

PARTIAL SETTLEMENT AGREEMENT

- Parties.** The parties (“Parties”) to this Settlement Agreement (“Agreement”) are Volkswagen AG, Audi AG, Volkswagen Group of America, Inc. (d/b/a Volkswagen of America, Inc. or Audi of America, Inc.), Audi of America, L.L.C., and Volkswagen Group of America Chattanooga Operations LLC (collectively, “Volkswagen”), Dr. Ing. h.c. F. Porsche AG and Porsche Cars North America, Inc. (together, “Porsche”) and each of the states and other jurisdictions that is a signatory hereto (collectively, “the States”).¹ With the exception of California, any state or jurisdiction of the United States may accept the terms hereof and will be a Party to this Agreement if it signs below within 30 days of Volkswagen’s and Porsche’s execution of this Agreement.²
- Subject Vehicles.** As used herein, the term “Subject Vehicles” shall mean each and every light duty diesel vehicle equipped with a 2.0 liter or 3.0 liter TDI engine that Volkswagen and Porsche or their respective affiliates sold or offered for sale in, leased or offered for lease in, or introduced or delivered for introduction into commerce in the United States or its states or territories, or imported into the United States or its states or territories, and that is or was purported to have been covered by the following U.S. Environmental Protection Agency (“EPA”) Test Groups:

2.0 Liter Diesel Models

Model Year (MY)	EPA Test Group	Vehicle Make and Model(s)
2009	9VWXV02.035N 9VWXV02.0U5N	VW Jetta, VW Jetta Sportwagen
2010	AVWXV02.0U5N	VW Golf, VW Jetta, VW Jetta Sportwagen, Audi A3
2011	BVWXV02.0U5N	VW Golf, VW Jetta, VW Jetta Sportwagen, Audi A3
2012	CVWXV02.0U5N	VW Golf, VW Jetta, VW Jetta Sportwagen, Audi A3

¹ For the avoidance of doubt, the term “States” refers to the states and other jurisdictions represented by the authorized signatories to this Agreement with statutory authority to execute this Agreement, including the release contained in paragraph 8 herein.

² The Parties anticipate that Volkswagen will execute this Agreement on or before June 28, 2016.

2013	DVWXV02.0U5N	VW Beetle, VW Beetle Convertible, VW Golf, VW Jetta, VW Jetta Sportwagen, Audi A3
2014	EVWXV02.0U5N	VW Beetle, VW Beetle Convertible, VW Golf, VW Jetta, VW Jetta Sportwagen
2012 2013 2014	CVWXV02.0U4S DVWXV02.0U4S EVWXV02.0U4S	VW Passat
2015	FVGAV02.0VAL	VW Beetle, VW Beetle Convertible, VW Golf, VW Golf Sportwagen, VW Jetta, VW Passat, Audi A3

3.0 Liter Diesel Models

Model Year (MY)	EPA Test Groups	Vehicle Make and Model(s)
2009	9ADXT03.03LD	VW Touareg, Audi Q7
2010	AADXT03.03LD	VW Touareg, Audi Q7
2011	BADXT03.02UG BADXT03.03UG	VW Touareg Audi Q7
2012	CADXT03.02UG CADXT03.03UG	VW Touareg Audi Q7
2013	DADXT03.02UG DADXT03.03UG DPRXT03.0CDD	VW Touareg Audi Q7 Porsche Cayenne Diesel
2014	EADXT03.02UG EADXT03.03UG EPRXT03.0CDD EADXJ03.04UG	VW Touareg Audi Q7 Porsche Cayenne Diesel Audi A6 Quattro, A7 Quattro, A8L, Q5
2015	FVGAT03.0NU2 FVGAT03.0NU3 FPRXT03.0CDD FVGJ03.0NU4	VW Touareg Audi Q7 Porsche Cayenne Diesel Audi A6 Quattro, A7 Quattro, A8L, Q5
2016	GVGAT03.0NU2 GPRXT03.0CDD GVGAJ03.0NU4	VW Touareg Porsche Cayenne Diesel Audi A6 Quattro, A7 Quattro, A8L, Q5

3. Covered Conduct. As used herein, the term “Covered Conduct” shall mean any and all acts or omissions, including all communications, occurring up to and including the effective date of this Agreement, relating to: (a) the design,

installation, presence, or failure to disclose any Defeat Device³ in any Subject Vehicle; (b) the marketing or advertisement of any Subject Vehicle as green, clean, or environmentally friendly (or similar such terms), and/or compliant with state or federal emissions standards, including the marketing or advertisement of any Subject Vehicles without disclosing the design, installation or presence of a Defeat Device; and (c) the offering for sale, sale, or lease of the Subject Vehicles in the States. As expressly set forth in paragraph 8 herein, this Settlement Agreement effectuates only a partial resolution and release of claims arising from the Covered Conduct.

