

**Volkswagen Diesel Emissions Mitigation Trust for Indian Tribe Beneficiaries**  
**Semi Annual Reporting Table of Contents**  
**For the Reporting Period Ending June 30, 2018**

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Subparagraph 3.3.1.2.iii

No activity in the reporting period

Subparagraph 3.3.1.2.iv

No eligible mitigation action submitted in the reporting period

Subparagraph 3.3.1.4

Semi-Annual Reporting Package includes a 3-year projected annual budget for the Tribal Administration Cost Subaccount, as well as balance statements for all subaccounts as of June 30, 2018. As the Trustee has not processed any disbursements related to approved Eligible Mitigation Actions in the Reporting Period, at this time we have insufficient data to attempt a meaningful analysis of a 3-year projected relating to investment earnings and likely balances for an itemized annual budget for the Tribal Allocation Subaccount or any other subaccounts.

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Trustee Descriptive Report for Period January 1, 2018 to June 30, 2018  
*As required under subparagraphs 3.3.1.6 and 3.3.1.7*

***Establishment, Purpose, and Funding of the Indian Tribe Trust***

On October 25, 2016, Volkswagen AG (“VW”) and certain subsidiaries entered into a Partial Consent Decree, and on May 17, 2017 entered into a Second Partial Consent Decree, in US District Court, Northern District of California, San Francisco Division, which require VW to make payments in the amounts of \$2.7 billion and \$225 million, respectively, to fulfill their environmental mitigation obligations pursuant to the Decrees. The Consent Decrees required the Defendants to establish the Environmental Mitigation Trust for Indian Tribe Beneficiaries (the “Indian Tribe Trust” or “Indian Tribe Mitigation Trust”) and to fund the Indian Tribe Trust with funds to be used for environmental mitigation projects that reduce emissions of nitrogen oxides (“NOx”) where the Subject Vehicles were, are, or will be operated (“Eligible Mitigation Actions”), and to pay for Trust Administration Costs as set forth in the Indian Tribe Trust Agreement.

On March 15, 2017, the court appointed Wilmington Trust, N.A. (“WTNA”) as the Trustee for Indian Tribe Mitigation Trust. The Indian Tribe Trust’s purpose is to fund eligible environmental mitigation projects that reduce emissions of nitrogen oxide. The Indian Tribe Trust also provides for the payment of Trust Administration costs. On October 2, 2017, the Indian Tribe Trust was established and approximately \$41.4 million was deposited into the Trust before the end of 2017.

In the reporting period (January 1, 2018 to June 30, 2018), WTNA completed a number of actions required under the Trust Agreement and Consent Decrees, which included designating 29 federally-recognized Indian Tribes as Indian Tribe Mitigation Trust Beneficiaries; the receipt and review of Beneficiary Eligible Mitigation Action Certification (Appendix D-4) forms from 27 Beneficiaries, resulting in 26 approvable Appendix D-4s for the first funding cycle all subject to the Order of the Court dated March 2, 2018 described below; pursuit of the Private Letter Ruling from the IRS; and payment of Trust bills. A brief description of each of these actions is included below.

**3.3.1.7 Actions taken in reporting period in accordance with Trust Agreement and Consent Decrees**

***Completion of the Process for Certification of Indian Tribe Trust Beneficiaries***

During the prior period (October 2, 2017 to Dec 31, 2017), a number of federally-recognized Indian Tribes made inquiries of the Trustee and had variously commenced the process to become Designated Beneficiaries of the Indian Tribe Trust. The Trustee affirms that 29 federally-recognized Indian Tribes elected to become Beneficiaries of the Indian Tribe Trust by filing with the Court a Certification for Beneficiary Status under Environmental Mitigation Trust Agreement (Appendix D-3), containing each of the certifications required by subparagraphs 4.2.1 through 4.2.9, by the January 2, 2018 deadline.

In accordance with the terms of the Indian Tribe Trust Agreement, which requires the certification of Beneficiaries no later than 120 days after the Trust Effective Date, the Trustee on January 29, 2018 filed a Notice of Beneficiary Designation (NBD) with the Court and published the NBD on the Indian Tribe Trust’s public-facing website at [www.vwenvironmentalmitigationtrust.com/tribe-trust](http://www.vwenvironmentalmitigationtrust.com/tribe-trust).

