

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

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

AUGUST 25, 2017

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Consistent with the requirements of the Resolution Agreements,¹ the independent Claims Supervisor respectfully submits its quarterly report for August 2017, which, unless otherwise specified, addresses progress in the 2.0 Liter Claims Program for the period from May 19, 2017 through August 17, 2017.

I. Executive Summary

During this quarterly reporting period, Volkswagen continued to timely review and process claims, as well as issue offer letters to those consumers who submitted complete claims determined to be preliminary eligible. The claims process enhancements and customer service improvements implemented by Volkswagen over the past several months have largely addressed earlier Claims Program challenges, resulting in the substantial reduction of remaining overdue and pending claims, payment delays, and consumer complaints. Among other notable developments during the reporting period, Volkswagen was able to advance consumer claims for military personnel serving overseas, and began scheduling and performing recent EPA and CARB-approved emissions modifications (“AEM”) on Generation 1 and 2 Vehicles, while continuing to schedule and perform the first phase of AEMs on Generation 3 Vehicles.

The statistics below provide a cumulative presentation of key Claims Program metrics as of August 17, 2017:

- 518,353 registrations had been created in Volkswagen’s Claims Portal;
- 422,919 consumers had submitted claims for Volkswagen to review;
- 402,325 consumers had been issued offer letters, the aggregate value of which was \$7,338,924,090.12;

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

- 317,177 Owners and Current Lessees had scheduled Buyback or Early Lease Termination closing appointments;
- 308,280 Owners and Current Lessees had proceeded through closing, and the aggregate value of these claims totaled \$6,429,678,000.99;
- 1,600 consumers with Generation 1 Vehicles had completed the AEM process;²
- 6,438 consumers with Generation 2 Vehicles had completed the AEM process;
- 9,524 consumers with Generation 3 Vehicles had completed the first phase of the AEM process, which involves removal of the defeat device software; and
- 10,563 Sellers and 3,637 Former Lessees had been paid on claims, the aggregate values of which were \$33,077,494.87 and \$12,209,842.90, respectively.

As of this reporting period, Volkswagen had repurchased, terminated leases, or performed initial or complete emissions modifications on approximately 67.7% of all Eligible Vehicles, an increase of approximately 10% from the previous three-month reporting period. The company, therefore, has continued to make meaningful progress towards satisfying its obligation to buy back or modify 85% of Eligible Vehicles.

II. Volkswagen's Performance Metrics

This section discusses the status of the claims processing and closing phases of Volkswagen's Claims Program and the company's compliance with certain requirements

² Data related to Generation 1, 2, and 3 AEMs are as of August 16, 2017.

mandated in the Resolution Agreements. All data is as of August 17, 2017, unless otherwise specified. Additionally, references to Volkswagen’s performance this “quarter” refers to the approximately three-month period from May 19, 2017 through August 17, 2017.

A. Consumer Registrations

As of August 17, 2017, there were 518,353 consumer registrations in Volkswagen’s system. 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, 488,582 related to individuals and 29,771 related to businesses.³ Chart 2-1 shows the increase over time in the total number of registrations created by consumers at different points during the Claim Period.

Chart 2-1

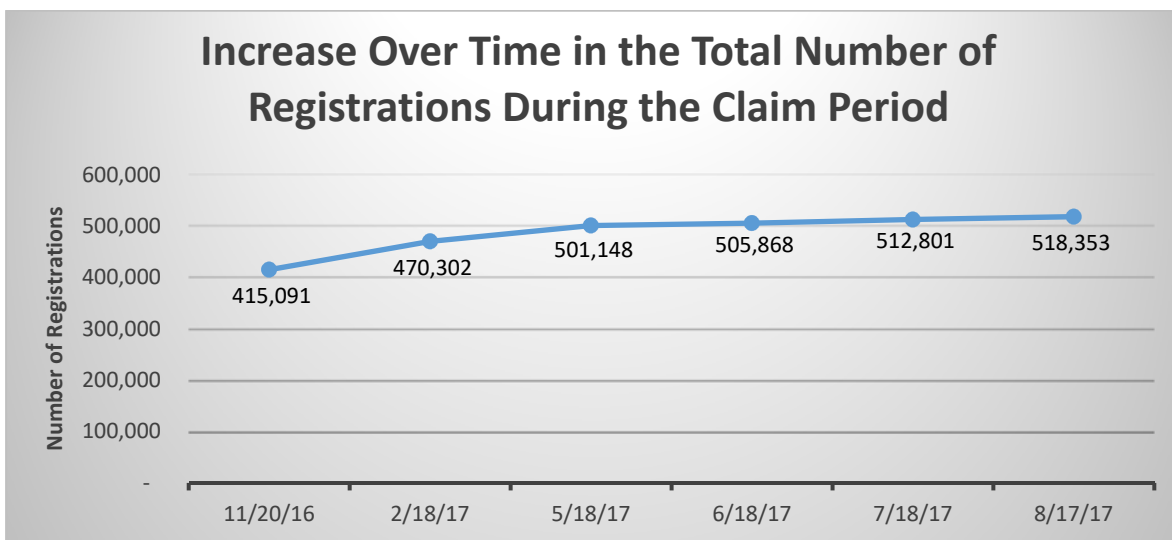


Chart 2-2 shows all registrations created by consumers during the Claim Period by eligibility category, and Chart 2-3 shows the states with the highest number of Eligible Vehicles that have been registered in Volkswagen’s Claims Portal. The “No Category Selected”

³ These figures include a significant number of duplicate entries by the same consumer, as these duplicates 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.

population in Chart 2-2 relates to consumers who had created a registration but had not yet provided details identifying their eligibility category.

Chart 2-2

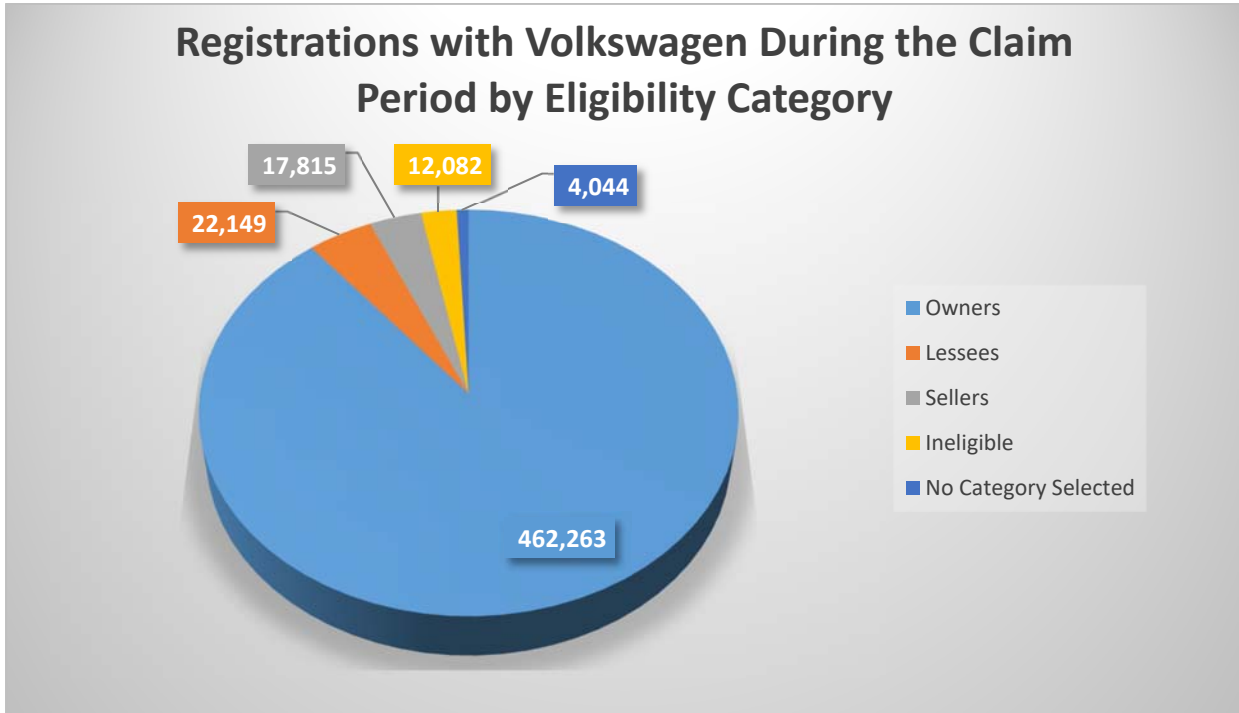
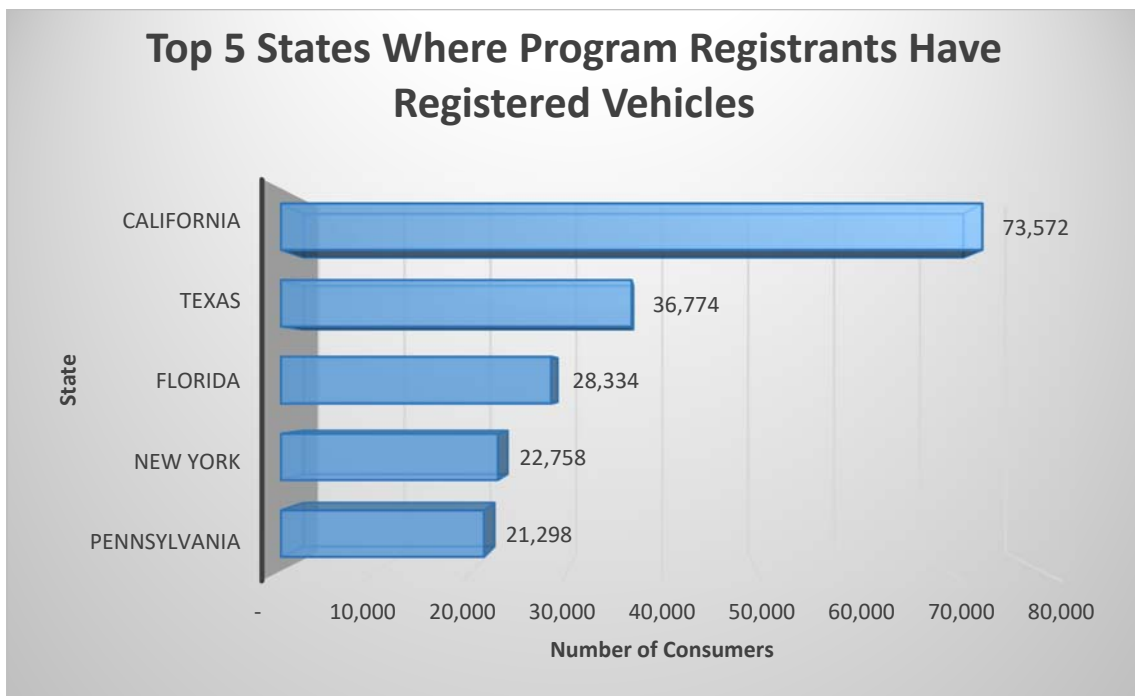
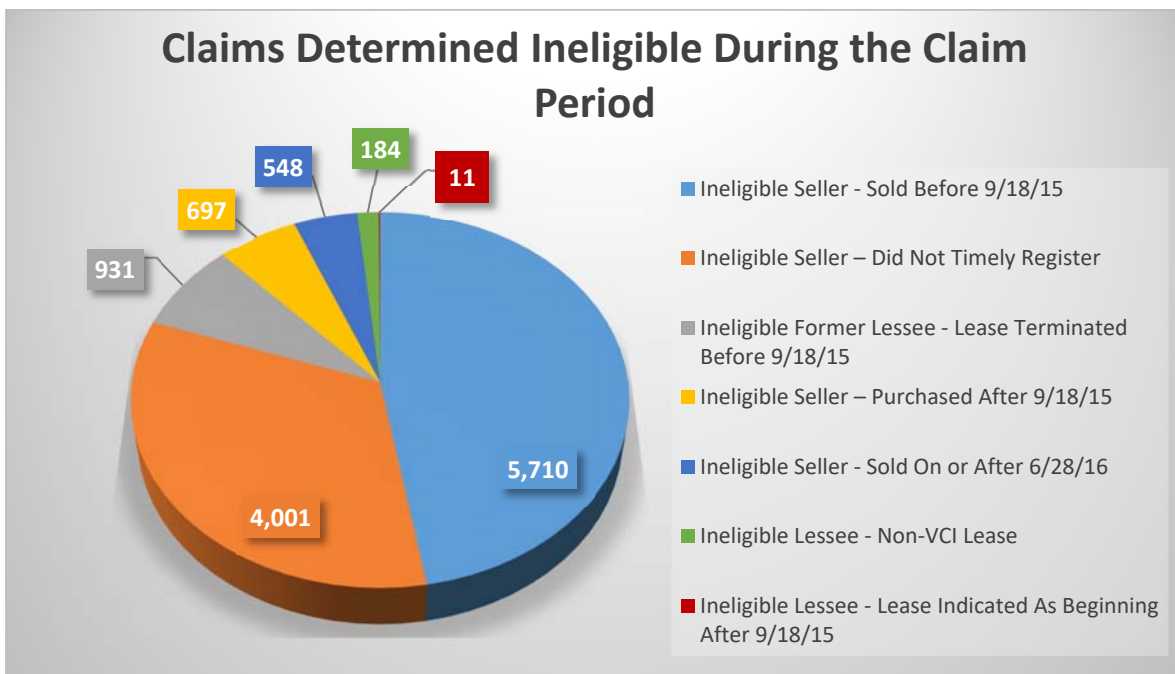


Chart 2-3



With respect to the population of 12,082 claims identified as ineligible in Chart 2-2, Volkswagen’s system is configured to automatically identify certain ineligible claims where information entered by the consumer into the Claims Portal indicates the consumer is not an eligible claimant under the Resolution Agreements. For example, a consumer who attempts to submit a Seller claim and indicates the vehicle was sold after June 28, 2016 is ineligible under the definition of “Eligible Seller” in the Resolution Agreements. In these instances, Volkswagen sends the consumer a letter explaining the basis for the ineligibility determination. Chart 2-4 reflects the total population of systematically ineligible claims by the reason the claim was determined to be ineligible.

Chart 2-4



During this quarter, there were 384 new systematic ineligibility determinations. The most common reasons for these systematic ineligibility determinations related to Seller claimants who: (i) indicated that they sold the Eligible Vehicle on or before September 18, 2015 (135 claims); (ii) did not timely identify their claim by September 16, 2016 (132 claims); (iii) reported that they sold the Eligible Vehicle after June 28, 2016 (47 claims); and (iv) reported that they

purchased the Eligible Vehicle after September 18, 2015 (42 claims). The Claims Supervisor reviewed all 384 systematic ineligibility determinations this quarter, and the audit revealed that Volkswagen's systematic ineligibility logic was operating appropriately.

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

After a consumer registers, the next step in the process is to select a preliminary remedy, provide prescribed documents needed to substantiate the claim, and submit the claim to Volkswagen for review.⁴ As of August 17, 2017, consumers had submitted 422,919 unique claims for Volkswagen to review.⁵ Of these, 407,863 claims related to individuals and 15,056 claims related to businesses. Chart 2-5 shows by eligibility category the total population of consumers who had submitted claims. Chart 2-6 shows how the total population of each eligibility category has increased over the last four monthly reporting periods. Notably, the fifty claims not accounted for in either Charts 2-5 or 2-6 relate to claims that ultimately were deemed not eligible.⁶

⁴ Former Lessee and Seller claimants do not select a preliminary remedy as the only remedy available to those consumers is Restitution.

⁵ "Unique claims" means unique VINs within unique eligibility categories. A claim by an Owner and a Seller regarding the same VIN is counted as two unique claims. Likewise, a claim by one Owner who owns five separate vehicles is counted as five unique claims.

⁶ As discussed in Section III below, if a consumer disagrees with Volkswagen's eligibility determination or offer amount, he or she can appeal to the Claims Review Committee, consistent with the terms of the Resolution Agreements.

