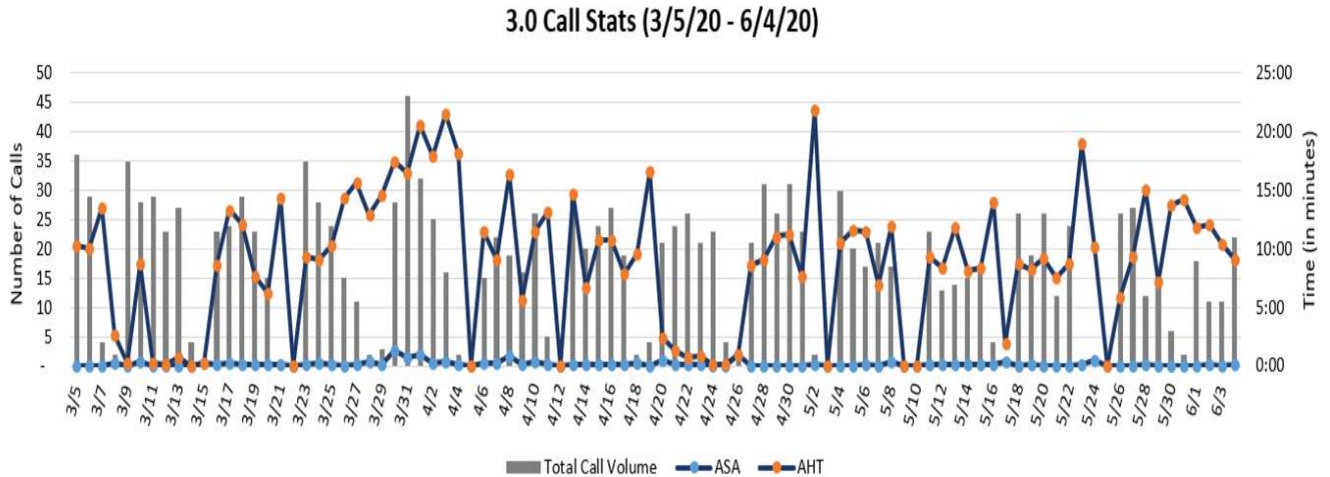
B. Customer Service

During the quarter, Volkswagen continued to provide responsive customer support, including to those consumers requiring assistance as a result of COVID-19. Average weekday call and chat volume substantially decreased compared to the prior quarter.

Call volume declined from an average of fifty-three calls per weekday between December 5, 2019 and March 4, 2020 to an average of twenty-two calls per weekday between March 5, 2020 and June 4, 2020. The average speed to answer was eleven seconds per call and the average call abandonment rate was 3.8%. Chart 3-4 depicts the daily hotline call volume and related data from March 5, 2020 to June 4, 2020.¹⁸

¹⁸ ASA is the abbreviation for average speed of answer and AHT represents average handle time.

Chart 3-4



Between March 5, 2020 and March 29, 2020, chat volume averaged two chats per weekday. As of March 30, 2020, the chat portal was no longer available to consumers due to the very limited volume. As a result, from March 30, 2020 forward, all consumer inquiries were handled through the hotline. The hotline will remain open through June 30, 2020, and the company is considering options for handling remaining calls relating to CRC appeals from July 1, 2020 forward.

Based on the Claims Supervisor's review of a sample of 204 recorded calls that occurred between March 2, 2020 and May 26, 2020, and twenty-six chats that occurred between March 2, 2020 and March 30, 2020, the company continued to successfully address consumer inquiries. All sample calls and chats reviewed were deemed successful. Despite the ongoing challenges posed by COVID-19, Volkswagen's customer support data reflected few consumers complaints. The limited complaints received mainly related to general claims processing issues, including delays in the receipt of payments.¹⁹

¹⁹ The Claims Supervisor also is aware of 116 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.

Volkswagen's Resolution Team continued to appropriately address more complex consumer issues during the quarter. It received a total of twelve consumer inquiries (the majority of which involved payment issues) and resolved two. The company reported that its Resolution Team had resolved a total of 2,688 inquiries since the inception of the Claims Program, and will complete all remaining inquiries.

IV. Conclusion

As the May 30, 2020 deadline for eligible consumers with Generation Two vehicles to complete an approved remedy was reached, Volkswagen continued to efficiently process remaining standard and non-standard claims, and generally meet its obligations under the 3.0 Liter Resolution Agreements. From the inception of the Claims Program through June 8, 2020, the company had completed 49,916 consumer AEMs, 14,785 Buybacks, and 2,047 Trade-Ins. In total, Volkswagen had issued payments of \$1,059,785,230.40 to, or on behalf of, eligible consumers across all eligibility categories, and removed from commerce or completed an AEM on 95.6% of all Generation One Subject Vehicles, 95.9% of all Generation Two Subject Vehicles, 96.8% of all Generation One Subject Vehicles registered in California, and 96.6% of all Generation Two Subject Vehicles registered in California.

While the COVID-19 pandemic presented challenges for certain eligible consumers seeking relief through the Claims Program, the company implemented a variety of responsive measures that generally were effective in providing necessary and appropriate assistance. These measures included: (i) extending the deadline for eligible consumers with Generation Two vehicles to complete ECRs from April 30, 2020 to May 30, 2020; (ii) waiving the notarization requirement for accepted offer letters when consumers encountered challenges utilizing a notary; (iii) sending notifications to consumers who previously indicated that they intended to provide their signed offer letters by mail or fax, advising them to only utilize fax, as the shelter-in-place restrictions impacted the company's ability to process mail; and (iv) extending the deadline for

consumers with Generation Two vehicles to submit an appeal to the CRC to contest their eligibility determinations or award amounts from May 21, 2020 to June 21, 2020. The company's customer support efforts generally seemed to provide necessary and appropriate accommodations in order to work around the limitations presented by the pandemic.

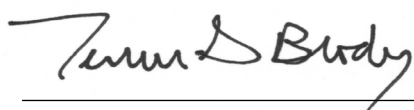
Following the May 30, 2020 deadline for eligible consumers with Generation Two vehicles to complete an approved remedy, Volkswagen undertook efforts to identify the remaining universe of those claims for which offer letters had been extended but a remedy had not been completed and, following review and validation by the Claims Supervisor, issued 1,171 ineligibility determinations based on the failure to meet the program deadline.

Moreover, between March 13, 2020 and June 12, 2020, the CRC adjudicated an additional 224 unique consumer appeals. A total of 161 unique appeals remained at the close of the period. Consumers with Generation Two vehicles will have until June 21, 2020 to submit any appeals challenging eligibility determinations or award amounts. It is anticipated that the CRC will focus efforts in the coming weeks on completing reviews and making determinations relative to all remaining Generation Two appeals.

In accordance with the requirements of the 3.0 Liter Resolution Agreements, the Claims Supervisor will continue to evaluate Volkswagen's progress with and adherence to the terms of the 3.0 Liter Resolution Agreements until all pending claims and appeals have been completed.

Sincerely,

Ankura Consulting Group, LLC



Terrence S. Brody
Senior Managing Director



Vincent Mekles
Senior Managing Director



Gary Wingo
Senior Managing Director

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