

Volkswagen Diesel Emissions Environmental Mitigation Trust for Indian Tribe Beneficiaries
Semi Annual Reporting Table of Contents
For the Reporting Period Ending June 30, 2019

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Subparagraph 3.3.1.2.iii □

No activity in the reporting period

Subparagraph 3.3.1.4

As required under this subparagraph, the Trustee expects to provide balance statements and 3-year projected annual budgets that itemize all assets, income, earnings, expenditures, allocations, and disbursements of Trust Assets by Indian Tribe Trust Account and by each subaccount on an annual basis for each report period ending December 31st. The next such report will be published on February 15, 2020 for the period ending December 31, 2019.

**The Volkswagen Diesel Emissions Environmental Mitigation Trust
for Indian Tribe Beneficiaries**

Trustee Descriptive Report for Period January 1, 2019 to June 30, 2019
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 the United States District Court, Northern District of California (the “Court”), which required 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 Settling 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 trust agreement of the Indian Tribe Trust (the “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.

By the end of 2018, the Trustee received from the Settling Defendants a deposit of approximately \$18 million, which represented the Indian Tribe Trust’s portion of the final \$900 million required under the 2.0L Partial Consent Decree, meaning that the Indian Tribe Trust was considered fully funded at the start of this reporting period.

In the reporting period (January 1, 2019 to June 30, 2019), WTNA completed a number of actions permitted and required under the Trust Agreement and Consent Decrees, which included commencing operations under the Modified Indian Tribe Trust, which adjusted the allocation method used for Designated Beneficiaries; reviewing and approving Eligible Mitigation Action Certification (Appendix D-4) Forms for the First Funding Cycle and funding the approved requests, commencing the Second Funding Cycle; receipt 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

Receipt, Approval, and Funding of Beneficiary Eligible Mitigation Action Certification (Appendix D-4) Forms for First Funding Cycle

In the period, the Trustee received and reviewed Beneficiary Eligible Mitigation Action Certification (Appendix D-4) Forms from 25 federally-recognized Indian Tribes.

In May and June, the Trustee disbursed approximately \$5.7 million to fund the approved Eligible Mitigation Actions of the 25 Indian Tribe Trust Beneficiaries detailed in Table 1.

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Table 1. Approved First Funding Cycle Eligible Mitigation Actions Disbursed in the Reporting Period

Tribal Beneficiary Name	Action Title	Amount Paid	Date
Beaver Village	Replacement of Three Stationary Power Generators	\$ 68,348	5/17/2019
Bishop Paiute Tribe	Bishop Paiute Diesel Vehicle Replacement	\$ 76,811	6/26/2019
Blue Lake Rancheria	Medium Duty Truck Replacement	\$ 116,432	5/14/2019
Cherokee Nation	Cherokee Nation's 1st Round Zero Emission Project	\$ 808,789	5/9/2019
Cheyenne River Sioux Tribe	Cheyenne River Sioux Tribe School Bus Replacement Project	\$ 222,317	5/17/2019
Chickasaw Nation (The)	FY19 Shuttle Replacement	\$ 347,863	5/15/2019
Confederated Tribes & Bands of the Yakama Nation	Yakama Nation's Round 1 School Bus Replacement Project	\$ 250,774	5/17/2019
Confederated Tribes of CLUS	Replace & Scrap Old Diesel Shuttle Bus with Hybrid	\$ 101,033	5/22/2019
Coquille Indian Tribe	CIT Vehicle Replacement and EV Station Install	\$ 117,645	5/15/2019
Minnesota Chippewa Tribe (Fond du Lac)	Diesel Vehicle Replacement & EV Charging Station Installation	\$ 365,410	5/9/2019
Fort Independence Indian Community	Fort Independence Mitigation Action	\$ 116,819	5/9/2019
Gila River Indian Community	Round 1 Replacement of GRIC Fleet Vehicles	\$ 305,113	5/23/2019
Hoopa Valley Tribe, California	Replacement of 1Class 8 Truck	\$ 160,657	5/22/2019
Lower Brule Sioux Tribe	LBST Tribe Trucks NO x Emissions Reduction Project	\$ 139,268	5/8/2019
Mashantucket Pequot Indian Tribe	Replacement of 1 Diesel Truck: Class 8	\$ 119,528	5/9/2019
Mohegan Tribe of Indians of Connecticut	Shuttle Bus Replacement	\$ 116,280	5/2/2019
Muscogee (Creek) Nation (The)	Replace 5 Vehicles	\$ 625,844	5/9/2019
Native Village of Stevens	Replacement of Four Stationary Power Generators	\$ 75,698	5/17/2019
Oglala Sioux Tribe	Oglala Sioux Tribe School Bus Replacement Project	\$ 400,278	5/17/2019
Pueblo of Isleta	Pueblo of Isleta N Ox Emissions Reduction Project	\$ 169,122	5/16/2019
Quapaw Tribe of Indians (The)	Quapaw Tribe Eligible Mitigation Action Project	\$ 137,888	5/7/2019
Salt River Pima-Maricopa Indian Community	School Bus Class Replacement	\$ 192,887	5/9/2019
Shoshone-Bannock Tribes	VW Mitigation Improvements	\$ 179,320	5/9/2019
Three Affiliated Tribes (MHA)	Replacement Truck	\$ 195,930	5/30/2019
White Mountain Apache Tribe	VW Settlement	\$ 329,607	5/17/2019