Chart 2-5

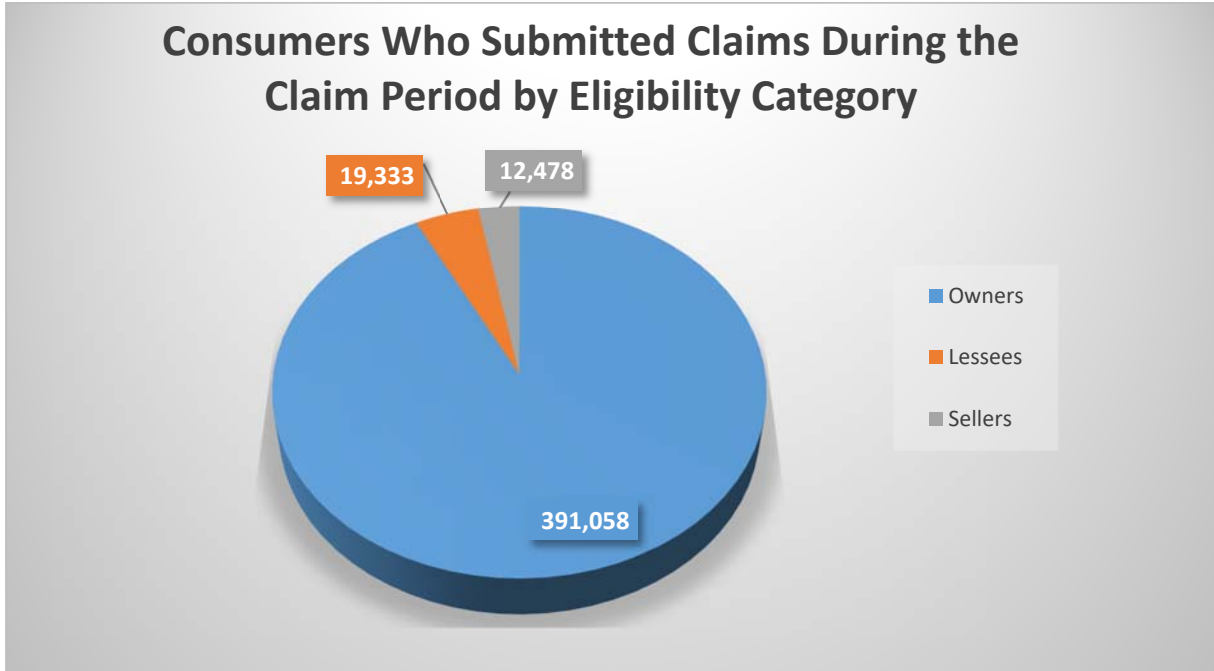


Chart 2-6

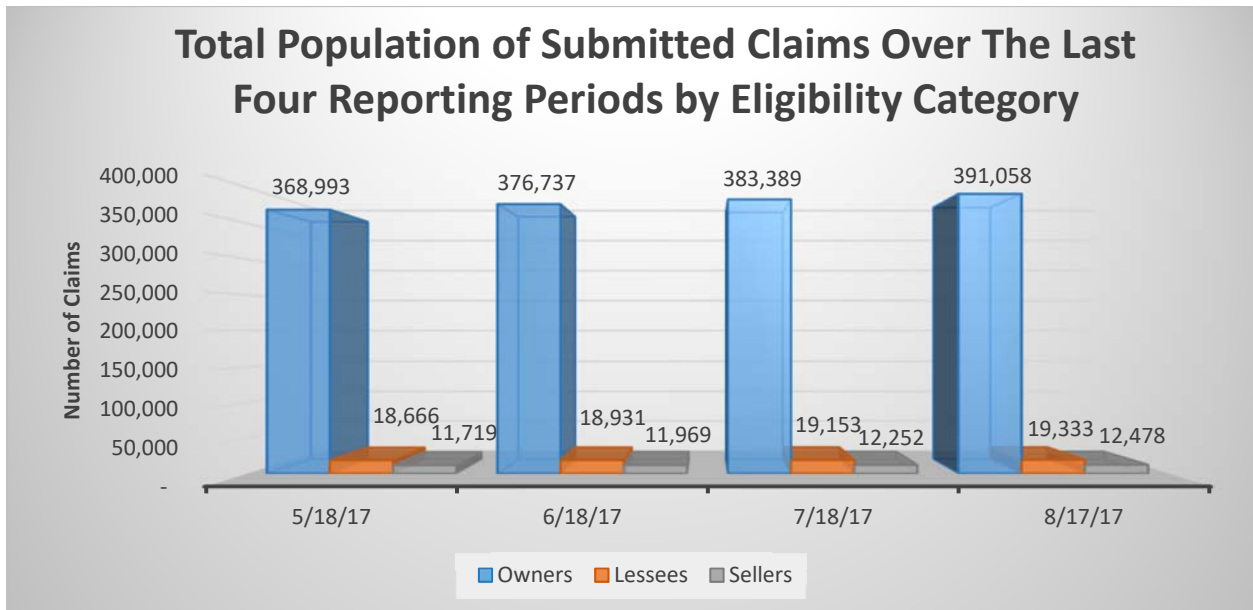
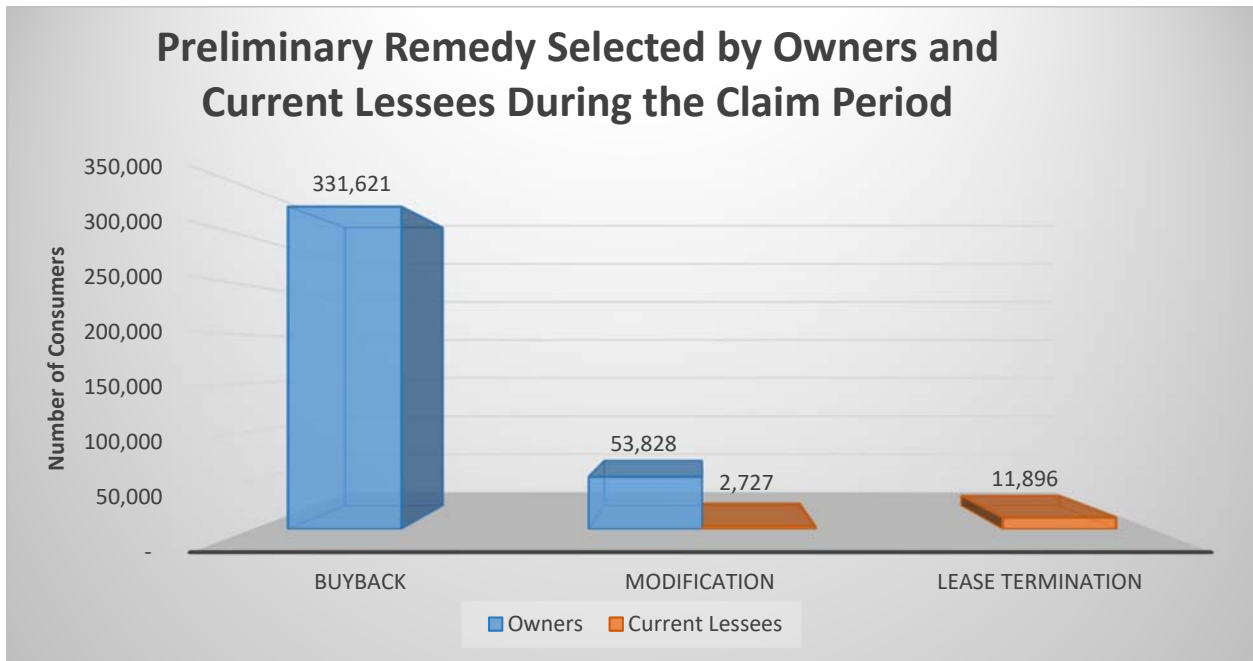


Chart 2-7 shows the preliminary remedy selections for Owners and Current Lessees who had submitted claims through August 17, 2017. The chart does not include the remedy selections for 12,373 Sellers or 4,245 Former Lessees because the only remedy available to these consumers is Restitution. The chart also omits three claims where the Eligibility Category is

currently inconsistent with the award type (e.g., Lessee claim with a Buyback remedy). Issues like these are addressed during the ordinary course of claims processing.⁷ Chart 2-7 likewise excludes 6,226 cancelled claims, with most cancellations being associated with duplicate claims.

Chart 2-7



Throughout the Claim Period, Volkswagen has continued to substantially satisfy the requirement that it render a completeness determination within ten business days following a consumer’s submission of a claim. Through August 17, 2017, excluding the population of 1,781 claims for which a decision by Volkswagen was pending but the ten-business-day review period had not elapsed, Volkswagen had been required to make 646,866 first ten-business-day review period determinations. The company issued timely decisions in 621,096 instances, amounting to

⁷ The figure for Restitution awards associated with Eligible Sellers also includes certain Owner claims associated with totaled vehicles. As these types of claims are processed, claims from consumers determined to be eligible are recategorized by Volkswagen as “Seller” claims so that the eligibility category corresponds with the Restitution-only award type. In terms of eligibility, for totaled vehicles where title is transferred to an insurance company between September 18, 2015 and June 28, 2016, the consumer is entitled to Seller Restitution. Consumers who totaled a vehicle and transferred title to an insurance company between June 29, 2016, and September 16, 2016 are not eligible. Finally, consumers who transfer title to a totaled vehicle after September 16, 2016, are entitled to receive Owner Restitution.

an overall first ten-business-day review period compliance rate of 96.0%. During this quarter, Volkswagen was required to make 50,608 first ten-business-day review period decisions and timely did so in 49,757 instances, for a quarterly compliance rate of 98.3%.

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

Chart 2-8

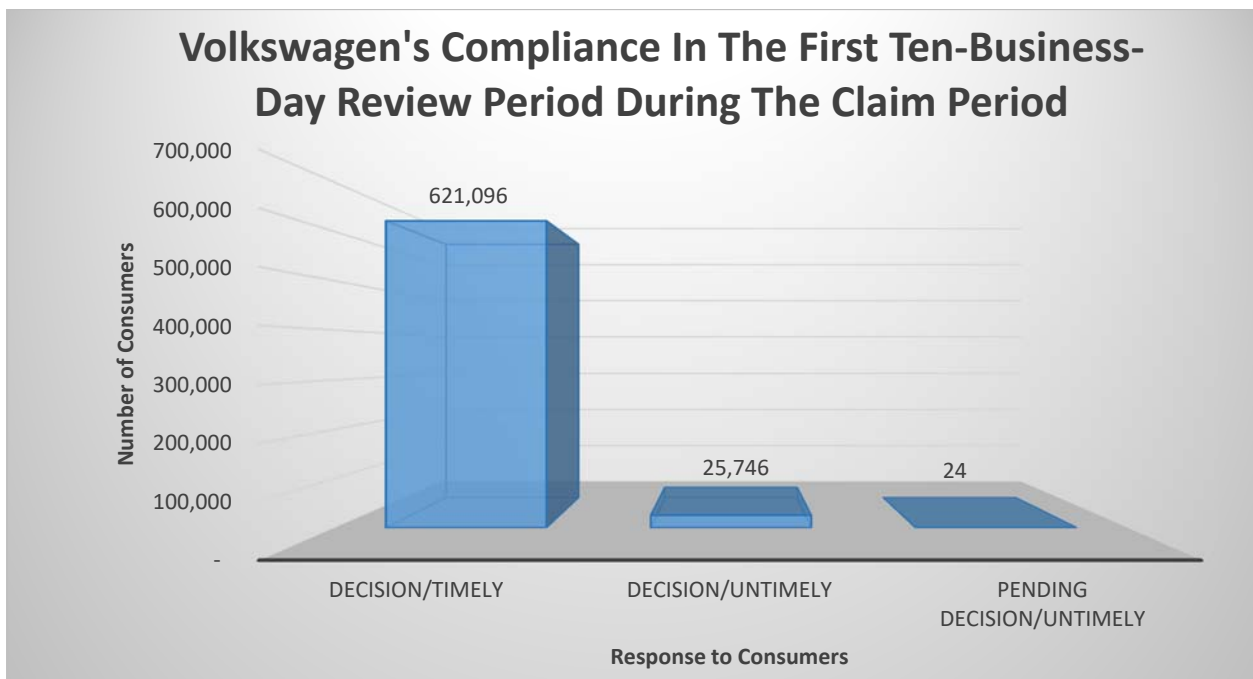


Chart 2-9⁸

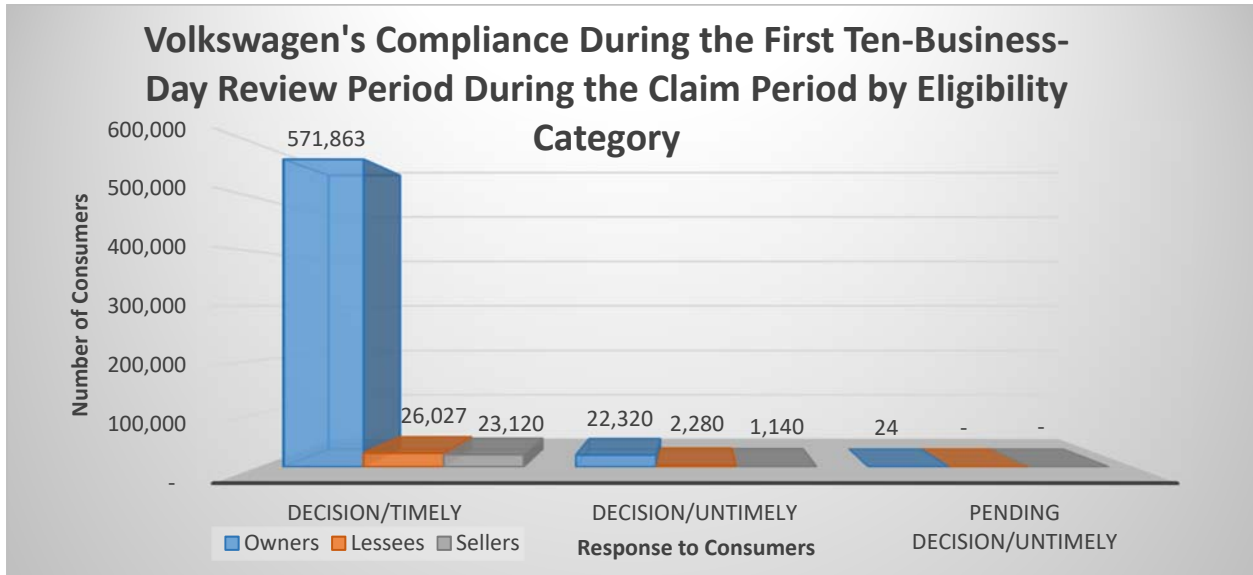
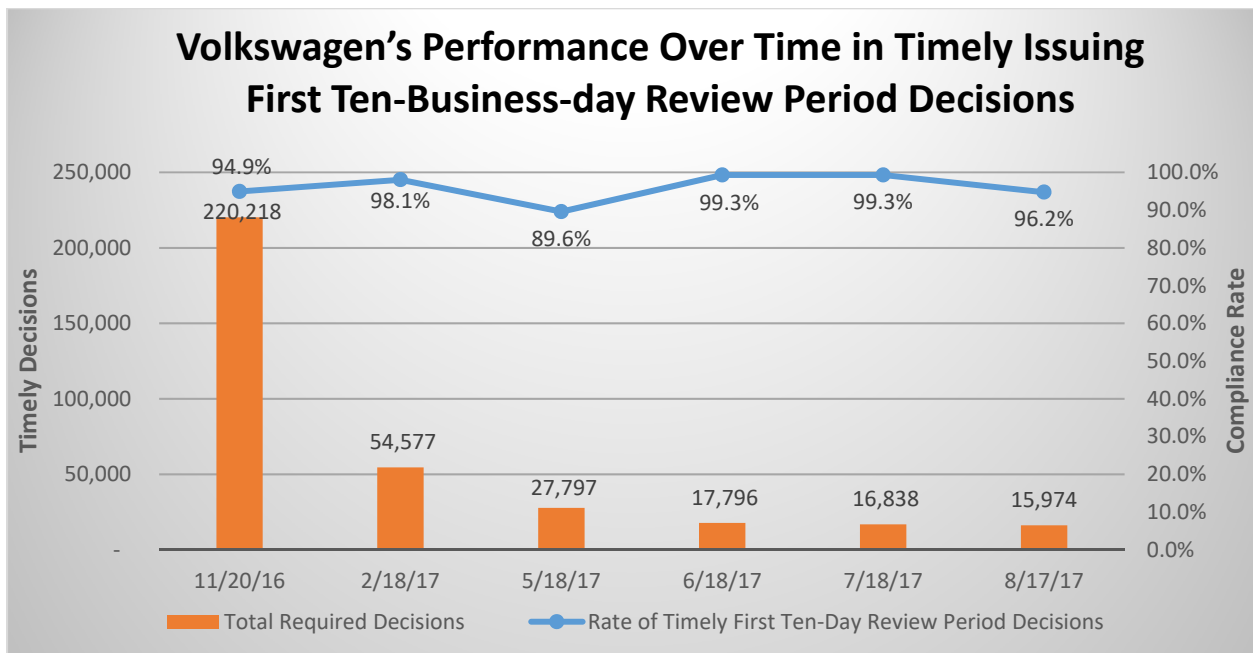


Chart 2-10 shows Volkswagen's first ten-business-day review period compliance rate at different points during the Claim Period.