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***Receipt and Review of Beneficiary Eligible Mitigation Action Certification (Appendix D-4) Forms***

The Indian Tribe Trust Agreement required Indian Tribes that wished to be designated Beneficiaries under the Indian Tribe Trust—and which also wished to participate in the first funding cycle—to file their Appendix D-3 with the Court and also to file both their form Appendix D-3 and their form Appendix D-4 Beneficiary Eligible Mitigation Action Certification with the Trustee by the January 2, 2018 the deadline for the first funding cycle. Twenty-Nine Indian Tribes met the January 2, 2018 Court filing deadline and the simultaneous filing requirement with the Trustee for their form Appendix D-3.

The Trustee received 27 Beneficiary Eligible Mitigation Action Certification (Appendix D-4) Forms by the January 2, 2018 deadline for the first funding cycle.

Subparagraph 5.2.16 of the Indian Tribe Trust required the Trustee to review the Eligible Mitigation Action Certification (Appendix D-4) Forms within 60 days of their original receipt and to approve, request modification or more information or deny such Appendix D-4s. Any delivery of additional information triggered an additional review period.

Pursuant to the terms of the Indian Tribe Trust, the Trustee was required to post its approval of, request for modification or for more information, or denial of the funding requests for the first funding cycle on the Indian Tribe Trust’s public-facing website on Monday, March 5, 2018 in accordance with subparagraphs 5.2.16 or 5.0.5.2.3 of the Indian Tribe Trust.

Twenty-six of the Beneficiary Eligible Mitigation Action Certification (Appendix D-4) met the requirements of Appendix D-2 and paragraph 5 of the Indian Tribe Trust on March 2, 2018.

On March 2, 2018, the last business day prior to the deadline for the Trustee to post its approval of, request for modification or for more information, or denial of the funding requests for the first funding cycle on the Indian Tribe Trust’s public-facing website, the U.S. District Court for the Northern District of California (the “Court”) conducted a telephonic status conference at the request of the United States, at which the United States informed the Court that “the amount of approvable funding requests from Beneficiaries exceeded the amount of available funding in the first funding cycle” and about potential issues with the allocation formula in subparagraph 5.0.5.2.3 and the purpose of the Indian Tribe Trust. On March 2, 2018, the Court issued an Order directing the Trustee to:

take no further actions related to its obligations under Section V (Distribution of Indian Tribe Mitigation Trust Assets) of the Indian Tribe Trust Agreement, including without limitation, its obligations under subparagraph 5.0.5 (and all the subparagraphs thereof), and Paragraphs 5.1, 5.2 (and all the subparagraphs thereof), 5.3, and 5.4, as they relate to the first funding cycle and all future funding cycles under the Indian Tribe Trust, until ordered by the Court to do so.<sup>1</sup>

In compliance with the Order, the Trustee took no further action relating to its obligations under Section V (Distribution of Indian Tribe Mitigation Trust Assets) of the Indian Tribe Trust Agreement, including without limitation, its obligations under subparagraph 5.0.5 (and all the subparagraphs thereof), and Paragraphs 5.1, 5.2 (and all the subparagraphs thereof), 5.3, and 5.4, as they relate to the first funding cycle and all future funding cycles under the Indian Tribe Trust.

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<sup>1</sup> Court Order by Judge Charles R. Breyer in Case 3:15-md-02672-CRB, Document 4867, pg. 3. (Order can be downloaded from <https://www.vwenvironmentalmitigationtrust.com/tribe-trust>.)

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The Order also required the United States and interested Beneficiaries to meet and confer, in consultation with the Trustee, to discuss whether any adjustment to the allocation methodology applicable when approvable funding requests from Beneficiaries exceed available funding is necessary to ensure that the Indian Tribe Trust funds are distributed in a manner that is consistent with the purpose of the Indian Tribe Trust. Over the next several months, *the U.S. Department of Justice conducted telephonic conferences with the interested Beneficiaries and also consulted with the Trustee.*

On June 21, 2018, the United States filed with the Court a Notice of Proposed Material Modifications to Indian Tribe Trust Agreement, which the Trustee delivered to all 29 Designated Beneficiaries, and posted on the Indian Tribe Trust’s public-facing website. The United States invited Indian Tribes to submit written comments by July 23, 2018. At the end of the reporting period the Trustee remained subject to the Order.

