

RULES AND REGULATIONS OF THE VW SETTLEMENT FUND

Section A

History

In September 2015, investigations were initiated in several jurisdictions and venues regarding allegations that Volkswagen Group of America, Volkswagen AG (collectively VW) and affiliated companies, allegedly sold vehicles which contained software that enables the vehicles to evade emissions requirements by engaging full emissions controls only when official emissions testing occurs. The parties to the investigations included most of the Offices of the Attorneys General of the states, territories, and District of Columbia. In December 2015, all of the pending lawsuits relating to the controversy were transferred to the Federal District Court for the Northern District of California as a Multidistrict Litigation and entitled “In Re: Volkswagen Clean Diesel MDL”. The Attorneys General thereupon offered to cooperate with the litigants with the goal of reaching a global settlement of all investigations and pending claims.

In June 2016, the parties entered into a Partial Settlement Agreement which included in part that Volkswagen would pay to the states approximately \$631 million as monetary payment in settlement of disputed claims to be used in each State’s sole Discretion. In addition, Volkswagen would pay \$20,000,000 to the National Association of Attorneys General (NAAG) to be held and disbursed by NAAG as follows:

“(F)or 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.”

The administration and oversight of this Fund is vested in the Executive Committee of the National Association of Attorneys General as promulgated by these Rules and Regulations.

Section B

Special Committee

1. **Special Committee:** A Special Committee titled “The VW Settlement Fund Committee” consisting of three Attorneys General shall be created to evaluate requests for payment and approve final awards from the Fund. The members of the Special Committee shall be members of the Executive Committee appointed by the NAAG President and approved by the Executive Committee. The term of each Committee member shall be for the duration of the NAAG fiscal year during which they are appointed. Members may be re-appointed with no term limits. No more than two (2) members of the Special Committee may be of one political party. The NAAG President should give consideration to regional balance of the members.

2. **Chair:** The members of the Special Committee shall, by majority vote, elect a Chair to serve a one-year term. The Chair may be re-elected. The Chair shall call for meetings, and run meetings and calls of the Special Committee. Fund statements shall be considered public record and the Chair shall transmit annually at the NAAG Summer Meeting, or as requested by a member or members of NAAG at any time, a statement to the membership on the Fund balance and all requests for grants and all deposits to and withdrawals from the Fund in the previous calendar or fiscal year.
2. **Vote:** The affirmative vote of two or more members of the Special Committee shall be required to approve all grants. In cases of requests to fund litigation, investigation, settlement negotiation, or settlement monitoring-related travel expenses, a blanket request by an Attorney General to cover all travel expenses of participating states may be submitted on a yearly basis and is subject to approval by the affirmative vote of two or more members of the Special Committee. The granting or denial of any payment request by the Special Committee shall be final and is not subject to appeal.
3. **Limitation on Corpus:** The special committee is expressly authorized to disburse principal of the corpus and is not limited to disbursing only the income generated by the fund during the previous calendar year.
4. **Manner:** The Special Committee may meet in person or telephonically and may vote via writing, phone, email, fax or other agreed upon electronic media.

Section C

Fund Management

1. **Deposit:** NAAG shall place the corpus of the Fund in a new and segregated account, separate from all other NAAG accounts, which shall not then or thereafter be commingled with any other funds or accounts. However, nothing herein shall prevent deposits into the account so long as monies so deposited are then lawfully committed for the purpose of the Fund as set forth herein.
2. **Investment:** NAAG shall invest the Fund appropriately in order to generate additional income consistent with an Investment Policy developed and approved by the Special Committee within 60 days of creation of the Special Committee. The Special Committee shall endeavor to maintain the Fund for as long a term as is consistent with the purpose of the fund. If the Special Committee determines that the purpose of the fund does not exist anymore, the Executive Committee may dissolve the fund and direct the remaining monies be deposited in the NAAG General Fund.

Section D

Reimbursement

To the extent applicable and permitted by law, each Attorney General whose grant application is favorably acted upon shall promise to pay back to the Fund all of the amounts received from the Fund in the event the state is successful in the litigation for which funds have been appropriated. In the event that the monetary recovery, if any, obtained is not sufficient to pay back the entire amount of the grant, that Attorney General shall pay back as much as is permitted by the recovery. In all instances where monies are granted from the Fund, the Attorney (s) General receiving monies shall provide an accounting to NAAG of all disbursements received from the Fund no later than the 30th of June next following such disbursement. Funds requested for the purpose of consumer protection conferences, education, training, travel, and related events are not subject to reimbursement.

Section E

Conflict of Interest

When a grant application is made to the fund by an Attorney General who is then a member of the Special Committee, such member shall be temporarily replaced on the Committee for the duration of determination of that grant application. The NAAG President shall name a member of the Executive Committee to temporarily serve on the Special Committee for the consideration of that grant application.

Section F

Fees

A fee of 1.0% of the total value of the Fund at the Fund's inception and annually thereafter shall be paid to NAAG each year out of the Fund to cover all administrative costs and third party fees related to the maintenance of the Fund.

Section G

Grant Application Protocols

The Protocols for grant application, as described in Attachment 1, shall be transmitted to all Attorneys General within 30 days of the approval of these Rules and Regulations with a copy of these Rules and Regulations and an explanation of the Fund. NAAG staff shall develop and make available forms that reflect these Protocols. These Protocols may only be amended by an affirmative vote of the NAAG Executive Committee. NAAG staff shall notify the NAAG membership of any amendments promptly.

Section H

Audits

All accounting related to this Fund shall be subjected to audits conducted as part of the NAAG annual auditing procedures.

Section I

Approval

These Rules and Regulations were approved by the NAAG Executive Committee in 2016.

Attachment 1
Grant Application Protocols

Grant applications may be submitted at any time, must be in writing and must be signed by the Attorney(s) General of the submitting state(s) or the Executive Director of NAAG, if the grant application is being submitted by NAAG.

Grant applications must also include:

1. A description of the purposes for which the monies sought will be used.
2. A description of the contemplated/pending action.
3. A statement whether the action is actively or currently being pursued by any other Attorney General or other prosecuting authority.
4. The amount requested.
5. A directive as to how disbursements from the fund should be made, e.g. either directly to a supplier of services (travel agency, consultants, experts, faculty, witnesses etc), to the Attorney General's office directly, to NAAG, or in the case of a multi-state action, to one or more Attorneys General offices designated as a recipient of the monies.
6. A statement that the applicant Attorney(s) General will, to the extent applicable and permitted by law, reimburse the fund all, or as much as possible, of the monies received, upon receipt of any monetary recovery obtained in the contemplated/pending litigation related to the appropriation of funds. However, reimbursement is not required for funds used to pay for consumer protection conferences, education, training, and related expenses.
7. A statement acknowledging that all bills and receipts, either from third party vendors, Attorney General personnel, or NAAG personnel, shall be submitted to the NAAG finance department for disbursement within the expected billing cycle, and that all reimbursement or payment requests shall conform to commonly accepted accounting principles.