4. Binding Agreement. The Parties agree that this Agreement: (a) contains the essential terms resolving each State's claims or potential claims under all potentially applicable state consumer protection and unfair trade and deceptive acts and practices laws, as well as common law and equitable claims (collectively "UDAP Laws"⁴), including claims brought by the States

³ The term "Defeat Device" means "an auxiliary emission control device (AECD) that reduces the effectiveness of the emission control system under conditions which may reasonably be expected to be encountered in normal vehicle operation and use, unless: (1) Such conditions are substantially included in the Federal emission test procedure; (2) The need for the AECD is justified in terms of protecting the vehicle against damage or accident; (3) The AECD does not go beyond the requirements of engine starting; or (4) The AECD applies only for emergency vehicles[.]" 40 C.F.R. § 86.1803-01, or "any part or component intended for use with, or as part of, any motor vehicle or motor vehicle engine, where a principal effect of the part or component is to bypass, defeat, or render inoperative any device or element of design installed on or in a motor vehicle or motor vehicle engine in compliance with [the Emission Standards for Moving Sources section of the Clean Air Act], and where the person knows or should know that such part or component is being offered for sale or installed for such use or put to such use," 42 U.S.C. § 7552(a)(3)(B).

⁴ Without limitation, the UDAP Laws include: Ala. Code § 8-19-1, *et seq.*; Alaska Stat. § 45.50.471, *et seq.*; Ark. Code Ann. § 4-88-101, *et seq.*; Conn. Gen. Stat. § 42-110a, *et seq.*; Del. Code Ann. tit. 6 § 2511, *et seq.*; Del Code Ann. tit. § 2531, *et seq.*; D.C. Code §§ 28-3901, *et seq.*; Fla. Stat. § 501.201, *et seq.*; Ga. Code Ann. § 10-1-390, *et seq.*; Haw. Rev. Stat. § 480-1, *et seq.*; Idaho Code Ann. § 48-601 *et seq.*; 815 Ill. Comp. Stat. § 505/1, *et seq.*; Ind. Code § 24-5-0.5-1, *et seq.*; Iowa Code §§ 714.16-714.16A; Kan. Stat. Ann. § 50-623, *et seq.*; La. Rev. Stat. Ann. §

in their sovereign enforcement capacity or as *parens patriae* on behalf of state citizens, other than as reserved in paragraph 8 of this Agreement, against the Released Parties (as defined in paragraph 8) arising from or related to the Covered Conduct concerning the Subject Vehicles; and (b) is fully binding and enforceable notwithstanding any additional documents necessary or appropriate to implement the Agreement, except in States where judicial approval is necessary. A State where judicial approval is required to implement this Agreement will promptly provide Volkswagen and Porsche for review, comment and execution such additional court papers as may require execution by Volkswagen and/or Porsche. To the extent that any State that requires judicial approval does not secure judicial approval, the portion of the Multistate UDAP Payment paid by Volkswagen on account of that State shall be returned to Volkswagen.

5. Execution of Additional Documents, Decrees or Judgments. Volkswagen and Porsche agree to provide prompt cooperation to States seeking to further memorialize or implement this Agreement through execution of any additional documents and/or entry of consent decrees or orders incorporating the terms of this Agreement, including but not limited to injunctive relief, provided however, that (i) such additional documents, decrees or orders shall not materially modify the terms of this Agreement; and (ii) a State may defer