Chart 2-10



⁸ The ninety-two claims not accounted for in Chart 2-9 were claims ultimately deemed not eligible by Volkswagen during the first ten-business-day review period. Eighty-six of these determinations were timely first ten-business-day review period decisions, and six were untimely.

Volkswagen and the Plaintiffs' Steering Committee have been working alongside other stakeholders to address how the eligibility requirements apply to claims associated with a vehicle that has been branded with a salvage title. A vehicle is designated as salvage when it has been damaged or deemed a total loss by an insurance company that paid a claim on the vehicle. Some consumers had purchased Eligible Vehicles branded with a salvage title after ownership had been transferred to an insurance company, and submitted claims for benefits under the Resolution Agreements. As of August 17, 2017, there were 253 such claims actively pending in the first ten-business-day review period. These non-standard claim types are excluded from the first and second ten-business-day review period timeliness analysis while the parties determine how the eligibility requirements should be applied to them.

Finally, the first ten-business-day review period figures -- and the second ten-business-day review period figures below -- exclude two groups of consumers who have submitted claims for Volkswagen to process and who are not eligible Class Members pursuant to the Resolution Agreements. First, as of August 17, 2017, there were 765 active claims from consumers who initially purchased Eligible Vehicles in the United States but registered them in Canada.⁹ Volkswagen has agreed to provide these consumers with the same compensation available to Class Members if they otherwise meet the eligibility requirements. Second, as of August 17, 2017, there were sixteen active claims from consumers who indicated in their claim submissions that they were employees of Volkswagen or the Court. Volkswagen elected to use the claims process to identify and engage with these types of consumers, though these consumers will not receive funds out of the Funding Pool.

⁹ 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 August 17, 2017, of the 422,919 unique claims that had been submitted by consumers for Volkswagen to review, a total of 409,959 claims had been determined by Volkswagen to be complete and preliminarily eligible. Of these, 398,164 claims were related to individuals and 11,795 claims were related to businesses. During this quarter, the number of claims determined by Volkswagen to be complete and preliminarily eligible increased by 23,812.

Chart 2-11 reflects the cumulative number of claims determined by Volkswagen to be complete and preliminarily eligible by eligibility category, and Chart 2-12 shows the most common states in which Eligible Vehicles associated with preliminarily eligible claims were registered as of August 17, 2017. The thirty-five claims not accounted for in Chart 2-11 were claims that ultimately were deemed not eligible.

Chart 2-11

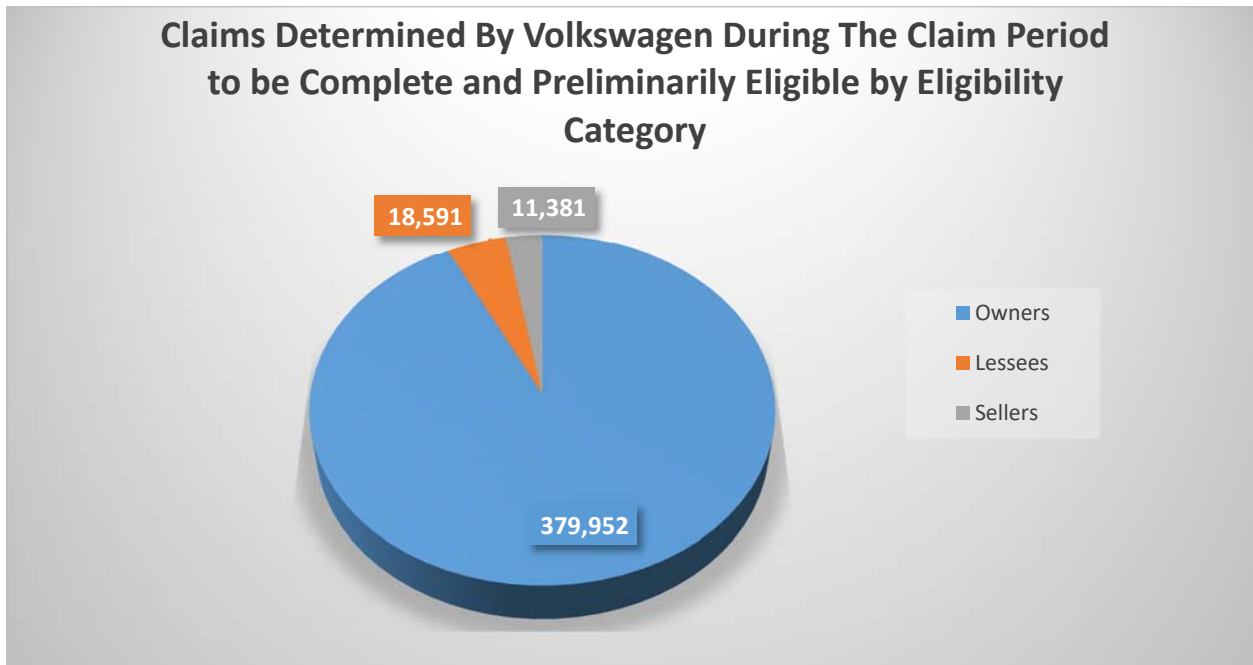


Chart 2-12

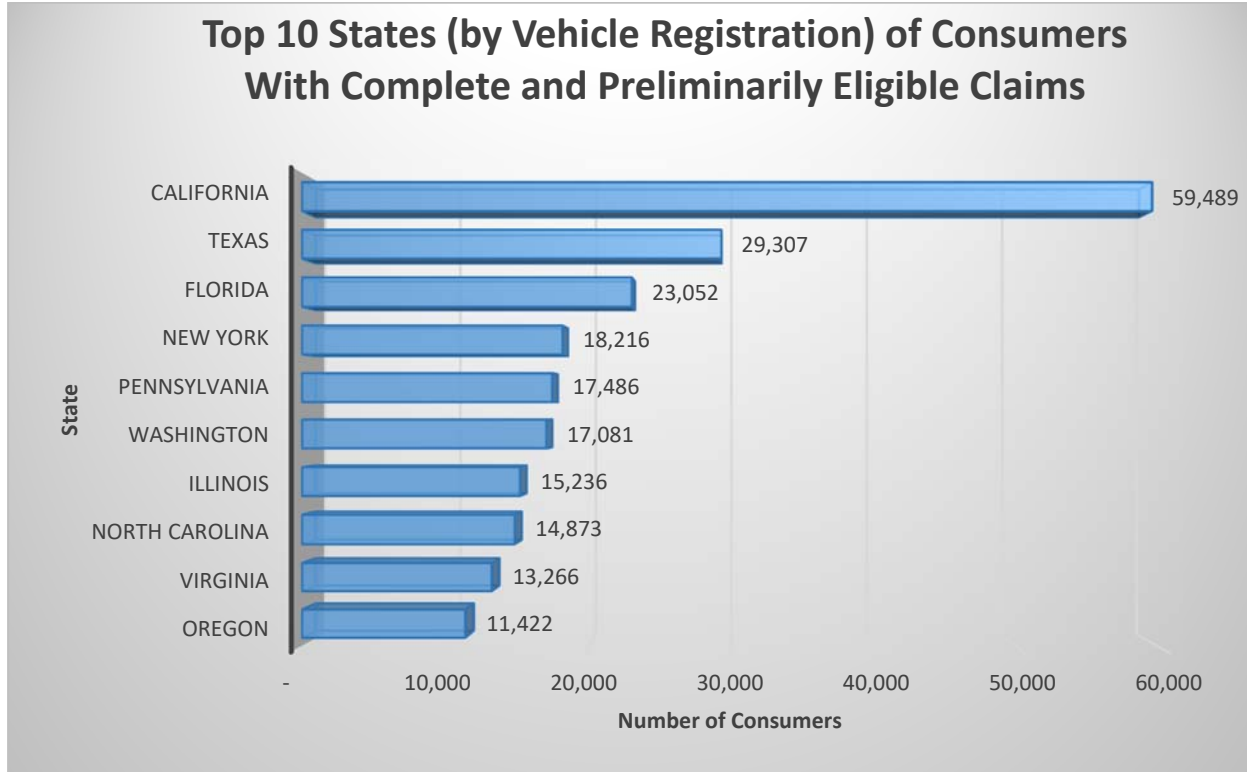


Chart 2-13 reflects the remedy selected by Owners and Current Lessees whose claims Volkswagen had deemed complete and preliminarily eligible as of August 17, 2017. The chart does not include 11,334 Sellers or 4,035 Former Lessees because the only remedy available to those claimants is Restitution.¹⁰ Chart 2-13 also excludes 4,340 cancelled claims that mostly were associated with duplicate claim submissions, and three claims where the eligibility category was inconsistent with the award type, which issue is addressed as part of claims processing.

¹⁰ As described in footnote 7, Volkswagen has generally classified Owner claims associated with totaled vehicles as Seller claims because the consumer does not possess the Eligible Vehicle and, if eligible, is solely entitled to Restitution. The universe of 11,334 Eligible Seller claims therefore includes certain Owner claims associated with totaled vehicles.

Chart 2-13

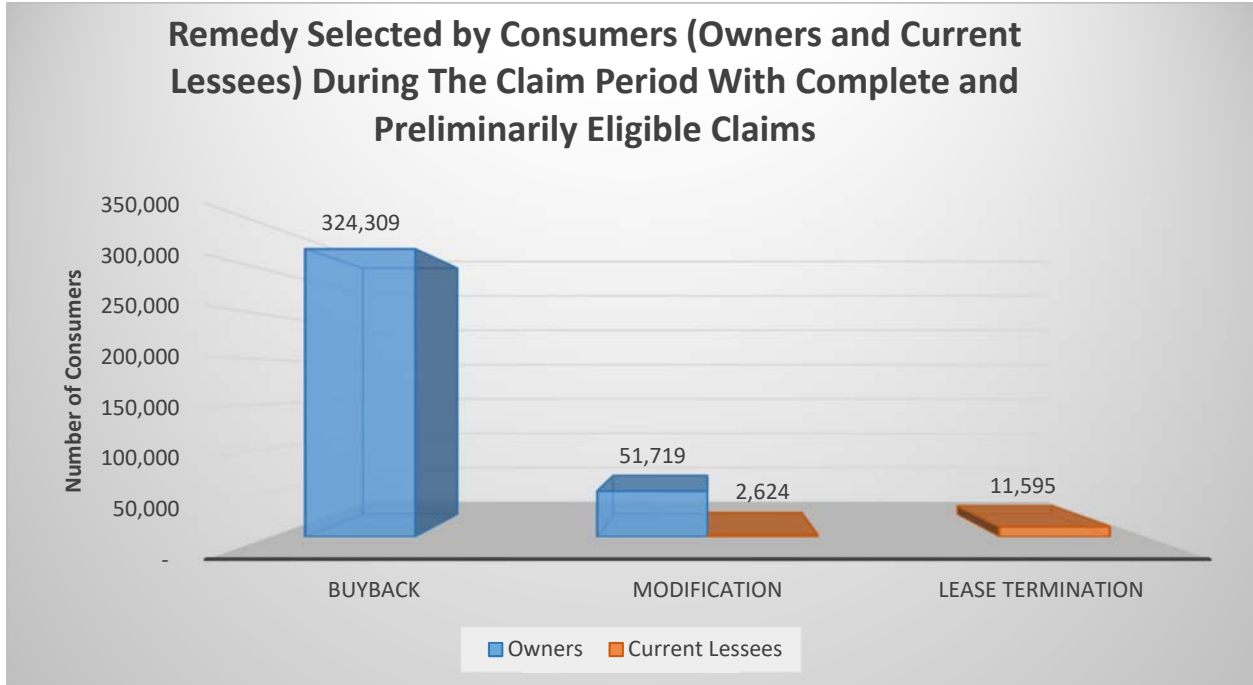


Chart 2-14 shows how the total number of claims deemed complete and preliminarily eligible has changed over time during the Claim Period.

Chart 2-14



Additionally, through August 17, 2017, there were 172,016 instances where Volkswagen had deemed a claim deficient during the first ten-business-day review period, spread across 121,395 unique claims. More than 346,000 deficiency codes had been applied by Volkswagen as of

that date, as multiple deficiencies may be associated with a given claim submission. The most common deficiency codes have been: (i) an incorrect document was uploaded (92,419 claims); (ii) a document was missing pages (65,840 claims); (iii) a document was illegible (56,652 claims); (iv) a document was incomplete or the document image was cut off (24,663 claims); and (v) a name on the document did not match the name in the Claims Portal (18,213 claims).

Across these 121,395 deficient claims, 115,066 consumers (94.8%) had made at least one attempt to cure the deficiency, while 6,329 (5.2%) had not yet attempted to cure. Among the consumers who had attempted to cure: (i) 110,693 consumers (96.2%) successfully cured the deficiency; (ii) 471 consumers (0.4%) resubmitted claims that were pending a completeness determination by Volkswagen as of August 17th; and (iii) 3,902 consumers (3.4%) had not resubmitted claims after their initial attempt to cure the deficiency was unsuccessful.

As of August 17, 2017, there were 8,630 consumer claims with active deficiencies. Across claims with active deficiencies, the most common deficiencies were: (i) an incorrect document was uploaded (4,557 claims); (ii) a name on the documents did not match the name in the Claims Portal (2,589 claims); (iii) a document was illegible (1,369 claims); (iv) the VIN of the Eligible Vehicle did not match the VIN in the consumer's submission (647 claims); and (v) a document was incomplete or the document image was cut off (574 claims).

Finally, the Claims Supervisor reviewed a sample of 1,200 claims deemed deficient by Volkswagen reviewers during the first ten-business-day review period to assess whether Volkswagen reviewers were properly applying deficiency codes. The Claims Supervisor substantiated Volkswagen's deficiency code determinations in 1,109 instances (92.4%). This concurrence rate is roughly equivalent to the rate from the previous quarter. That said, the audit revealed that as the quarter progressed, instances where the Claims Supervisor disagreed with the Volkswagen reviewers' application of deficiency codes declined. Additionally, disagreements concerning

determinations with “complex documents” decreased significantly during the quarter.¹¹ There also was a reduction in disagreements relating to determinations concerning the evaluation of consumer identification documents. However, disagreements involving financial consent forms increased as compared to the previous quarter, and disagreements arising out of Volkswagen’s determinations that a document was incomplete, when the relevant substantiating information actually was included in the document submitted by the consumer, remained a trend.¹² Overall, however, instances of deficiency code disagreements remained relatively small.

D. The Second Ten-Business-Day Review Period

Volkswagen has ten business days from the date it concludes that a consumer’s claim is complete and preliminarily eligible to issue an offer letter. Within the same second ten-business-day review period, the Claims Supervisor must independently verify Volkswagen’s completeness and eligibility determinations as well as its offer calculation before an offer letter can issue.¹³

As of August 17, 2017, a total of 410,852 consumers had reached the second ten-business-day review period having been deemed preliminarily eligible by Volkswagen.¹⁴ Of

¹¹ “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.

¹² Where a disagreement in the application of a deficiency code is the sole reason a claim had been deemed deficient, the claim is raised by the Claims Supervisor to Volkswagen for further review.

¹³ 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 (captured in Chart 2-4). Through August 17, 2017, there had been 3,423 instances where a claim had been deemed ineligible upon review by Volkswagen. In 1,368 of those instances, the ineligibility determinations were verified by the Claims Supervisor and communicated by Volkswagen to the consumer. The remaining claims predominantly included instances where the Claims Supervisor determined, and Volkswagen agreed, that the claim should have been deemed deficient -- such that the consumer would have an opportunity to cure and resubmit a claim -- as opposed to ineligible. Through August 17, 2017, there had been 1,086 consumers initially deemed ineligible who instead were shifted to a deficiency status and who successfully cured the deficiency by resubmitting a claim that Volkswagen deemed complete and preliminarily eligible.