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Implementation of Steps for Second Funding Cycle under the Modified Indian Tribe Trust Agreement

In the reporting period, the Trustee implemented a number of actions required for the second funding cycle under the Modified Indian Tribe Trust agreement.

Notice of Second Funding Cycle

As required under subparagraph 5.0.5.1.b, on January 15, 2019 the Trustee posted a Notice of the opening of the Second Funding Cycle “stating that: (i) each Indian Tribe, which has not yet been designated a Beneficiary by the Trustee, may seek to become a Beneficiary hereunder by filing with the Court a Beneficiary Status Certification Form (Appendix D-3) consistent with Paragraph 4.2 by” the March 18, 2019 deadline.

Receipt of Appendix D-3 Filing and Notice of Beneficiary Designation

By the March 18th deadline, the Trustee had received Appendix D-3 filings from 41 federally-recognized Indian Tribes, which had also filed with the Court by the same deadline. These 41 Indian Tribes were each formally designated as Beneficiaries of the Indian Tribe Trust when the Trustee filed a formal Notice of Beneficiary Designation¹ with the Court on May 17, 2019.

Notice and Receipt of Designated Beneficiary’s Participation Notices (Appendix D-6)

On May 24, 2019, in accordance with subparagraph 5.0.5.3.3 the Trustee published a notice on its public-facing website and provided a notice to each Beneficiary via Intralinks stating that any Beneficiary that would like to participate in the second funding cycle should submit to the Trustee a Designated Beneficiary’s Participation Notice (Appendix D-6) by the June 17, 2019 deadline. By June 17, 2019, the Trustee had received timely-filed Appendix D-6 submissions from 49 Beneficiaries. At the end of the reporting period, the Trustee was preparing to transmit notice to each of the participating Beneficiaries regarding the Trustee’s allocation determination of the amount of funding available for each Beneficiary.

Update on Private Letter Ruling from the Internal Revenue Service

On February 27, 2019, the Trustee received a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”). The PLR received from the IRS confirmed that the Indian Tribe Trust will be treated as a Qualified Settlement Fund under 26 C.F.R. § 1.468B-1 as required by Paragraph 6.7 of the Indian Tribe Trust agreement. Such PLR also confirmed that the Indian Tribe Trust may exclude from its gross income, under 26 C.F.R. § 1.4688—2(b)(1), the amount of certain funds transferred to the Indian Tribe Trust after its establishment as a Qualified Settlement Fund.

Paragraph 6.7 of the Indian Tribe Trust agreement required the Trustee to use its best efforts to submit, within six months after the Trust Effective Date, an application and all necessary supporting documentation to the IRS to obtain a Private Letter Ruling from the IRS: (1) that the Indian Tribe Trust will be treated as a Qualified Settlement Fund under 26 C.F.R. § 1.468B-1; and (2) on any federal tax

¹ This Notice can be accessed online at <https://www.vwenvironmentalmitigationtrust.com/TribeNBD2>.