51:1401, *et seq.*; Me. Rev. Stat. tit. 5 §§ 205-A to 214; Md. Code Ann., Com. Law §§ 13-101 to -501; Mass. Gen. Laws ch. 93A, § 2; Mich. Comp. Laws § 445.901, *et seq.*; Minn. Stat. § 325F.67; Miss. Code Ann. § 75-24-1, *et seq.*; Mo. Rev. Stat. § 407.010, *et seq.*; Mont. Code Ann. § 30-14-101, *et seq.*; Neb. Rev. Stat. § 59-1601, *et seq.*; Nev. Rev. Stat. §§ 598.0915, 598.0923, 598.0925; N.H. Rev. Stat. Ann. § 358-A, *et seq.*; N.Y. Gen. Bus. Law §§ 349, 350; N.C. Gen. Stat. § 75-1, *et seq.*; N.D. Cent. Code § 51-15-01, *et seq.*; Ohio Rev. Code Ann. § 1345, *et seq.*; Ohio Rev. Code Ann. § 3704, *et seq.*; Or. Rev. Stat. § 646.605, *et seq.*; 73 Pa. Cons. Stat. § 201-1, *et seq.*; P.R. Laws Ann. tit. 26, § 2701, *et seq.*; R.I. Gen. Laws § 6-13.1-1, *et seq.*; S.C. Code Ann. § 39-5-10, *et seq.*; S.D. Codified Laws § 37-24-6; Tenn. Code Ann. §§ 47-18-101 to -5542; Utah Code Ann. § 13-11a-1, *et seq.*; Vt. Stat. Ann. tit. 9, § 2451, *et seq.*; Va. Code Ann. § 59.1-196, *et seq.*; V.I. Code Ann. tit. 12A, § 183; Wash. Rev. Code § 19.86; Wis. Stat. § 100.20; Wyo. Stat. Ann. § 40-12-101, *et seq.*

execution of such documents until any applicable Environmental Claims⁵ are resolved, provided further that such deferral shall not delay the State providing the Released Parties with the relief set forth in this Agreement, including the releases set forth in paragraph 8.

6. Relief.

(A) Within 15 days from the date on which the MDL⁶ Court grants Preliminary Approval of the proposed Class Action Settlement regarding 2.0 liter diesel vehicles,⁷ Volkswagen shall pay:

- i. To a mutually agreed escrow agent, an amount equal to \$1,100 for each Subject Vehicle originally sold or leased in the States prior to September 18, 2015⁸ (for avoidance of doubt, Volkswagen shall pay no more than one \$1,100 amount for any unique Subject Vehicle) to resolve all potentially applicable claims under the UDAP Laws (the “Multistate UDAP Payment”), to be disbursed and allocated among the States as they, in their

⁵The term “Environmental Claims” shall have the meaning set forth in paragraph 8(B)(vi) below.

⁶ The term “MDL” shall refer to the multidistrict litigation styled as *In re: Volkswagen “Clean Diesel” Marketing, Sales Practices, and Products Liability Litigation*, No. 3:15-md-02672-CRB (N.D. Cal.) (MDL 2672).

⁷ The Parties anticipate that various settlement documents will be filed in the MDL proceeding on June 28, 2016, namely: the Plaintiffs’ Steering Committee’s proposed Consumer Class Action Settlement Agreement and Release (“Class Action Settlement”); the United States Department of Justice’s, EPA’s, California Air Resources Board’s proposed Partial Consent Decree (“DOJ Consent Decree”); the Federal Trade Commission’s proposed Partial Stipulated Order for Permanent Injunction and Monetary Judgment (“FTC Order”); and the California Attorney General’s (“CA AG’s) Partial Consent Decree (“CA AG Consent Decree”).

⁸ A table identifying the number of Subject Vehicles sold or leased in each State is attached as Attachment 1.

sole discretion, determine.⁹ The Multistate UDAP Payment will be treated, as follows:

1. By the States identified on Attachment 2, as monetary payments characterized in each State's sole discretion. Volkswagen and Porsche understand and agree that a State's characterization of this monetary payment in documents, pleadings and/or consent decrees or orders contemplated in paragraph 5(i) herein shall not constitute a material modification of this Agreement; and
 2. by the States identified in Attachment 3, as a monetary payment in settlement of disputed claims to be used as attorneys' fees and other costs of investigation and litigation, or to be placed in, or applied to, consumer protection enforcement funds, including future consumer protection enforcement, consumer education, litigation or local consumer aid fund or revolving fund, used to defray the costs of the inquiry leading hereto, or for any lawful purpose, in each State's sole discretion. The payment described in this sub-paragraph is not a fine, penalty, or payment in lieu thereof.
- ii. \$20,000,000 to the National Association of Attorneys General ("NAAG") to be held and disbursed by NAAG for use by Attorneys General for consumer protection oversight, training and enforcement, including in the area of automobile-related fraud and deception, and for reimbursement of the costs and expenses incurred to date in the States' investigation of Volkswagen and Porsche with respect to the Covered Conduct.

(B) Volkswagen, Porsche and their affiliates shall not engage in future unfair or deceptive acts or practices in connection with their dealings with consumers and state regulators, directly or indirectly, including:

⁹ The Agreement takes no position with regard to the tax consequences of the Agreement with regard to federal, state, local and foreign taxes.