¹⁴ As described above, there were 409,959 consumers whose claims were deemed complete and preliminarily eligible by Volkswagen, but 410,852 preliminarily eligible claims reached the second ten-business-day review period. The difference of 893 claims reflects instances where a claim reached the second ten-business-day review period without having triggered the status in the system that indicates the start or conclusion of the first ten-business-day review period. Many of these instances involve paper claims. There were other instances earlier in the Claim Period where files reached a status beginning the second ten-business-day review period before the first ten-

these, 399,048 claims related to individuals and 11,804 claims related to businesses. Across this population, 402,325 consumers (97.9%) had been issued offer letters, inclusive of 24,201 offer letters issued during this quarter.

Through August 17, 2017, excluding the 1,426 claims that were still pending a determination by Volkswagen but for which the second ten-business-day review period had not yet elapsed, Volkswagen had been required to make 469,847 second ten-business-day review period decisions. The company had timely made the required determinations in 325,143 instances, for an overall compliance rate of 69.2%. During this quarter, Volkswagen was required to make 35,781 second ten-business-day review period decisions and timely did so in 34,558 instances, yielding a 96.6% quarterly compliance rate. Despite Volkswagen's substantially improved performance in timely rendering second ten-business-day decisions over the last two quarters, the company's cumulative compliance rate has improved by only 7.7% since the February reporting period because of the comparatively smaller volume of claims that have required processing.

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

business-day review period had been completed. The divergence of 893 claims would not substantively affect the claims processing -- it is only reflected when data is queried to generate aggregated figures for reporting purposes.

Chart 2-15

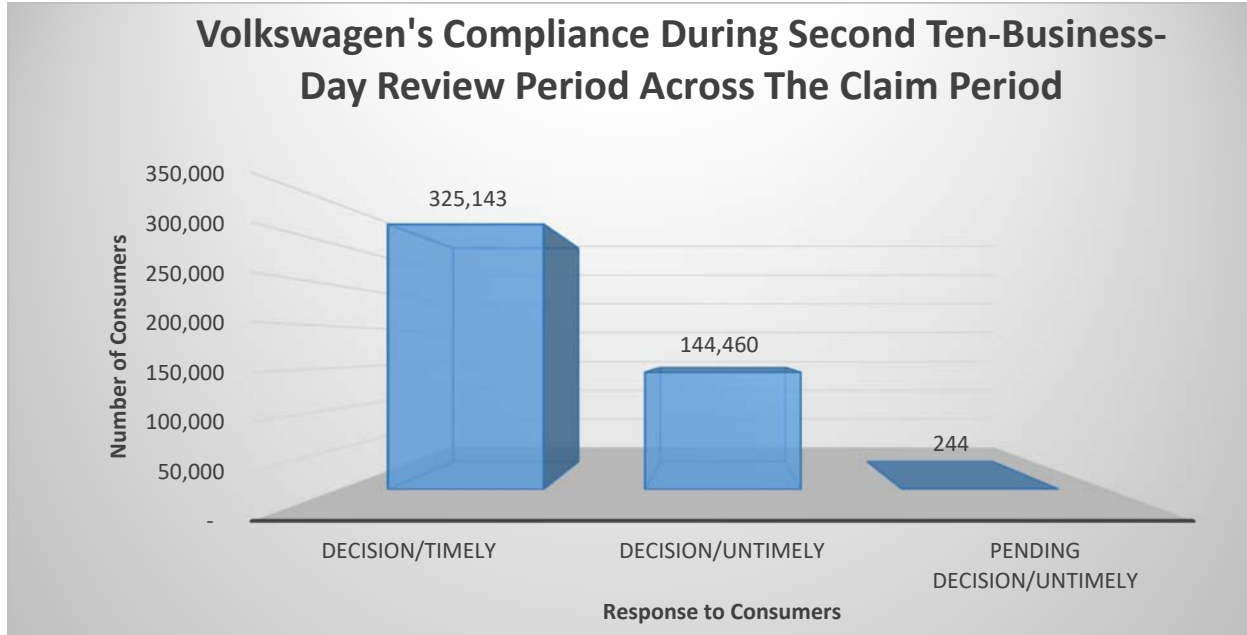
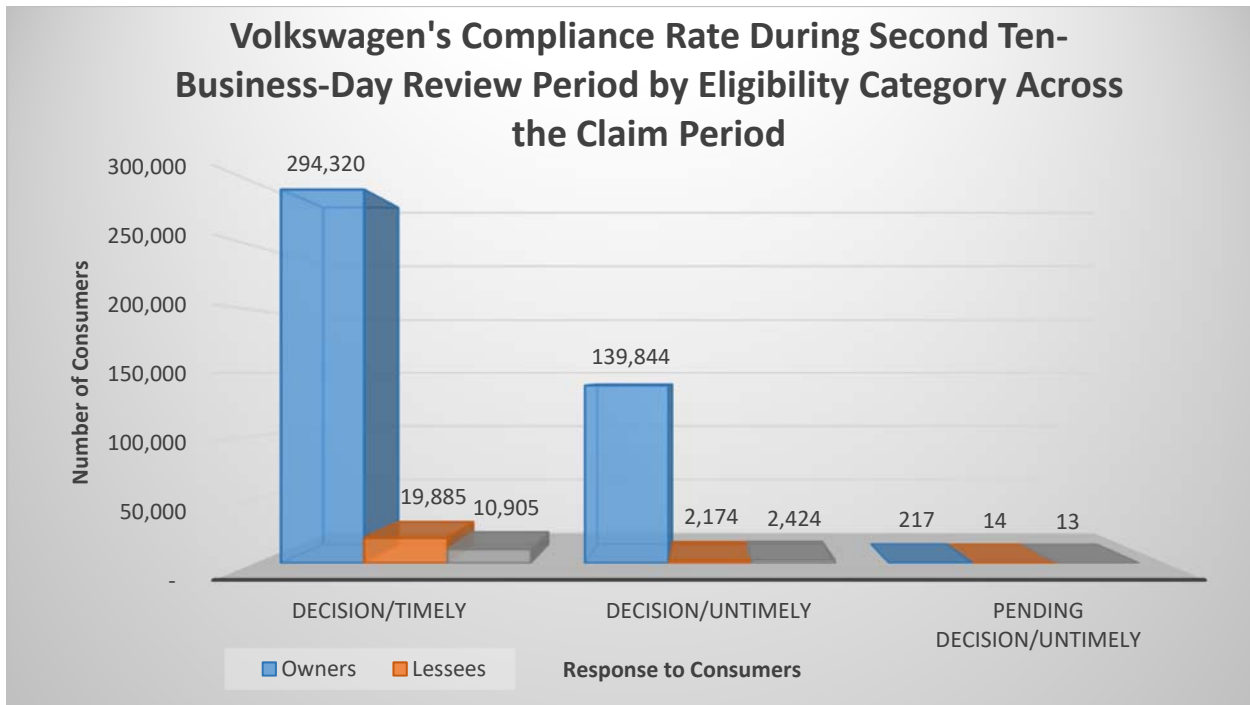


Chart 2-16¹⁵



¹⁵ Of the fifty-one claims not accounted for in Chart 2-16, fifty involved claims that were deemed not eligible. Thirty-three of these claims were timely second ten-business-day review period decisions, and seventeen were untimely. The remaining claim relates to an untimely determination where the eligibility category changed after the claim was deemed deficient during the second ten-business-day review period.

Chart 2-17 reflects Volkswagen’s compliance rate in timely issuing second ten-business-day review period decisions at different points in time across the Claim Period.

Chart 2-17

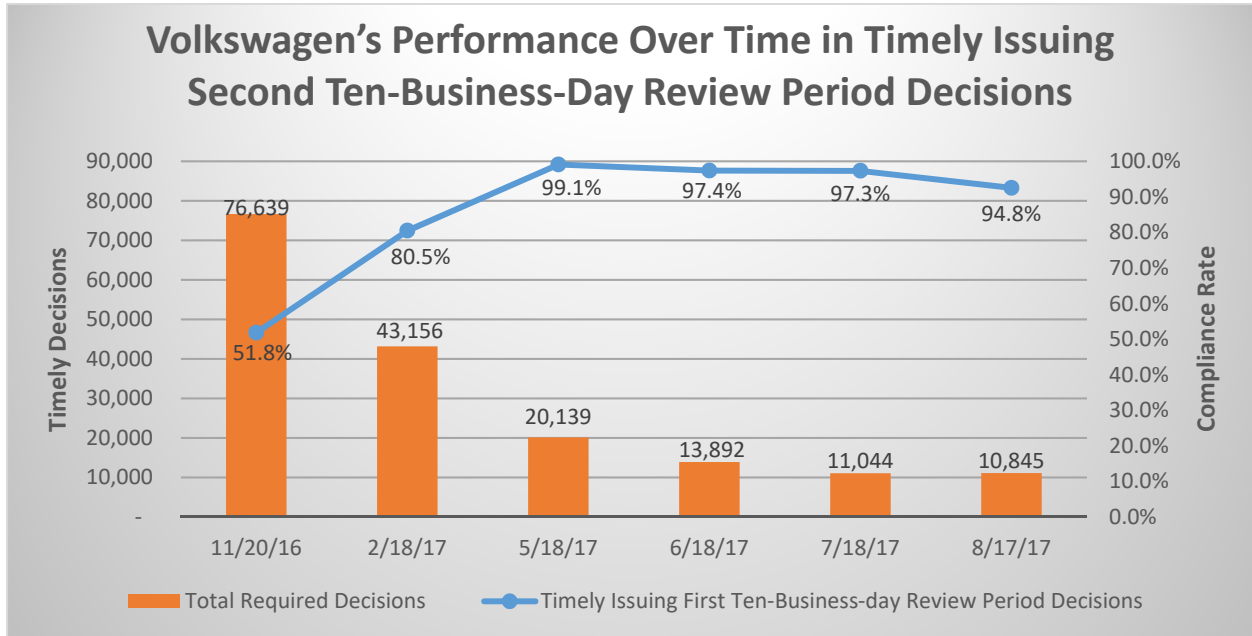


Chart 2-18 shows the change over time in Volkswagen’s backlog of overdue and pending claims in the second ten-business-day review period at different times during the Claim Period.

Chart 2-18

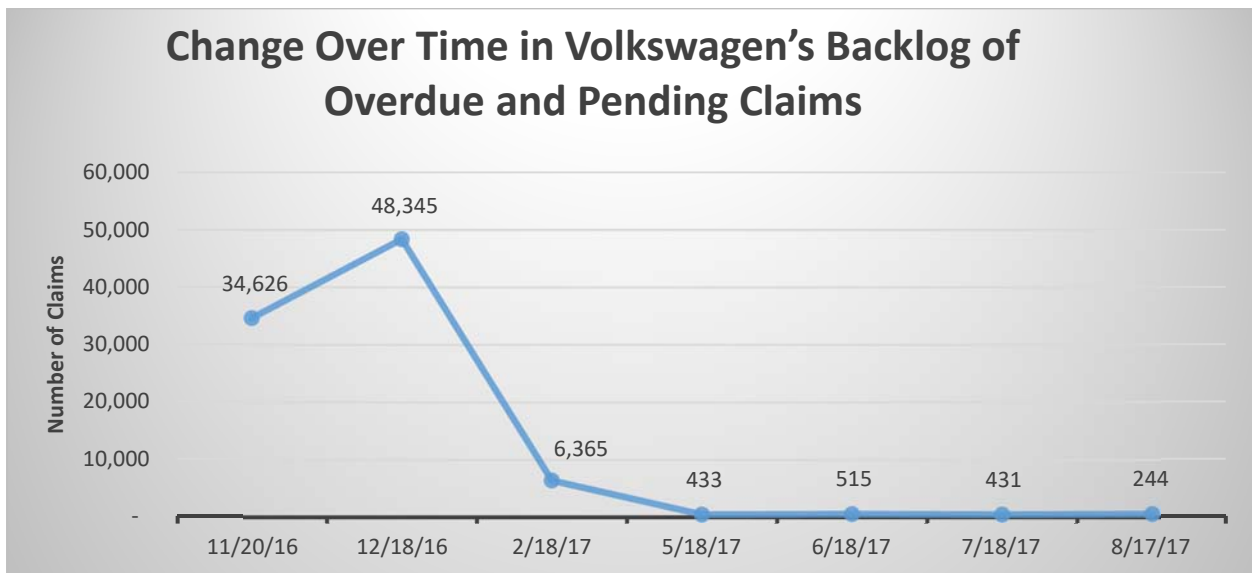
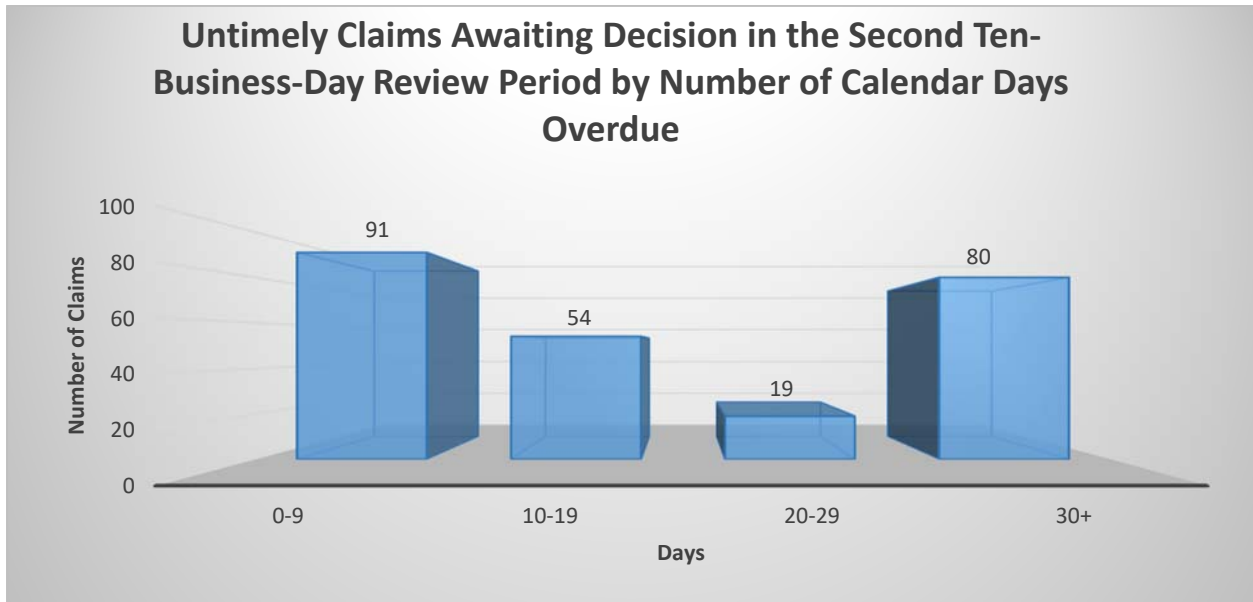


Chart 2-19 shows the 244 claims in Volkswagen’s backlog as of August 17, 2017, by the number of calendar days that the claims are overdue.

Chart 2-19



Of the claims in Volkswagen’s backlog, 173 claims required action by Volkswagen to resolve a document deficiency, non-document deficiency, or eligibility concern associated with the claim. Sixty of these claims were more than thirty calendar days overdue. Another forty-three overdue claims related to totaled vehicles, ten of which were more than thirty calendar days overdue. The remaining twenty-eight claims either were awaiting Volkswagen’s generation of an offer letter or Volkswagen’s resolution of a deficiency associated with a generated offer letter, ten of which were more than thirty calendar days overdue.¹⁶

¹⁶ As discussed earlier in this section, Volkswagen and the Plaintiffs’ Steering Committee have been working together to address how the eligibility requirements apply to claims associated with a vehicle that has been branded with a salvage title. As of August 17, 2017, there were 608 such claims actively pending in the second ten-business-day review period. The Claims Supervisor will continue to exclude these non-standard claim types from the first and second ten-business-day review period timeliness analysis until the parties determine how the eligibility requirements should be applied to them.