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matter that the Tax Professionals reasonably believe is necessary to support the ruling in (1) or otherwise prudent to clarify an uncertain application of federal tax law to the Indian Tribe Trust.

It is important to note that the Indian Tribe Trust agreement did not require the Trustee to obtain a Private Letter Ruling confirming that the investment income earned on the Trust Assets will be excludible from gross income under the Internal Revenue Code.

In connection with the Trustee's request for a Private Letter Ruling from the IRS regarding the status of the Indian Tribe Trust as a Qualified Settlement Fund under 26 C.F.R. § 1.468B-1, the Trustee conferred with Indian Tribe law experts and its own Tax Professionals and, nevertheless, sought confirmation from the IRS that the investment income earned on the Trust Assets will be excludible from gross income under the Internal Revenue Code.

After extensive discussions, the IRS declined to positively rule on the issue of whether the investment income earned on the Trust Assets will be excludible from gross income under the Internal Revenue Code. The Trustee reserves all of its rights under the Indian Tribe Trust agreement to revisit this issue should facts and circumstances change.

Additionally, the Trustee is in the process of obtaining confirmatory rulings and/or statements from the States of Delaware and California tax authorities that confirm treatment of the Indian Tribe Trust for Delaware and California state income tax purposes. The Trustee will continue to hold sufficient funds in the Tax Payment Subaccount to pay any Delaware and California state taxes until and unless a ruling and/or statement received from the State of Delaware or California provides that the income of the Indian Tribe Trust is not subject to state income tax.


In accordance with the Trust Agreement, the Trustee continues to deduct (and deposit into the Tax Payment Subaccount) estimated federal and state taxes from the investment income of the Indian Tribe Trust.

Payment of Trust Bills

In the period, the Indian Tribe Trust paid \$230,167 in Trust Administration Costs. The Indian Tribe Trust also paid approximately \$221,779 in costs to third-party professionals.

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, 2019

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries

Trust Asset Statements and Investments Listing

June 30, 2019

(Dollars in thousands)

Portfolio(s)	Maturity Date	Rating	Amount
Tribal Allocation Subaccount			
Cash			\$ -
BlackRock Liquidity Fund			340
Marketable Securities at Costs			
U.S. Treasury Bills	07/05/2019	N/A	2,629
U.S. Treasury Bills	07/18/2019	N/A	7,290
U.S. Treasury Bills	08/15/2019	N/A	2,768
U.S. Treasury Bills	08/22/2019	N/A	1,783
U.S. Treasury Bills	09/05/2019	N/A	3,486
U.S. Treasury Bills	09/12/2019	AA+	899
U.S. Treasury Bills	10/03/2019	AA+	1,304
U.S. Treasury Bills	10/17/2019	N/A	4,465
U.S. Treasury Bills	10/24/2019	N/A	2,983
U.S. Treasury Bills	11/07/2019	AA+	4,443
U.S. Treasury Bills	11/14/2019	AA+	2,648
U.S. Treasury Bills	11/29/2019	AA+	4,017
U.S. Treasury Bills	03/26/2020	AA+	4,418
U.S. Treasury Bills	04/23/2020	AA+	2,948
Marketable Securities at Costs Total			46,081
Accrued Interest Income			214
Tribal Allocation Subaccount Total			\$ 46,635
Tribal Tech Advisor Subaccount			
Cash			\$ -
BlackRock Liquidity Fund			17
Marketable Securities at Costs			
U.S. Treasury Bills	07/05/2019	N/A	154
U.S. Treasury Bills	07/18/2019	N/A	74
U.S. Treasury Bills	08/22/2019	N/A	64
U.S. Treasury Bills	09/05/2019	N/A	138
U.S. Treasury Bills	09/12/2019	AA+	64
U.S. Treasury Bills	10/03/2019	AA+	79
U.S. Treasury Bills	10/17/2019	N/A	203
U.S. Treasury Bills	10/24/2019	N/A	188
U.S. Treasury Bills	11/07/2019	AA+	35
U.S. Treasury Bills	11/29/2019	AA+	188
U.S. Treasury Bills	12/05/2019	AA+	133
U.S. Treasury Bills	12/12/2019	N/A	69
U.S. Treasury Bills	02/27/2020	N/A	34
U.S. Treasury Bills	03/26/2020	AA+	196
U.S. Treasury Bills	04/23/2020	AA+	186
Marketable Securities at Costs Total			1,805
Accrued Interest Income			9
Tribal Tech Advisor Subaccount Total			\$ 1,831