- i. Advertising, marketing, offering for sale, selling, offering for lease, leasing, or distributing in any State any vehicle that contains a Defeat Device;
- ii. Misrepresenting that a vehicle complies with any United States, State, or local emissions standard;
- iii. Misrepresenting that a vehicle is environmentally friendly, eco-friendly, green or words of similar import;
- iv. Misrepresenting that a vehicle has low emissions, lower emissions than other vehicles, or a specific level(s) of emissions; and
- v. With respect to environmental or engineering attributes, misrepresenting the degree to which a vehicle maintains its resale value, comparative resale value, or any specific resale value.

(C) Volkswagen shall not engage in any additional unfair or deceptive acts or practices prohibited by the DOJ Consent Decree, the FTC Order or the CA AG Consent Decree.

7. Admissions. Volkswagen admits: (a) that software in the 2.0 Liter Subject Vehicles enables the vehicles' ECMs to detect when the vehicles are being driven on the road, rather than undergoing Federal Test Procedures; (b) that this software renders certain emission control systems in the vehicles inoperative when the ECM detects the vehicles are not undergoing Federal Test Procedures, resulting in emissions that exceed EPA-compliant and CARB-compliant levels when the vehicles are driven on the road; and (c) that this software was not disclosed in the Certificate of Conformity and Executive Order applications for the 2.0 Liter Subject Vehicles, and, as a result, the design specifications of the 2.0 Liter Subject Vehicles, as manufactured, differ materially from the design specifications described in the Certificate of Conformity and Executive Order applications.

8. Effect of Settlement/Reservation of Rights.

(A) Subject to paragraphs (B) and (C) below, in consideration of the monetary relief described in paragraph 6(A), the non-monetary relief described in paragraphs 6(B) and 6(C), the admissions in paragraph 7, and the undertakings to which Volkswagen has agreed in the Class Action Settlement, the DOJ Consent Decree and the FTC Order, and

upon Volkswagen's payment of the amount contemplated in paragraph 6(A), above:

- i. Each State releases Volkswagen, Porsche, their affiliates and any of Volkswagen's, Porsche's or their affiliates' former, present or future owners, shareholders, directors, officers, employees, attorneys, parent companies, subsidiaries, predecessors, successors, dealers, agents, assigns and representatives (collectively, the "Released Parties") from all non-injunctive civil claims that were brought or could be brought under UDAP Laws arising from or related to the Covered Conduct, including (i) restitution or other monetary payments to consumers; and (ii) penalties, fines, restitution or other monetary payments to the States.
- ii. Each State releases the Released Parties from all civil claims that were brought or could be brought under UDAP Laws for injunctive relief arising from or related to the Covered Conduct concerning the Subject Vehicles, upon the MDL Court's approval of the Class Action Settlement, the FTC Order, and the DOJ Consent Decree and subject to Volkswagen fulfilling its obligations thereunder.
- iii. Each State's release under this Agreement includes claims that the State brought or could have brought under UDAP Laws: (a) in the States' sovereign enforcement capacity; and (b) as *parens patriae* on behalf of State citizens.

(B) The States reserve, and this Agreement is without prejudice to, all claims, rights and remedies against Volkswagen, Porsche and their affiliates, and Volkswagen, Porsche and their affiliates reserve, and this Agreement is without prejudice to, all defenses, with respect to all matters not expressly released in paragraph 8(A) herein, including, without limitation:

- i. any claims arising under state tax laws;
- ii. any claims for the violation of securities laws;
- iii. any criminal liability;

- iv. any claims that were brought or could be brought by the States under UDAP Laws for consumer injunctive relief or restitution or other monetary payments to consumers arising from or related to the Covered Conduct concerning the 3.0-liter Subject Vehicles;
- v. any civil claims unrelated to the Covered Conduct;
- vi. any claims arising under state environmental laws and regulations, including laws and regulations regarding mobile source emissions, inspection and maintenance of vehicles and/or anti-tampering provisions (“Environmental Claims”);
and
- vii. any action to enforce this Agreement and subsequent, related orders or judgments.

(C) This Agreement constitutes a resolution of the States’ enforcement actions under the UDAP Laws and nothing in this Agreement shall create or give rise to a private right of action of any kind.

(D) Nothing in this Agreement releases any private rights of action asserted by entities or persons not releasing claims under this Agreement, nor does this Agreement limit any defense available to Volkswagen or Porsche in any such action.

(E) This Agreement is made without trial or adjudication of any issue of fact or law or finding of liability of any kind.