***Pursuit of Private Letter Ruling from the Internal Revenue Service***

In accordance with the requirements of subparagraph 3.1.2.7 and paragraph 6.7 of the Indian Tribe Trust Agreement, the Trustee engaged tax attorneys at the firm of Morgan, Lewis & Bockius LLP ("Morgan Lewis") to assist the Trustee in submitting a request for a Private Letter Ruling ("PLR") to the Internal Revenue Service ("IRS"). On behalf of the Trustee, Morgan Lewis held telephonic pre-submission conferences with the IRS and on June 21, 2018 submitted the PLR application to the IRS, requesting rulings (i) that the Indian Tribe Trust is treated as a Qualified Settlement Fund under Section 468B of the Internal Revenue Code ("IRC"), (ii) that the investment income of the Indian Tribe Trust is not subject to federal income tax, and (iii) that any income earned on Trust Funds while held by the Court Registry are not treated as earned by the Indian Tribe Trust for federal income tax purposes. As of July 23, the IRS had assigned the PLR submission to a reviewer. In accordance with the Trust Agreement, the Trustee continues to deduct (and deposit into the Tax Payment Subaccount) estimated taxes from the investment income of the Indian Tribe Trust until the Trust receives its requested PLR from the IRS.

***2017 Tax Return Extension***

On the advice of tax professionals, the Trustee filed form 7004 with the IRS, which extends the filing date of the Trust’s 2017 tax return until October 15, 2018.

***Payment of Trust Bills***


In the period, the Indian Tribe Trust paid \$7,500 in Trust Administration Costs. The Indian Tribe Trust also paid approximately \$307,000 in costs to third-party professionals.

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**3.3.1.6 Previously unreported action taken by Trust that materially adversely affects Trust**

Nothing to report.

By:  \_\_\_\_\_  
Name: Russell L. Crane, MBA  
Title: Assistant Vice President  
Wilmington Trust, N.A., as Trustee  
Date: August 15, 2018

**Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries**  
**Trust Asset Statements and Investments Listing**  
**June 30, 2018**

(\$ in thousands)

Portfolio(s)	Maturity Date	Rating	Amount
<b>Tribal Allocation Subaccount</b>			
Cash			\$ 46
BlackRock Liquidity Fund			6,197
Marketable Securities at Costs			
U.S. Treasury Bills	07/19/2018	AAA	1,804
U.S. Treasury Bills	08/16/2018	AAA	8,875
U.S. Treasury Bills	09/13/2018	AAA	1,804
U.S. Treasury Bills	10/11/2018	AAA	1,801
U.S. Treasury Bills	11/08/2018	AAA	1,803
U.S. Treasury Bills	07/12/2018	AAA	3,621
U.S. Treasury Bills	08/23/2018	AAA	7,071
U.S. Treasury Bills	09/06/2018	AAA	3,172
Marketable Securities at Costs Total			29,951
Accrued Interest Income			113
<b>Tribal Allocation Subaccount Total</b>			<b>\$ 36,307</b>
<b>Tribal Tech Advisor Subaccount</b>			
Cash			\$ 1
BlackRock Liquidity Fund			494
Marketable Securities at Costs			
U.S. Treasury Bills	08/16/2018	AAA	279
U.S. Treasury Bills	11/08/2018	AAA	94
U.S. Treasury Bills	07/12/2018	AAA	189
U.S. Treasury Bills	08/23/2018	AAA	279
Marketable Securities at Costs Total			841
Accrued Interest Income			3
<b>Tribal Tech Advisor Subaccount Total</b>			<b>\$ 1,339</b>
<b>Tribal Administration Cost Subaccount</b>			
Cash			\$ 3
BlackRock Liquidity Fund			1,007
Marketable Securities at Costs			
U.S. Treasury Bills	08/16/2018	AAA	448
U.S. Treasury Bills	11/08/2018	AAA	153
U.S. Treasury Bills	07/12/2018	AAA	304
U.S. Treasury Bills	08/23/2018	AAA	448
U.S. Treasury Bills	08/30/2018	AAA	299
U.S. Treasury Bills	09/06/2018	AAA	65
Marketable Securities at Costs Total			1,717
Accrued Interest Income			5
<b>Tribal Administration Cost Subaccount Total</b>			<b>\$ 2,732</b>
<b>Tribal Tax Subaccount</b>			
Cash			\$ 138
<b>Tribal Tax Subaccount Total</b>			<b>\$ 138</b>
<b>Tribal Advisory Council Subaccount</b>			
Cash			\$ -
BlackRock Liquidity Fund			20
Marketable Securities at Costs			
U.S. Treasury Bills	08/16/2018	AAA	5
U.S. Treasury Bills	08/23/2018	AAA	5
Marketable Securities at Costs Total			10
Accrued Interest Income			-
<b>Tribal Advisory Council Subaccount Total</b>			<b>\$ 30</b>
<b>Indian Tribe Trust Total</b>			
Cash			\$ 188
BlackRock Liquidity Fund			7,718
Marketable Securities at Costs		AAA	32,519
Accrued Interest Income			121
<b>Indian Tribe Trust Total</b>			<b>\$ 40,546</b>

**Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries**  
**Tribe Trust Payments and Administration Costs Line Item**  
**October 2, 2017 through June 30, 2018**

*(\$ in thousands)*

<b>Recipient</b>	<b>Cumulative Paid</b>
<b>Tribal Allocation</b>	
Trust Administrator Costs	\$ 8
<b>Tribal Allocation Total</b>	<b>\$ 8</b>
<b>Tribal Tech Advisor</b>	
Trust Administrator Costs	\$ -
Tribal Tech Advisor Costs	567
<b>Tribal Allocation Total</b>	<b>\$ 567</b>
<b>Tribal Administration Cost</b>	
Trust Administrator Costs	\$ 19
Trust Counsel	145
Insurance	307
Audit	25
Accounting	23
Tax Return	4
Website Development	2
Technical Assistance	86
Website Support	4
Tax Counsel	25
Intralink	1
U.S Treasury Filing	28
<b>Tribal Administration Cost Total</b>	<b>\$ 669</b>
<b>Tribal Tax</b>	
Estimated State Taxes Paid	\$ 2
<b>Tribal Tax Total</b>	<b>\$ 2</b>
<b>Tribal Advisory Council</b>	
Trust Administrator Costs	\$ 2
<b>Tribal Advisory Council Total</b>	<b>\$ 2</b>
<b>Indian Tribe Trust Total</b>	<b>\$ 1,248</b>

Subparagraphs:

3.3.1.1.iii

3.3.1.3.i

**Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries  
Trust Asset Allocation and Allocation Adjustment  
June 30, 2018**

*(\$ in thousands)*

	<b>Funding</b>		<b>Tax Transfer from Tribal Allocation and Administration Costs Subaccounts to Tribe Tax</b>
	<b>October 31, 2017</b>	<b>November 30, 2017</b>	
Tribal Allocation	\$ 20,333	\$ 15,723	\$ (117)
Tribal Tech Advisor	1,070	828	(3)
Tribal Administration Cost	1,874	1,509	(12)
Tribal Advisory Council	30	-	-
	<b>\$ 23,307</b>	<b>\$ 18,060</b>	<b>\$ (132)</b>
Tribal Tax Subaccount	-	-	132
<b>Total</b>	<b>\$ 23,307</b>	<b>\$ 18,060</b>	<b>\$ -</b>



**Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries  
Administration Costs Three Year Projected Budget**

	YE 2018	YE 2019	YE 2020	Total 3-year projected budget
<b>Governance Costs</b>				
Trust Administrator (Wilmington Trust) *	\$24,000	\$22,500	\$22,500	\$69,000
<b>Subtotal for Governance Costs</b>	<b>\$24,000</b>	<b>\$22,500</b>	<b>\$22,500</b>	<b>\$69,000</b>
<b>Trust Professionals</b>				
Trust Counsel	\$300,000	\$45,000	\$151,000	\$496,000
Trust Accountants	30,000	30,000	30,000	90,000
Tax Return Preparation	15,000	15,000	15,000	45,000
Trust Auditors	65,000	65,000	65,000	195,000
Consultants	50,000	10,000	-	60,000
Website support **	400	400	400	1,200
Intralinks **	768	768	768	2,304
Insurance ***	-	-	-	-
Tax Counsel	10,000	10,000	10,000	\$30,000
<b>Subtotal for Trust Professionals</b>	<b>\$471,168</b>	<b>\$176,168</b>	<b>\$272,168</b>	<b>\$919,504</b>
<b>Other Expenses</b>				
Contingency	\$25,000	\$25,000	\$25,000	\$75,000
<b>Subtotal for Other Expenses</b>	<b>\$25,000</b>	<b>\$25,000</b>	<b>\$25,000</b>	<b>\$75,000</b>
<b>Total Reporting Costs</b>	<b>\$520,168</b>	<b>\$223,668</b>	<b>\$319,668</b>	<b>\$1,063,504</b>

\* includes quarterly Trustee Administration Fees, annual QSF Administration Fee, and estimated Trustee out-of-pocket expenses

\*\* represents 2% of shared cost with State Trust (see subparagraph 2.1.3.2 of Indian Tribe Trust)

\*\*\* Insurance Assumptions: \$306k Premium for 10 year D&O/E&O Coverage