Subparagraphs:

3.3.1.1.i

3.3.1.1.ii

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries
Trust Asset Statements and Investments Listing
June 30, 2019

(Dollars in thousands)

Portfolio(s)	Maturity Date	Rating	Amount
Tribal Administration Cost Subaccount			
Cash			\$ -
BlackRock Liquidity Fund			
Marketable Securities at Costs			167
U.S. Treasury Bills	07/05/2019	N/A	199
U.S. Treasury Bills	07/18/2019	N/A	114
U.S. Treasury Bills	08/01/2019	N/A	39
U.S. Treasury Bills	08/15/2019	N/A	159
U.S. Treasury Bills	08/22/2019	N/A	247
U.S. Treasury Bills	09/05/2019	N/A	331
U.S. Treasury Bills	09/12/2019	AA+	64
U.S. Treasury Bills	10/03/2019	AA+	114
U.S. Treasury Bills	10/17/2019	N/A	247
U.S. Treasury Bills	10/24/2019	N/A	272
U.S. Treasury Bills	11/07/2019	AA+	114
U.S. Treasury Bills	11/14/2019	AA+	138
U.S. Treasury Bills	11/29/2019	AA+	287
U.S. Treasury Bills	12/05/2019	AA+	183
U.S. Treasury Bills	12/12/2019	N/A	59
U.S. Treasury Bills	02/27/2020	N/A	127
U.S. Treasury Bills	03/26/2020	AA+	235
U.S. Treasury Bills	04/23/2020	AA+	268
Marketable Securities at Costs Total			3,197
Accrued Interest Income			16
Tribal Administration Cost Subaccount Total			\$ 3,213
Tribal Tax Subaccount			
Cash			\$ 794
Tribal Tax Subaccount Total			\$ 794
Tribal Advisory Council Subaccount			
Cash			\$ -
BlackRock Liquidity Fund			16
Marketable Securities at Costs			
U.S. Treasury Bills	10/17/2019	N/A	5
U.S. Treasury Bills	10/24/2019	N/A	5
U.S. Treasury Bills	04/23/2020	AA+	5
Marketable Securities at Costs Total			15
Accrued Interest Income			-
Tribal Advisory Council Subaccount Total			\$ 31
Indian Tribe Trust Total			
Cash			\$ 794
BlackRock Liquidity Fund			373
Marketable Securities at Costs			51,098
Accrued Interest Income			239
Indian Tribe Trust Total			\$ 52,504

Subparagraphs:

3.3.1.1.i

3.3.1.1.ii

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries
Tribe Trust Payments and Administration Costs Line Item
October 2, 2017 through June 30, 2019
(Dollars in thousands)

Subaccount	Cumulative Paid
Tribal Allocation	
Trust Administrator Costs	\$ 33
Tribal Allocation Total	\$ 33
Tribal Tech Advisor	
Trust Administrator Costs	\$ -
Tribal Tech Advisor Costs	743
Tribal Allocation Total	\$ 743
Tribal Administration Cost	
Trust Administrator Costs	\$ 33
Trust Counsel	691
Insurance	307
Audit	65
Accounting	58
Tax Return	45
Consultant	173
Website Support	9
Tax Counsel	108
Intralink	1
Contingency Expenses	40
Tribal Administration Cost Total	\$ 1,530
Tribal Tax	
Estimated State Taxes Paid	\$ 3
Tribal Tax Total	\$ 3
Tribal Advisory Council	
Trust Administrator Costs	\$ 2
Tribal Advisory Council Total	\$ 2
Indian Tribe Trust Total	\$ 2,311