E. Offer Letters

Through August 17, 2017, Volkswagen had issued 402,325 offer letters, the aggregate value of which totaled \$7,338,924,090.12. Of these, 391,478 offer letters with an aggregate value of \$7,143,544,777.06 were issued to individuals. The remaining 10,847 offer letters were issued to businesses and were aggregately valued at \$195,379,313.06. During this quarter, Volkswagen issued 24,201 offer letters aggregately valued at \$456,420,674.92.

Chart 2-20 shows how the number of offer letters issued by Volkswagen has changed over time at different points during the Claim Period. Chart 2-21 reflects how the number of offer letters issued by Volkswagen has changed over time by eligibility categories across the last four months of the Claim Period.

Chart 2-20

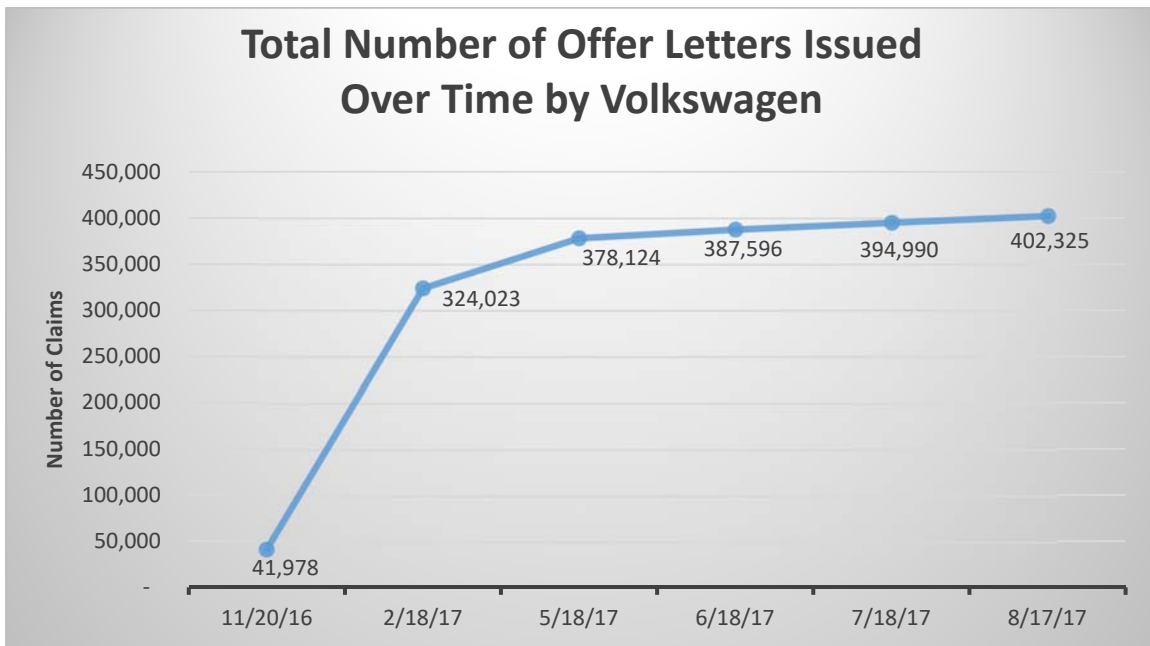


Chart 2-21¹⁷

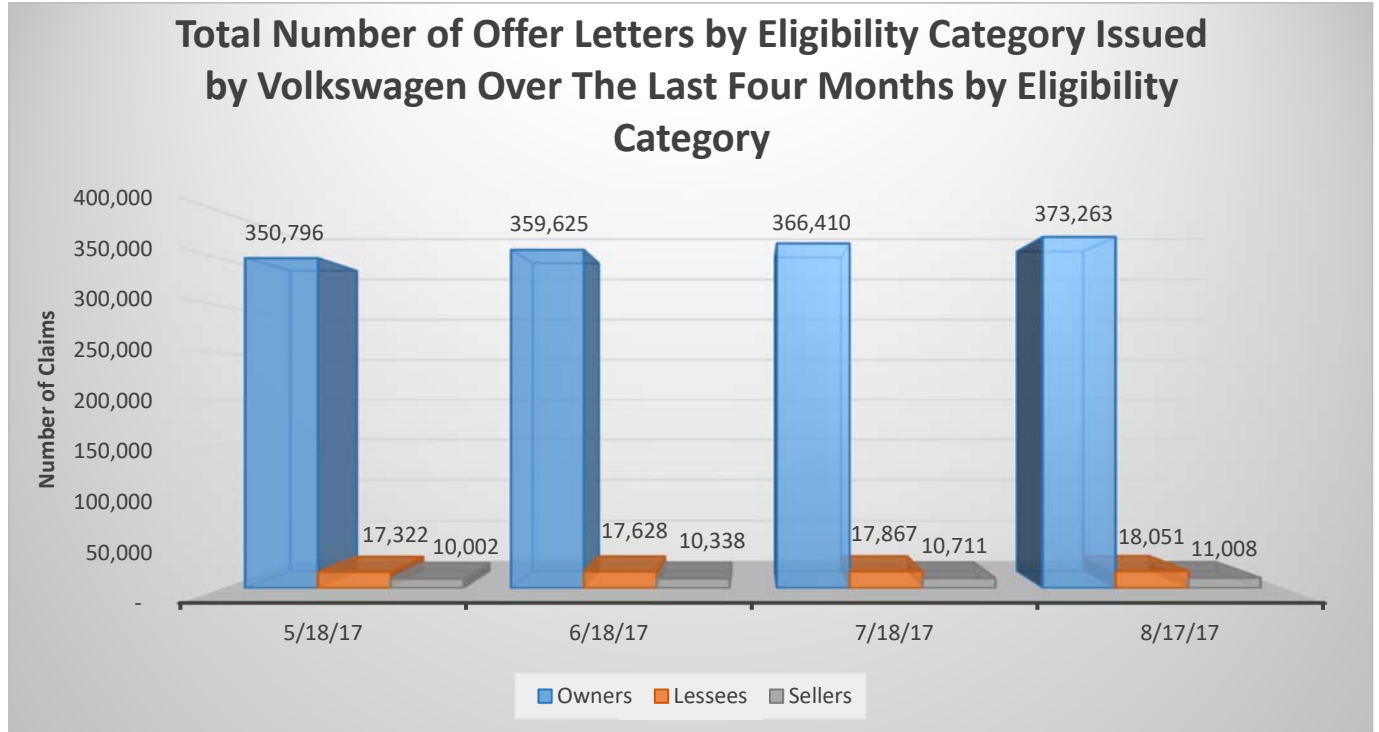


Chart 2-22 reflects offer letters issued to Owners and Current Lessees by remedy selections. The chart excludes 11,007 Sellers and 3,947 Former Lessees who have received offer letters because the only remedy available to those consumers is Restitution.¹⁸ Another three offers were associated with claims subsequently deemed not eligible. An additional three offers reflected an inconsistency between the consumer's eligibility category and the remedy selection (e.g., Current Lessee category with a Former Lessee offer; Seller category with a Buyback offer).

¹⁷ The three claims not captured in Chart 2-21 were ultimately deemed not eligible. Some instances have been identified where claims entered second ten-business-day review period processing before the first ten-business-day review was complete, as well as instances where offer letters were generated before deficiencies discovered by the Claims Supervisor during the second ten-business-day review period were resolved. As a result, a few claims for which offer letters had been generated ultimately were deemed ineligible.

¹⁸ There appears to be one Owner claim that has been miscategorized as a Seller claim such that the remedy associated with the claim does not match the Seller categorization. As a result, the instances of Seller Restitution remedies (11,007) is one less than the number of offer letters issued to consumers categorized as Sellers (11,008, as reflected in Chart 2-21). Additionally, as described above in footnote 7, Volkswagen has generally classified eligible claims associated with totaled vehicles as Seller claims because the consumer does not possess the Eligible Vehicle and is solely entitled to Restitution. The Seller categorization is applied irrespective of whether the Restitution award is calculated based on the Owner Restitution formula or Seller Restitution formula, which depends on the date the vehicle was transferred to the insurance company. Therefore, the universe of 11,007 Seller Restitution remedies also includes these types of eligible claims associated with totaled vehicles.

These inconsistencies appear to have arisen after the consumers contacted Volkswagen to request a change to their eligibility category, such that the category or remedy selection, but not both, were changed in Volkswagen's system. The Claims Supervisor will continue to work with Volkswagen to identify and address any of these types of data inconsistencies.

Chart 2-22

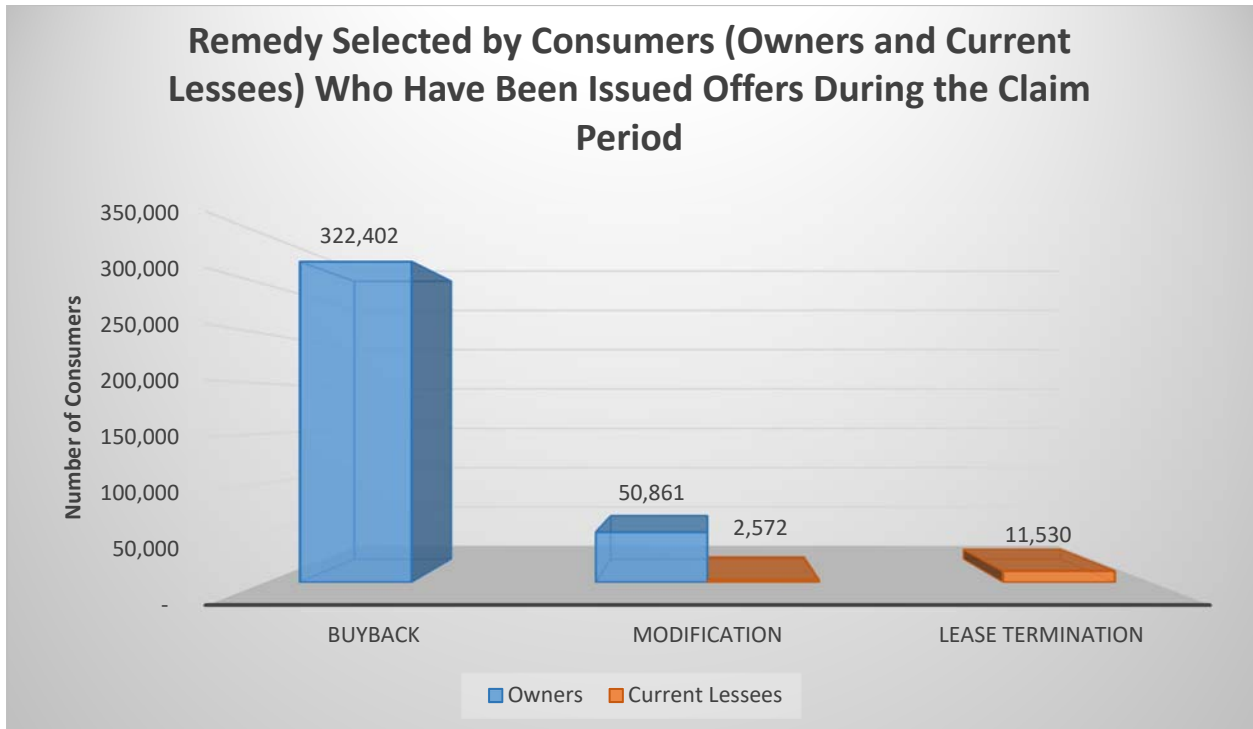
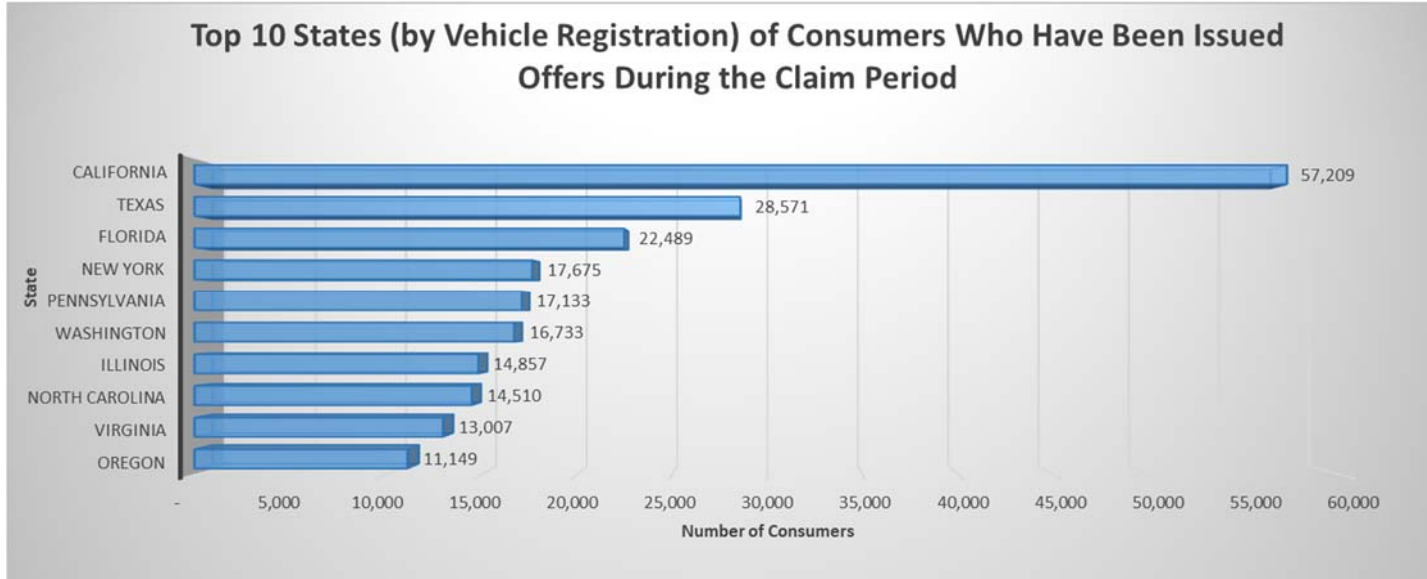


Chart 2-23 reflects, through August 17, 2017, the top ten states by vehicle registration of consumers who had received offer letters.

Chart 2-23



Through August 17, 2017, of the \$7.339 billion associated with the offer letters extended by Volkswagen, Owners account for about \$7.241 billion. Of these, about \$3.905 billion related to Owners with loans, about \$3.334 billion related to Owners without loans, and about \$1.5 million related to Owners who purchased the vehicle after September 18, 2015, but before June 28, 2016.¹⁹ The remainder was split among Current Lessees (14,103 offer letters valued in the aggregate at about \$50.2 million); Sellers (11,008 offer letters valued in the aggregate at about \$34.4 million); and Former Lessees (3,948 offer letters valued in the aggregate at about \$13.3 million).

Chart 2-24 shows the minimum, maximum and average awards issued to consumers based on eligibility category and offer selection through August 17, 2017.

¹⁹ As of August 17, 2017, there were 165 instances where the loan amount exceeded 130% of the offer amount, such that the final amount provided to the consumer -- absent potential adjustments at closing -- would not satisfy the entire loan amount and the consumer would have to provide funds to Volkswagen to complete the Buyback. Across these claims, the average remainder on the loan balance was approximately \$2,825. However, there were outliers that skewed the average, including nine claims with loan balances in excess of \$10,000. One hundred and twenty-four of the 165 claims had loan balances of less than \$3,000. Thus, the median value of the loan balance across these 165 claims, approximately \$1,350, is perhaps a better representation of the composition of these claims.

Chart 2-24

Eligibility Category and Offer Selection	Average Value	Minimum Value	Maximum Value
Owner - Buyback	\$21,463.59	\$5,100.00	\$45,407.93
Owner – AEM	\$6,052.71	\$2,274.00	\$9,991.13
Current Lessee - AEM	\$3,543.73	\$2,506.50	\$4,899.30
Current Lessee - Early Lease Termination	\$3,561.71	\$2,609.00	\$4,954.80
Former Lessee Restitution	\$3,361.02	\$2,504.00	\$4,885.30
Seller Restitution	\$3,126.72	\$2,550.00	\$8,091.73 ²⁰

Finally, through August 17, 2017, a total of 2,805 consumers who identified themselves as military and other eligible civilian personnel serving overseas and 1,003 decedent estates had registered with Volkswagen, and 2,627 and 820, respectively, had submitted claims for Volkswagen to review. Notably, the military overseas claim data included all consumers who self-identified as military overseas in their registrations. Through outbound communications to these individuals, Volkswagen has identified approximately 625 claims where both the consumer and vehicle are located overseas. The status of these claims and information regarding completed closings is discussed in greater detail in Section III below. The remaining consumers who identified as military personnel serving overseas either have returned to the United States or currently keep their vehicle in the United States. For either category, closing can proceed in the United States in the normal course.