(F) The Parties agree that this Agreement does not enforce the laws of other countries, including the emissions laws or regulations of any jurisdiction outside the United States. Nothing in this Agreement is intended to apply to, or affect, Volkswagen’s or Porsche’s obligations under the laws or regulations of any jurisdiction outside the United States. At the same time, the laws and regulations of other countries shall not affect Volkswagen’s or Porsche’s obligations under this Agreement.

9. Restitution and Reporting.

(A) The Volkswagen restitution program set forth in the Class Action Settlement Agreement to be filed on June 28, 2016 with the MDL Court, the DOJ Consent Decree, and the FTC Order shall be deemed part of this Agreement.

(B) Volkswagen shall produce to each State (i) any status reports to be provided by Volkswagen to the EPA, the California Air Resources Board (“CARB”) and the CA AG under Paragraph 7.4 of the Appendix A to the DOJ Consent Decree; and (ii) any consumer name and address information to be provided by Volkswagen to the Notice Administrator under the Class Action Agreement. Volkswagen shall provide this information to the States contemporaneous with its provision to the EPA, CARB, the CA AG, and the Class Action Agreement Notice Administrator. The States shall take all reasonable efforts to protect data consumers provide for any purpose related to this Agreement or the other settlement agreements referenced herein.

(C) Volkswagen shall promptly respond to States’ reasonable inquiries about the status and calculation of consumers’ claims and reimbursement from citizens of their respective State and shall provide the States with contact information for a Volkswagen representative for purposes of such inquiries.

10. Authority of Signatories to Bind the Parties. Each of the persons who signs his/her name below affirms that he/she has the authority to execute this Agreement on behalf of the Party whose name appears next to his/her signature and that this Agreement is a binding obligation enforceable against said Party under applicable state law. Where the signatory is a member of an Attorney General’s office, he/she represents that he/she has the authority to execute this Agreement on behalf of his/her respective State and that this Agreement is a binding obligation enforceable against that State under applicable State law.

11. Additional Provisions.

(A) This Agreement supersedes any prior agreements or understandings, whether oral or written, concerning the settlement embodied herein. The Parties acknowledge that there are no documents, representations, inducements, agreements, understandings or promises that constitute any part of this Agreement or the settlement it represents other than those expressly contained in this Agreement.

(B) If any portion of this Agreement is held invalid by operation of law, the remaining terms of this Agreement shall not be affected and shall remain in full force and effect.

(C) This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall together be one and the same Agreement. Signatures by facsimile or other electronic imaging shall be deemed to constitute original signatures.

(D) The Parties agree to enter into this Agreement for the purpose of avoiding prolonged and costly litigation, and in furtherance of the public interest. Each of the Parties warrants and represents that the terms of this Agreement were negotiated in good faith.

(E) The terms of this Agreement may be modified only by a subsequent written agreement signed by all the Parties.

(F) Nothing in this Agreement shall be deemed to create any right in a non-party to enforce any aspect of this Agreement or claim any legal or equitable injury for a violation of this Agreement. The exclusive right to enforce any violation or breach of this Agreement shall be with the Parties to this Agreement.

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ATTACHMENT 1

Subject Vehicles Sold and Leased, by State

State	Vehicles
AK	885
AL	4,654
AR	2,873
AZ	11,019
CA	85,285
CO	15,137
CT	11,911
DC	789
DE	1,732
FL	33,420
GA	17,157
HI	911
IA	3,349
ID	2,506
IL	29,823
IN	6,638
KS	2,306
KY	3,156
LA	3,875
MA	15,439
MD	16,326
ME	3,510
MI	11,915
MN	11,733
MO	8,758
MS	1,025
MT	1,931
NC	17,750
ND	692
NE	2,626
NH	6,356
NJ	17,352
NM	2,852
NV	5,264
NY	25,472
OH	13,998

OK	3,394
OR	13,015
PA	23,785
PR	398
RI	3,292
SC	6,206
SD	1,257
TN	11,448
TX	42,812
UT	7,877
VA	20,734
VT	2,772
WA	22,170
WI	11,902
WV	1,734
WY	370

ATTACHMENT 2

Alabama
Alaska
Arkansas
Colorado
Connecticut
Delaware
Georgia
Idaho
Massachusetts
Minnesota
Missouri
Nevada
New Hampshire
New York
North Carolina
North Dakota
Ohio
Pennsylvania
Puerto Rico
South Dakota
Tennessee
Wisconsin

ATTACHMENT 3

District of Columbia

Hawaii

Iowa

Illinois

Indiana

Kansas

Louisiana

Maine

Maryland

Michigan

Mississippi

Montana

Nebraska

Oregon

Rhode Island

South Carolina

Utah

Virginia

Washington

Wyoming