Subparagraphs:

3.3.1.1.iii

3.3.1.3.i

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries
Payments to Recipients
June 30, 2019
(Dollars in thousands)

Recipient	2019	Cumulative
Beaver Village	\$ 68	\$ 68
Bishop Paiute Tribe	77	77
Blue Lake Rancheria, California	116	116
Cherokee Nation	809	809
Cheyenne River Sioux Tribe of the Cheyenne River Reservation, South Dakota	222	222
Confederated Tribes and Bands of the Yakama Nation	251	251
Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians	101	101
Coquille Indian Tribe	118	118
Fort Independence Indian Community of Paiute Indians of the Fort Independence Indian Reservation, California	117	117
Gila River Indian Community of the Gila River Indian Reservation, Arizona	305	305
Hoopa Valley Tribe, California	161	161
Lower Brule Sioux Tribe of the Lower Brule Reservation, South Dakota	139	139
Mashantucket Pequot Indian Tribe	120	120
Minnesota Chippewa Tribe - Fond du Lac Band	365	365
Mohegan Tribe of Indians of Connecticut	116	116
Native Village of Stevens	76	76
Oglala Sioux Tribe	400	400
Pueblo of Isleta	169	169
Quapaw Tribe of Indians	138	138
Salt River Pima-Maricopa Indian Community of the Salt River Reservation, Arizona	193	193
Shoshone-Bannock Tribes of the Fort Hall Reservation	179	179
The Chickasaw Nation	348	348
The Muscogee (Creek) Nation	626	626
Three Affiliated Tribes of the Fort Berthold Reservation, North Dakota	196	196
White Mountain Apache Tribe of the Fort Apache Reservation, Arizona	335	335
	\$ 5,745	\$ 5,745

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries
Trust Asset Allocation and Allocation Adjustment
June 30, 2019
(Dollars in thousands)

	Funding			Tax Transfer from Tribal Allocation and Administration Costs Subaccounts to Tribe Tax
	October 31, 2017	November 30, 2017	November 30, 2018	
Tribal Allocation	\$ 20,333	\$ 15,723	\$ 15,723	\$ (124)
Tribal Tech Advisor	1,070	828	828	(3)
Tribal Administration Cost	1,874	1,509	1,509	(13)
Tribal Advisory Council	30	-	-	-
	\$ 23,307	\$ 18,060	\$ 18,060	\$ (140)
Tribal Tax Subaccount	-	-	-	140
Total	\$ 23,307	\$ 18,060	\$ 18,060	\$ -

Volkswagen Diesel Emissions Environmental Trust for Indian Tribe Beneficiaries
Administrastion Costs Three Year Projected Budget
(Dollars in thousands)

	YE 2019	YE 2020	YE 2021	Total 3-year projected budget
Governance Costs				
Trust Administrator (Wilmington Trust) *	\$22,500	\$22,500	\$22,500	\$67,500
Subtotal for Governance Costs	\$22,500	\$22,500	\$22,500	\$67,500
Trust Professionals				
Trust Counsel	\$485,000	\$51,000	\$45,000	\$581,000
Trust Accountants	58,000	58,000	58,000	174,000
Tax Return Preparation	50,000	50,000	50,000	150,000
Trust Auditors	50,000	50,000	50,000	150,000
Consultants	41,200	24,000	24,000	89,200
Website support **	400	400	400	1,200
Intralinks **	768	768	768	2,304
Tax Counsel	15,000	10,000	10,000	\$35,000
Subtotal for Trust Professionals	\$700,368	\$244,168	\$238,168	\$1,182,704
Other Expenses				
Contingency	\$25,000	\$25,000	\$25,000	\$75,000
Subtotal for Other Expenses	\$25,000	\$25,000	\$25,000	\$75,000
Total Reporting Costs	\$747,868	\$291,668	\$285,668	\$1,325,204

* 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)