Volkswagen had deemed 2,539 military overseas claims and 719 decedent estate claims complete and preliminarily eligible. Of these, Volkswagen had issued 2,487 offer letters to

²⁰ As described in footnote 7, Volkswagen has classified claims associated with totaled vehicles that were transferred to an insurance company subsequent to September 16, 2016 as Eligible Seller claims despite the fact these consumers are eligible for, and have been paid, consistent with the Owner Restitution formula. As a result, the maximum value for Seller Restitution depicted in Chart 2-24 reflects an offer amount for a claim associated with a totaled vehicle transferred to an insurance company subsequent to September 16, 2016 properly calculated using the Owner Restitution formula. The inclusion of Restitution offers associated with vehicles transferred to an insurance company subsequent to September 16, 2016, properly calculated using the Owner Restitution formula, within the universe of Seller claims slightly skews upward the average for Restitution awards associated with Seller claims.

military overseas consumers (98.0% of the population deemed preliminarily eligible) and 665 offers letters to decedent estates (92.5% of the population deemed preliminarily eligible). The aggregate values of the offer letters to military overseas consumers and decedent estates were \$48,305,441.40 and \$13,133,578.67, respectively.

F. Appointments and Closings

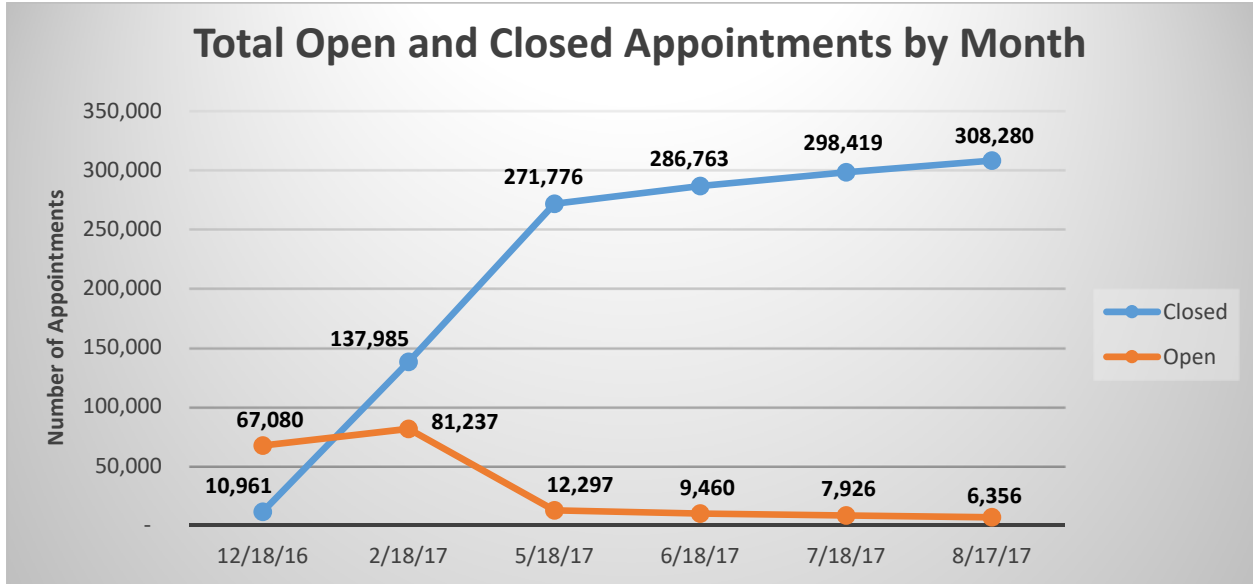
As of August 17, 2017, a total of 317,177 consumers had scheduled closing appointments.²¹ Within this group: (i) 308,280 consumers (97.2%) had appointments that resulted in the completion of a closing; (ii) 6,356 consumers (2.0%) had open, scheduled appointments that had yet to occur; and (iii) 2,541 consumers (0.8%) had an appointment that was cancelled and that they had yet to reschedule.²²

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

²¹ As of August 17, 2017, a total of 378,310 consumers had accepted offer letters from Volkswagen, the aggregate value of which totaled \$7,014,622,778. In addition to Owners and Current Lessees, this figure includes Former Lessees and Eligible Sellers who were not required to proceed through the closing phase because they did not have possession of an Eligible Vehicle. Information on payments made to Former Lessees and Sellers is set forth below. Notably, appointment figures associated with accepted offers also exclude Owners and Current Lessees of Generation 3 Vehicles, Generation 2 automatic transmission Passats, and Generation 1 Vehicles who have scheduled AEMs. Those appointments are coordinated directly with dealerships. Information through August 16, 2017, on completed phase one AEMs on Generation 3 Vehicles, as well as completed AEMs on Generation 2 automatic transmission Passats and Generation 1 Vehicles, is also set forth below.

²² There is one “closed” claim that appears to be a closed Owner claim miscategorized as a closed Seller claim. Seller claims, of course, do not proceed through the closing process. Figures reflected in this report relating to closed claims generally, and closed Owner claims specifically, include this apparently miscategorized claim.

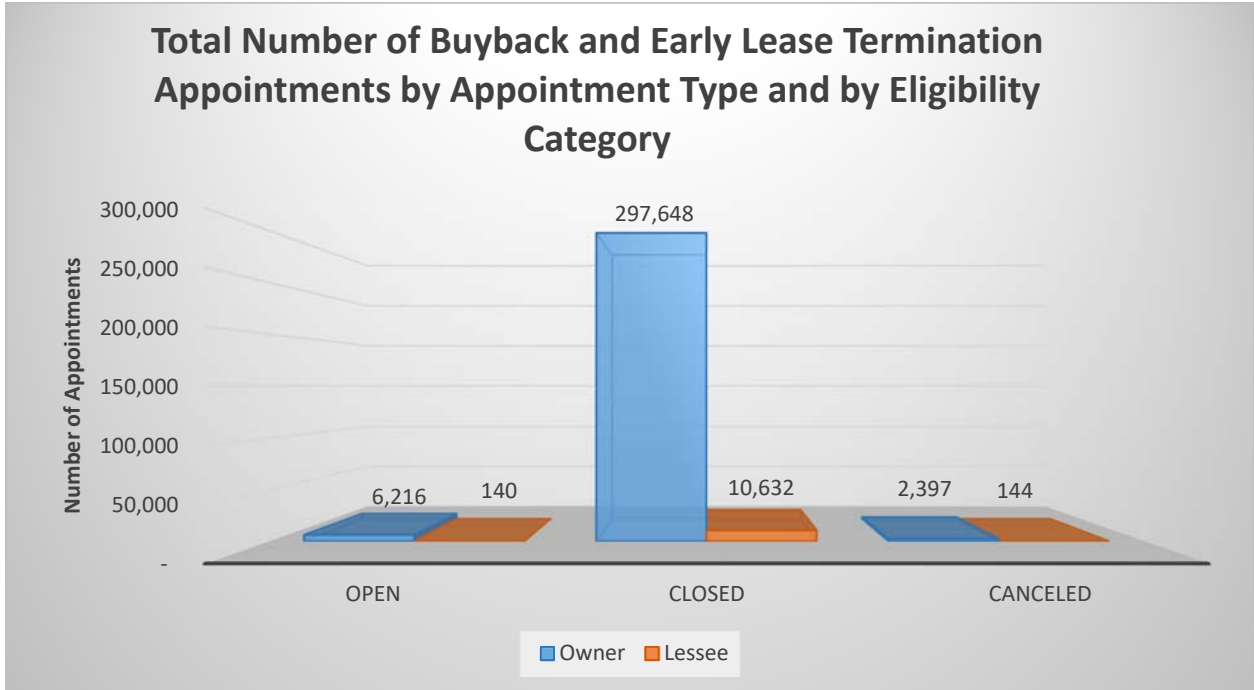
Chart 2-25



Relative to the significantly declining number of consumers proceeding through the claims process and requesting closing appointments, the volume of completed closings likewise has reduced sharply during this quarter. Between February 19, 2017 and May 18, 2017, Volkswagen completed 133,791 closings for an average of about 10,640 closings per week. In contrast, during this quarter, Volkswagen completed 36,504 closings for an average of about 2,840 closings per week. This amounts to an approximately 73% reduction in the volume of completed closings this quarter as compared to the previous quarter.

Chart 2-26 shows, for consumers who had scheduled appointments as of August 17, 2017, the total number of appointments by appointment type across the Owner and Current Lessee eligibility categories.

Chart 2-26



Through August 17, 2017, the most common locations where appointments were scheduled (states and cities) are set forth in Charts 2-27 and 2-28, respectively.

Chart 2-27

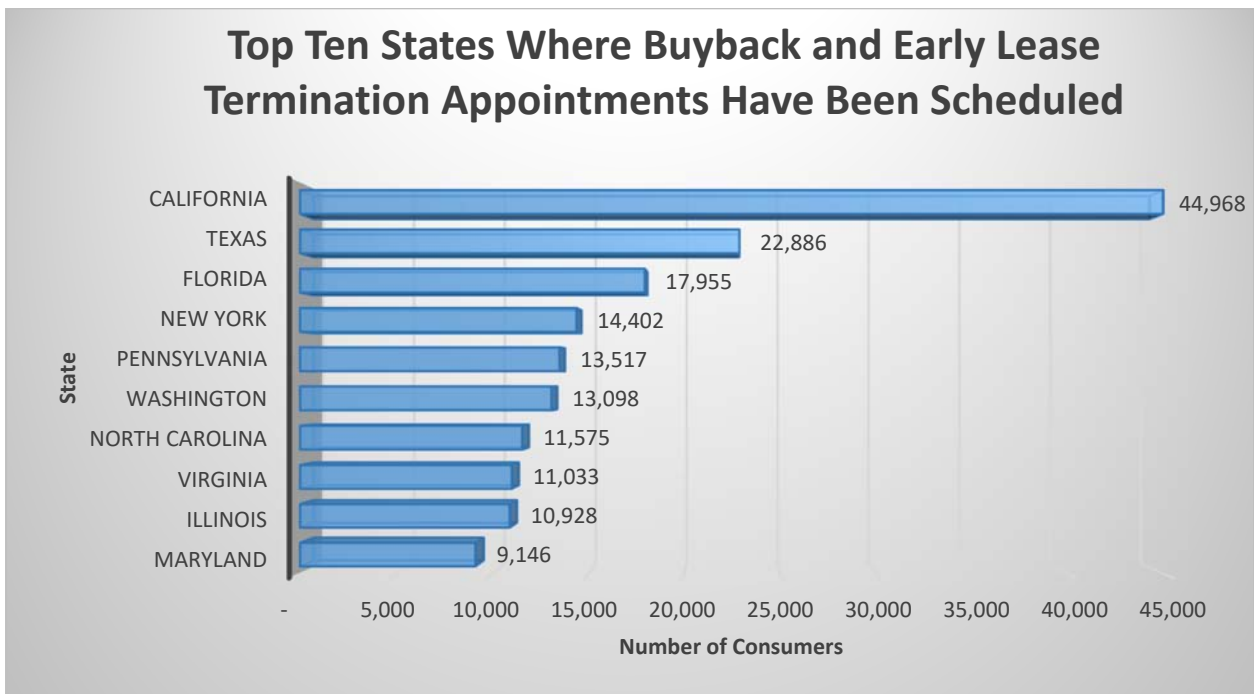
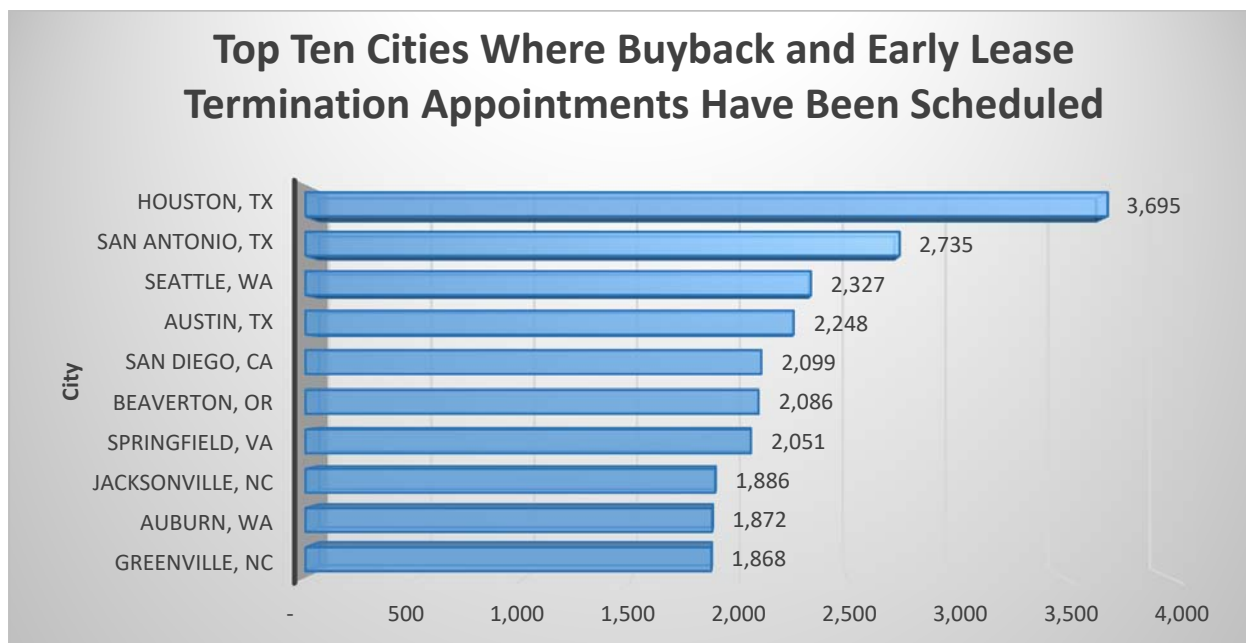


Chart 2-28



As of August 17, 2017, there had been a total of 66,434 instances where scheduled appointments had resulted in cancellation. Of these, 59,888 (90.1%) were cancelled at the consumer's request. Other reasons for cancellation included: (i) the consumer did not show up to the closing appointment (2,397 instances); (ii) the vehicle's mileage at turn-in required Volkswagen to reduce the amount owed to a consumer who elected to be paid by check, necessitating that Volkswagen issue a new check for the correct amount (1,386 claims);²³ (iii) the title was not brought to the closing (457 instances); (iv) the individual with power of attorney was not present at the closing (281 instances); and (v) the title holder was not present at the closing (285 instances).

For the 308,280 appointments that had resulted in closing as of August 17, 2017, the aggregate value of those claims was \$6,429,678,000.99. Chart 2-29 reflects the remedies that

²³ While there was one cancelled appointment during this quarter attributed to an Eligible Vehicle being over-mileage at turn-in, based on previous process improvements implemented by Volkswagen, cancellations for over-mileage should no longer occur. A review of the claim revealed that the cancellation reason appeared to be miscategorized. The closing should have been categorized as cancelled because of issues related to vehicle operability.

this population had selected.²⁴ Chart 2-30 shows the top ten states for consumers who proceeded through closing, based on the state in which their vehicle was registered.

Chart 2-29

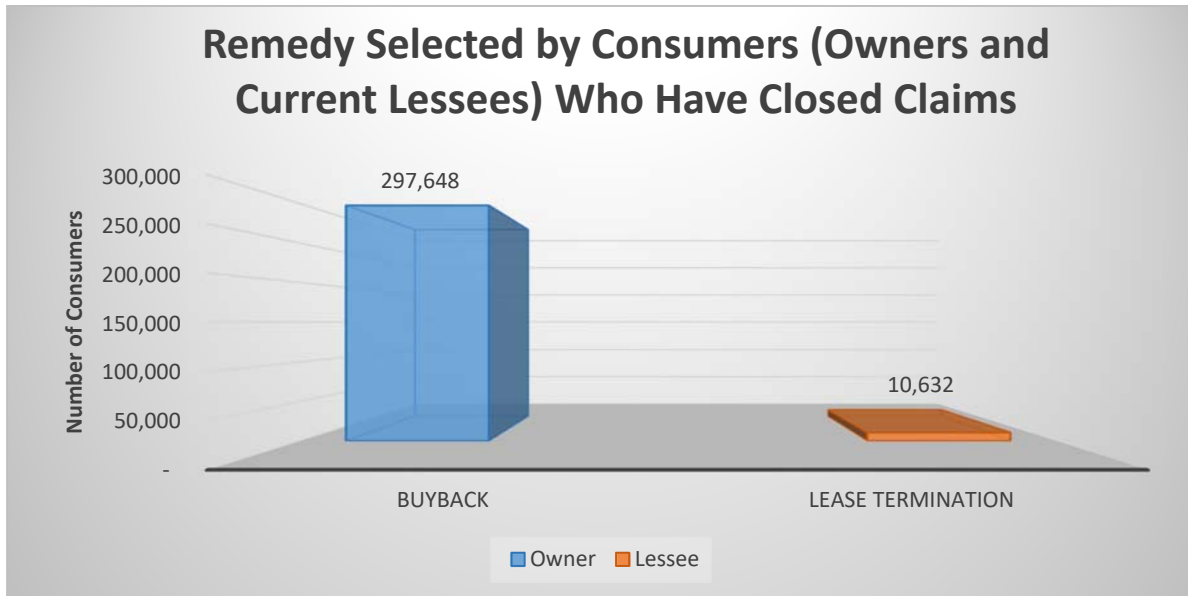
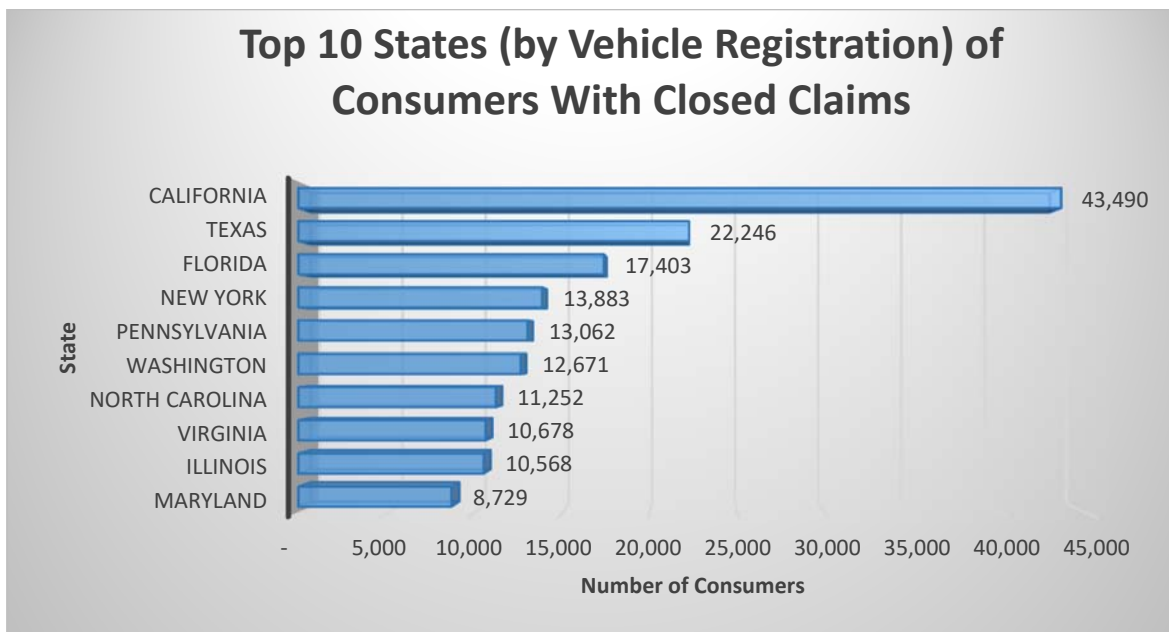


Chart 2-30



²⁴ Consumers proceeding through the closing process have the choice to receive funds from Volkswagen by electronic funds transfer (“EFT”) or by check. The data show that, as of August 17, 2017, across closed appointments nearly 77% of consumers have elected to be paid by EFT.

Finally, while the issuance of timely payments within three business days of closing to consumers had presented some challenges for Volkswagen earlier in the Claim Period, the data show that Volkswagen generally has addressed this challenge. While some payment delays to consumers persisted during this quarter, they were limited relative to the broader universe of completed closings. The most common reasons for payment delays to consumers were instances where the consumer did not receive the initiating e-mail from J.P. Morgan Chase after Volkswagen cleared the EFT for transmission, a check was not received by the consumer, or the consumer inadvertently input incorrect information in response to the authentication procedures associated with the EFT process and therefore could not access the EFT. For the substantial majority of these claims, the delay in payment was resolved after just a few additional business days. Likewise, the data show that instances of delays in payments to lenders were relatively limited compared to the total number of closings this quarter. Here also, where delays occurred, they usually lasted only a few additional business days.

With respect to AEM remedy selections, as of August 16, 2017, Volkswagen confirmed that a total of 9,524 consumers with Generation 3 Vehicles had completed the first phase of the AEM process -- removal of the defeat device software. Completion of the first phase triggers a payment under the terms of the Resolution Agreements to the consumer of two-thirds of the AEM Restitution amount.²⁵ The aggregate value of offer amounts associated with these claims was about \$62.2 million, resulting in a Volkswagen payment obligation of approximately \$41.5 million (two-thirds of the approximate \$62.2 million total). Additionally, as of August 16, 2017, a total of 6,438 consumers with Generation 2 automatic transmission Passats and 1,600 consumers with Generation 1 Vehicles had completed an AEM. These consumers are entitled to

²⁵ The second phase of the AEM for Generation 3 Vehicles -- updating vehicles with new emissions control mechanisms that will further reduce emissions output and maintain emissions performance for the full useful life of the vehicle -- is anticipated to become available in early 2018. Completion of second phase of these AEMs will trigger a payment to corresponding consumers of the remaining one-third of the AEM Restitution amounts.

full payment of the offer amount once the AEM is completed. The aggregate value of the amounts reflected in these offer letters was \$39.3 million for the Generation 2 automatic transmission Passats, and approximately \$9 million for the Generation 1 vehicles.

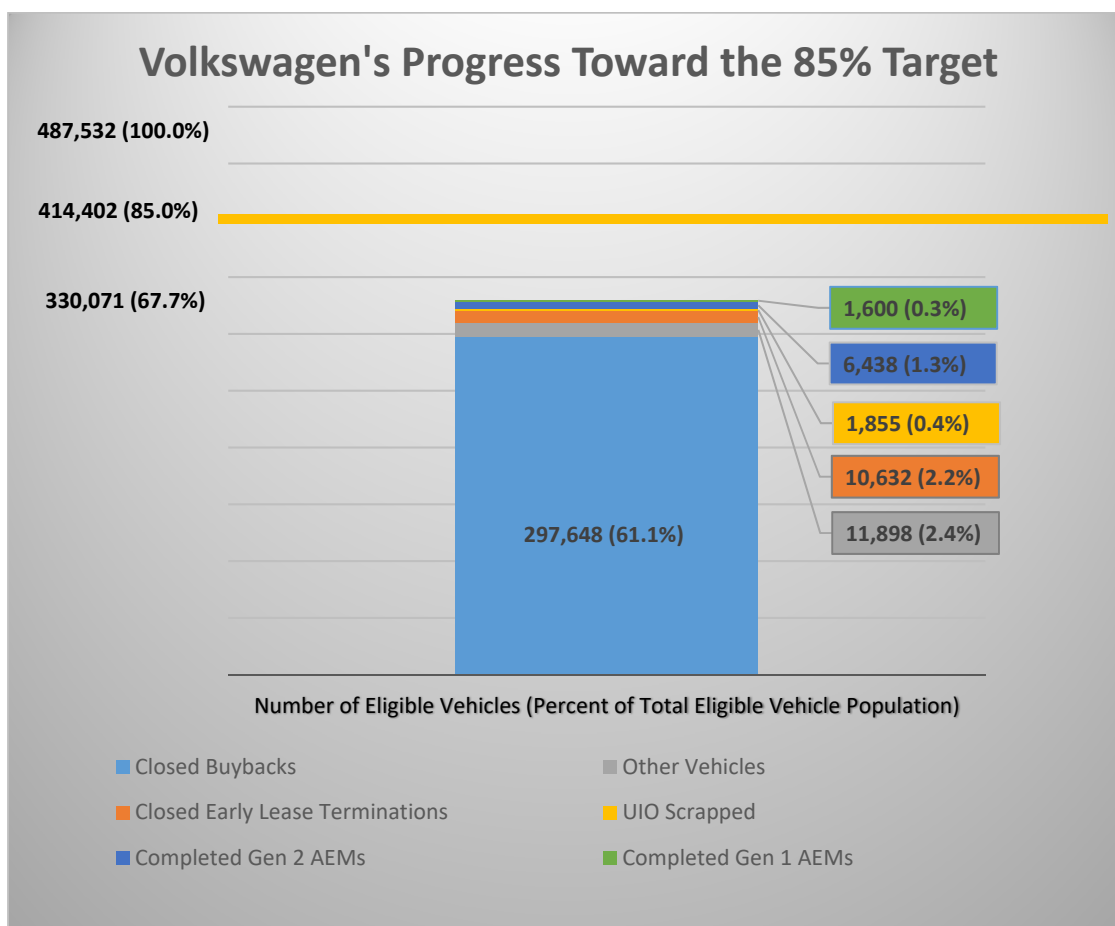
Moreover, according to Volkswagen's data through August 16, 2017, there were 71 AEMs performed on Eligible Vehicles for which the consumer did not yet register a claim. These consumers remain eligible for funding through the Claims Program provided that they register, substantiate, and submit eligible claims. For an additional 745 claims, an AEM had been completed at a dealership while the claim in connection with the Eligible Vehicle either was registered but pending submission by the consumer, or was submitted by the consumer and pending review by Volkswagen. Essentially, these are instances where the consumer elected to have the AEM completed on the vehicle while his or her claim was still being processed.

Finally, all of the closing figures do not include the 10,563 Sellers and 3,637 Former Lessees who had been paid on claims as of August 17, 2017, because these consumers were not required to go through the closing process. The aggregate values of these Seller and Former Lessee claims paid by Volkswagen through August 17, 2017, were \$33,077,494.87 and \$12,209,842.90, respectively.

G. Progress Toward the 85% Target

The Resolution Agreements set a target that Volkswagen should buy back or modify 85% of the Eligible Vehicles captured within the settlement. The Resolution Agreements also provide that "the total number of 2.0 Liter Subject Vehicles is 487,532 (499,406 vehicles less scrapped vehicles as of October 1, 2015)." Through August 17, 2017, Volkswagen had removed approximately 67.7% of Eligible Vehicles from commerce. Chart 2-31 shows Volkswagen's progress toward the 85% target.

Chart 2-31²⁶



The “Other Vehicles” category depicted in Charts 2-31 and 2-32 represents vehicles Volkswagen has removed from commerce outside of the Claims Program. This includes, among other things, leased vehicles that were returned by a consumer to Volkswagen Credit, Inc. or Audi Financial Services, used vehicles that Volkswagen acquired from dealerships, and company cars previously utilized by Volkswagen employees that have since been retired.

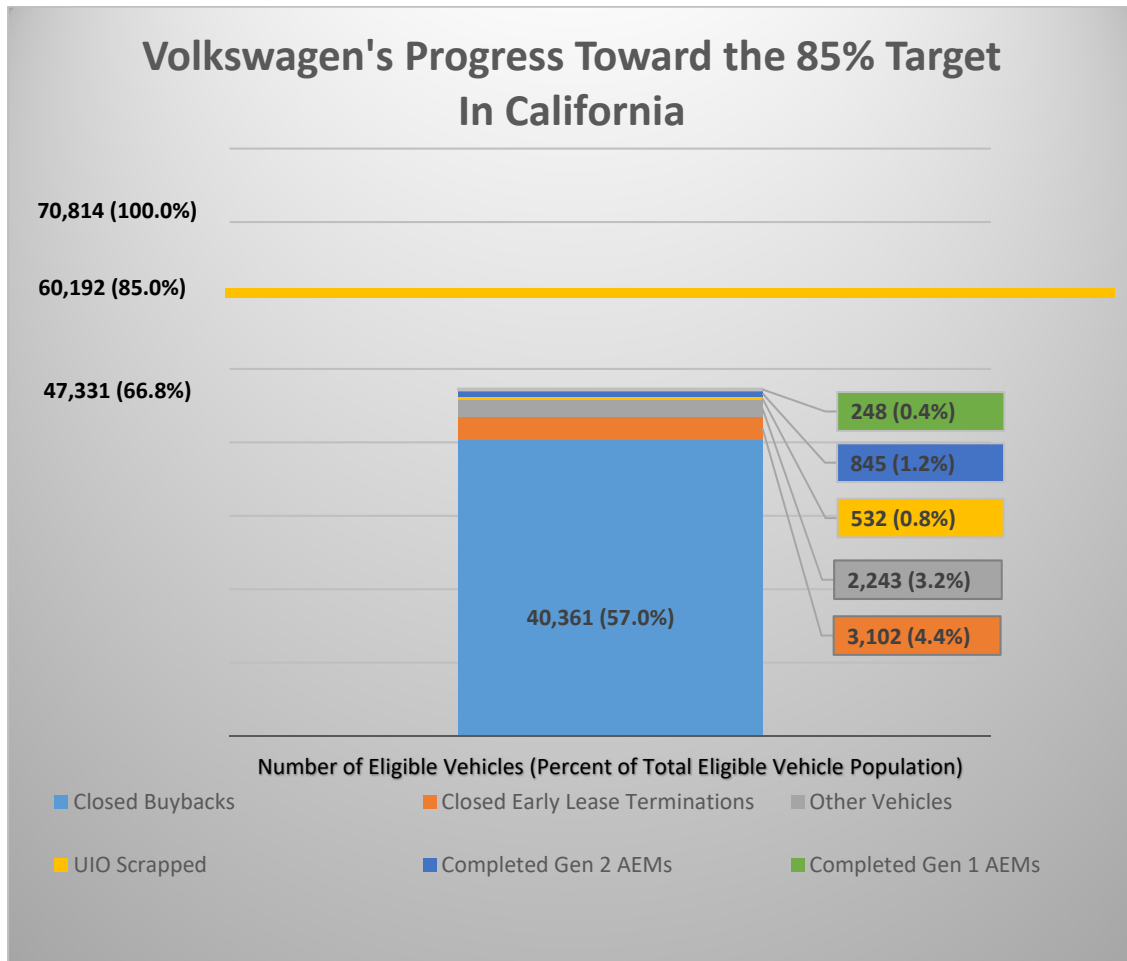
Chart 2-31 does not include 9,524 consumers with Generation 3 Eligible Vehicles (2.0% of the “total number of 2.0 Liter Subject Vehicles”) who had completed the first phase of the AEM process. Nor does it include 11,755 Eligible Vehicles (2.4% of the “total number of 2.0

²⁶ Figures in Chart 2-31 relating to UIO Scrapped and Other Vehicles were based on Volkswagen data as of June 30, 2017.

Liter Subject Vehicles”) that were part of dealers’ stock at the time Volkswagen issued the stop-sale order in response to the notices of violation and, according to Volkswagen, subsequently received the first phase of the AEM process. These Generation 3 Vehicles will be included in the 85% analysis once the final phase of the AEM process is completed. Under the terms of the Resolution Agreements, Volkswagen still has sixteen months left in the Claims Program to buy back or modify approximately 84,000 additional vehicles to reach the 85% target.

Finally, the Resolution Agreements also specifically require that Volkswagen buy back or modify 85% of the Eligible Vehicles registered in California and captured in the settlement. The Resolution Agreements further state that “the total number of all 2.0 Liter Subject Vehicles registered in California is 70,814.” Through August 17, 2017, Volkswagen had removed approximately 66.8% of Eligible Vehicles registered in California from commerce. Chart 2-32 shows Volkswagen’s progress toward the California-specific 85% target.

Chart 2-32²⁷



Additionally, as of August 16, 2017, 1,844 consumers with Generation 3 Vehicles from California (2.6% of “total number of all 2.0 Liter Subject Vehicles registered in California”) had completed the first phase of the AEM process. These vehicles will be included in the California-specific 85% analysis once the second and final phase of the AEM process is completed.

III. Consumer Experience

Over this quarterly reporting period, Volkswagen continued to make progress in processing claims and managing the consumer’s customer service experience. Relatively few complaints were raised relating to the submission of claims and supporting documentation, or the

²⁷ Figures in Chart 2-32 relating to California UIO Scrapped and Other Vehicles were based on Volkswagen data as of June 30, 2017.

timeliness of Volkswagen's review and payment of claims. This section addresses Claims Program updates and also provides an analysis of Volkswagen's interaction with consumers.

A. Claims Program Updates

This subsection addresses the following components of the Claims Program: (i) AEMs; (ii) Volkswagen's processing of non-standard claims; (iii) the Claims Review Committee; and (iv) Volkswagen's post-closing processing of vehicles.

1. Approved Emissions Modifications

As discussed in previous quarterly reports, the EPA and CARB approved emissions modifications for Generation 2 automatic transmission Passats and all Generation 3 Vehicles. During this quarter, the EPA and CARB approved an emissions modification for all Generation 1 vehicles, which include 2.0 Liter TDI Model Year 2009-2014 Volkswagen Jetta and Jetta SportWagen vehicles, 2010-2014 Golf vehicles, 2013-2014 Jetta Beetle and Beetle Convertible vehicles, and 2010-2013 automatic transmission Audi A3 vehicles (collectively, "Generation 1 Vehicles"). The manual transmission Generation 2 Passats are the only 2.0-liter vehicles for which an AEM option has not been approved.

Pursuant to the Resolution Agreements, within ten days of receiving approval of an AEM from the EPA and CARB, Volkswagen is required to provide notice to all affected owners and lessees that an AEM is available. The notice must be approved by the EPA and CARB and include all necessary disclosures as well as information related to the applicable extended emissions warranty for the eligible vehicle. Additionally, the Resolution Agreements require Volkswagen to post the AEM notice on a public website within two business days of EPA and CARB's approval of the AEM. Volkswagen is also obligated to maintain an online database where users can search whether a specific vehicle has received an AEM and is subject to an extended emissions warranty.

In response to requests from the Claims Supervisor to substantiate its efforts in addressing these mandates, Volkswagen was able to affirm that all required notices have been provided to owners and lessees of vehicles subject to an AEM. Moreover, the notifications are available on the www.vwcourtsettlement.com website. Additionally, Volkswagen launched two additional websites -- www.vwdiesellookup.com and www.audidiesellookup.com -- where users can conduct a cost-free search by vehicle VIN to determine, among other things, whether the extended emissions warranty and any additional warranty extensions apply to a specific vehicle.

The AEM for Generation 1 Vehicles will be performed at dealerships across the United States and include removal of the defeat device and installation of software directing the vehicle's emissions controls to operate normally under all driving conditions.²⁸ As with the AEM for Generation 2 automatic transmission Passats and Generation 3 Vehicles, the AEM for Generation 1 Vehicles will improve emissions output, but the modification will not bring the vehicles into full compliance with the emissions standards to which they were originally certified. After these AEMs are performed, consumers will be eligible to receive applicable Restitution Payments.

Notably, consumers have the option to switch between a Buyback or an AEM at any point up until their closing appointment. Consumers who preliminarily selected a Buyback as a remedy and have yet to close can switch to an AEM relatively easily. Indeed, no additional documentation is required. Consumers who wish to switch from an AEM to a Buyback, however, must have their claim reset back to an earlier stage in the claims process, as there is additional documentation required to be submitted and verified before a Buyback offer can be extended. For both Buyback and AEM appointments, Volkswagen must provide consumers an

²⁸ Volkswagen reference materials indicate that “[d]rivers may notice some differences in vehicle operating characteristics after the modification, ... but no significant additional changes to key vehicle attributes are expected, including reliability, durability, vehicle performance, drivability, or other driving characteristics.”

available appointment within ninety days after a signed offer letter is approved. Consumers should not incur any cost for a Buyback or AEM and, at an AEM appointment, consumers are entitled to receive a complimentary loaner car if the AEM appointment is expected to last two-and-a-half hours or more.

2. Non-Standard Claims

Since the last quarterly report, Volkswagen has made considerable progress processing some of the few remaining categories of claims that presented unique challenges, including claims by military personnel serving overseas, claims associated with vehicles purchased in the United States but registered in Canada, and claims made by consumers residing on certain Hawaiian Islands that do not have a Volkswagen dealership.

As referenced in the May 2017 Report, Volkswagen launched a virtual closing pilot program where military personnel stationed in Germany could deliver their vehicles to a vendor located near a major United States military base and avoid potentially significant tax consequences. Based on the success of a handful of test cases, Volkswagen formalized this process for other military personnel serving overseas. To date, Volkswagen has received 625 claims from military personnel deployed overseas with their vehicles, and has successfully processed claims and shipped vehicles to the United States for military personnel stationed in Germany, the United Kingdom, Belgium, Italy, Greece, Russia, France, and the Netherlands. In addition, Volkswagen has reimbursed consumers who shipped their vehicles to the United States from Korea, Japan, Qatar, Cuba, and Aruba. As of August 17, 2017, there was a total of 205 of these vehicles that had arrived in the United States or were in transit. Volkswagen has reported that it is completing approximately 30 to 40 closings per week for military personnel stationed overseas, and company leadership has reaffirmed that it expects to expeditiously work through the remainder of these claims.

In addition, Volkswagen launched a pilot program to process claims by consumers who purchased an Eligible Vehicle in the United States but registered it in Canada.²⁹ Similar to the challenges Volkswagen encountered with claims by military personnel serving overseas, the company has had to evaluate complex tax and customs issues to design a process that mitigated potential adverse impacts to consumers.³⁰ Although it originally planned to conduct Buyback appointments in the United States, due to these considerations, the company now anticipates administering the Buyback appointments in Canada. AEMs, however, may be available in either country. Notably, Volkswagen completed an AEM as part of the pilot program and is in the process of conducting a Buyback in Canada. The company is also concurrently working to build out the necessary system processing requirements consistent with the pilot program to allow for additional Canadian consumers to schedule appointments in Canada.

With respect to claims by consumers residing on Hawaiian Islands that do not have a Volkswagen dealership, the company has processed sixty claims and, at the end of this reporting period, had four pending claims to address. Half of the processed claims were completed through on-island Buyback appointments and the other half involved instances where the consumer shipped the vehicle to a designated location, for which he or she was reimbursed by Volkswagen. Since July 5, 2017, Volkswagen processed between two and nine of these Hawaii vehicle closings per week with additional closings scheduled in the very near term.

An additional group of non-standard claims involves vehicles branded with a salvage title. As stated in Section II above, Volkswagen and the Plaintiffs' Steering Committee have been

²⁹ As discussed in the May 2017 Report, although these consumers are not expressly covered by the terms of the Resolution Agreements, Volkswagen has agreed to provide them with the same benefits entitled to Class Members assuming they otherwise meet eligibility criteria.

³⁰ Conducting closings in Canada presents other unique challenges. For example, third-party loans on vehicles must be paid off in full before a Buyback can be consummated.

working together with other stakeholders to determine how the eligibility requirements should be applied to such claims.

3. Claims Review Committee

As provided in the Class Action Settlement Agreement, a three-member Claims Review Committee (“CRC”) was established to review appeals by consumers contesting Volkswagen’s claims determinations. The CRC is comprised of one Volkswagen representative, one Class Counsel representative, and a Court-appointed neutral third party. In accordance with the Class Action Settlement Agreement, the appeals are initially reviewed by the Volkswagen and Class Counsel representatives. If they agree on how the appeal should be adjudicated, then the appeal is resolved and the consumer is notified of the decision by Class Counsel. If the Volkswagen and the Class Counsel representatives cannot agree on how the claim should be resolved, then the neutral is called upon and empowered, consistent with the terms of the Class Action Settlement Agreement, to make a final determination.

As of August 21, 2017, a total of 937 appeals (0.2% of all claims) had been filed by consumers challenging determinations made by Volkswagen related to, among other issues, eligibility decisions and award calculations. The CRC issued decision letters in connection with 107 appeals in which the Volkswagen and Class Counsel representatives agreed on the outcome. Of those 107 appeals, no Claims Program eligibility or award determinations by Volkswagen were reversed. The following is a summary of the CRC’s decisions:

- The CRC denied 67 appeals;
- The CRC ruled in favor of the consumer in one instance;³¹

³¹ The CRC awarded the consumer an additional payment for expenses incurred as a result of the delay in the receipt of the payoff check by the consumer’s lender.

- The CRC ruled partially in favor of the consumer in two instances;³²
- For 23 consumers, the CRC advised that the issues that were the subject of the appeal had previously been resolved, thus mooted the appeal; and
- In 14 instances, the CRC advised the consumer that he or she may be eligible for benefits, provided that a new claim be submitted for review and consideration.

The CRC has also reached agreement on the outcome of an additional 150 appeals, and consumers will be notified of those decisions in the near future. As of August 21, 2017, the CRC has not issued any decisions in which the Volkswagen and Class Counsel representatives did not agree on the outcome. The CRC representatives will continue to review appeals and issue decisions throughout the Claims Program.

4. Volkswagen's Post-Closing Processing of Vehicles

As discussed in the February 2017 and May 2017 Reports, upon conclusion of a Buyback appointment, the settlement specialist is required to take possession of the keys and title from the consumer and indicate in Volkswagen's Closing Application that the closing is complete. The vehicle is then shipped to one of thirty-seven secure storage facilities throughout the country. At the storage facility, each vehicle is inspected to determine if it should be destroyed due to excessive wear and tear or, if available, undergo an AEM and be offered for sale in accordance with the 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. According to the most recent data supplied by Volkswagen, as of June 30, 2017, the company reacquired 291,980 Eligible Vehicles, resold 3,815 Eligible Vehicles, and destroyed 8,128 Eligible Vehicles. Accordingly, approximately 280,000 Eligible

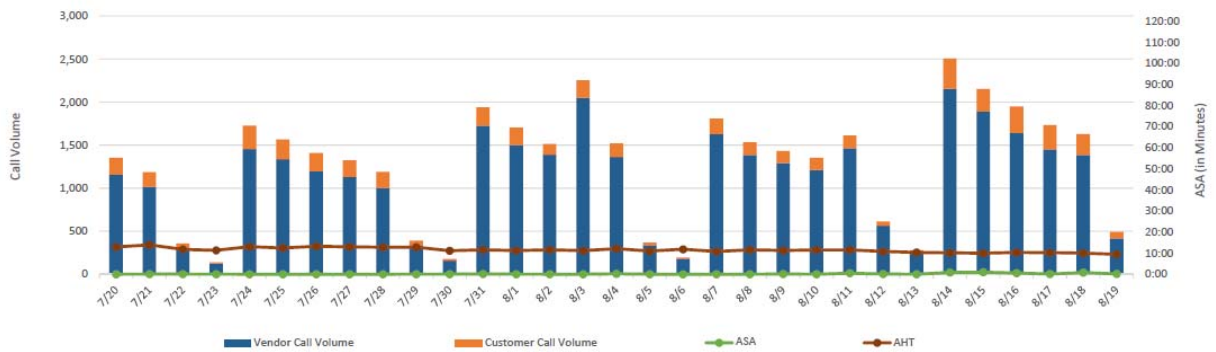
³² The CRC awarded the consumers an additional payment for expenses incurred as a result of delays in the receipt of payoff checks by their respective lenders. However, the consumers' requests for compensation for the time they spent in pursuing their appeals were denied.

Vehicles remained in a Volkswagen storage facility or were in transit to a Volkswagen storage facility as of that date.

B. Analysis of Consumer Outreach & Volkswagen’s Response

During this reporting period, Consumer Hotline call volume continued its downward trend as reflected by an average volume of just over 1,800 calls per weekday between July 20, 2017 and August 19, 2017, from a high of 10,402 calls per weekday during the period November 21, 2016 to December 18, 2016.³³ The average abandonment rate decreased during the period to less than 1% of all calls and the speed to answer averaged less than one minute. The following chart depicts the daily Hotline call volume and related data.³⁴

Chart 3-1



Chat volume increased slightly and averaged approximately 1,400 chats per day, while the abandonment rate hovered at just under 30%, a decrease from the 60% abandonment rate that was reported in the May 2017 Report. During this quarter, Volkswagen implemented enhancements to its Chat system so that agents can now handle more than one chat simultaneously, thus helping reduce the overall abandonment rate.

³³ In response to significantly decreased call volume, Volkswagen reduced the number of Claims Hotline and Chat agents by roughly fifty since June 2017.

³⁴ ASA is the abbreviation for average speed of answer and AHT represents average handle time.

A review of a sample of 582 recorded calls and 1,044 chats that occurred during the reporting period showed that the quality of customer service delivered by the agents was generally effective. The overall success rate for the sample of calls evaluated was 97.9%, an improvement from the prior quarter, which was just under 94%. The overall success rate for the sample of chats evaluated was 99%, a slight improvement from just over 98% from the prior quarter. For the limited number of calls and chats that were deemed unsuccessful, the primary reasons were that the Hotline agent provided incorrect information to the consumer or failed to verify the identity of the caller.

With the high success rate for calls and chats came a decrease in the number of consumer complaints. Among the more limited complaints, the most common related to: (i) documentation requirements (including the rejection of documents without a clear understanding as to the reason why); (ii) the length of the Claims Program; (iii) payments to consumers (including the failure of consumers to receive the initiating EFT e-mail from J.P. Morgan Chase); (iv) delays in the receipt of payoffs by lenders; and (v) delays pertaining to the receipt of offer letters.

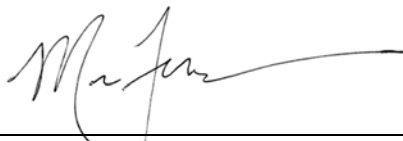
When individual claim challenges do occur, Volkswagen's Resolution Team has been available to assist. From June 1, 2017 to August 21, 2017, the Resolution Team addressed 2,614 inquiries and resolved 2,392 of them, resulting in a resolution rate of nearly 92%. The volume of inquiries received by the Resolution Team decreased month-by-month throughout the quarter. The most common inquiries related to payment and loan payoff issues. Volkswagen increasingly utilized the Resolution Team to address payment issues relating to EFTs not only as they were raised by consumers, but also by proactively reaching out to consumers when it appeared that they did not take the necessary steps to complete an EFT. As reflected in the statistics this reporting period, the Resolution Team has remained a useful resource to assist consumers and lenders in resolving more nuanced challenges.

IV. Conclusion

Since the official launch of the Claims Program on November 1, 2016, Volkswagen has received over 422,000 claims, issued more than 402,000 offer letters, completed 308,280 closings, and either removed from commerce or performed an AEM on more than 67% of all Eligible Vehicles. Over this quarterly reporting period, Volkswagen made progress administering some of the more complex, non-standard-type claims, including those relating to members of the military serving overseas. Moreover, Volkswagen began scheduling and performing recently-approved emissions modifications on Generation 1 and Generation 2 Vehicles, and continued to schedule and perform the first phase of AEMs on Generation 3 Vehicles. Overall, the company's implementation of program improvements and delivery of competent customer service during the reporting period contributed to the operation of an efficient and effective Claims Program for the vast majority of consumers. As contemplated by the Resolution Agreements, the Claims Supervisor will continue to evaluate and report on Volkswagen's progress with, and adherence to, the terms of the Resolution Agreements for the duration of the Settlement Program.

Sincerely,

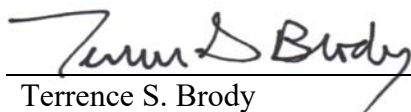
Ankura Consulting Group, LLC



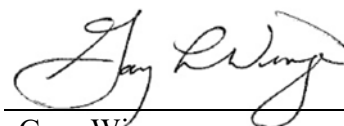
Marc-Philip Ferzan
Senior Managing Director



Edward J. Bell
Senior Managing Director



Terrence S. Brody
Senior Managing Director



Gary Wingo
Senior Managing Director

Submitted: August 25, 2017