

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

Alexandra Olson, *an Individual, on behalf of*
herself and all others similarly situated,

Plaintiffs,

v.

Volkswagen of America, Inc.,

Defendants.

Case No.: CV07-05334 R (JTLx)
CLASS ACTION

TO: ALL CURRENT AND FORMER OWNERS AND LESSEES OF MODEL YEAR 2000-2003 AUDI TT AND AUDI A4 VEHICLES EQUIPPED WITH 1.8 LITER TURBOCHARGED ENGINES DISTRIBUTED FOR SALE IN THE UNITED STATES.

This Notice advises you of a proposed class action Settlement. This Settlement resolves a lawsuit and provides new maintenance recommendations and certain extended warranties and/or reimbursements related to timing belt systems in 2000, 2001, 2002 and 2003 Audi A4 and TT vehicles equipped with 1.8 liter turbocharged engines plus, under specific circumstances cash reimbursement for prior timing belt failures and free timing belt inspections on qualifying vehicles. Failure to follow the recommended maintenance could increase the risk of catastrophic engine failure.

YOU SHOULD READ THE ENTIRE NOTICE CAREFULLY BECAUSE YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU ACT OR NOT. YOUR RIGHTS AND OPTIONS ARE EXPLAINED IN THIS NOTICE.

This package also includes a letter from Audi, an insert for your Maintenance Booklet, which describes the revised maintenance recommendations for the timing belt tensioner system on your vehicle and the extended warranty being offered by Audi. The revised maintenance recommendations will be effective whether or not the Settlement is approved by the Court and will apply to your vehicle whether or not you elect to participate or exclude yourself from the Settlement.

Please place the insert in your Maintenance Booklet so that you and anyone servicing your vehicle will be in a position to observe and follow it.

If you are not the current owner of the Settlement Class Vehicle, please pass on this entire package to the current owner, if known to you.

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BASIC INFORMATION

1. Why did I get this Notice package?

According to records maintained by or available to Volkswagen Group of America, Inc. and Audi of America, Inc. (collectively referred to as "Audi"), you or someone in your family may have purchased or leased a model year 2000, 2001, 2002 and/or 2003 Audi TT or Audi A4 vehicle equipped with a 1.8 liter turbocharged engine sold, leased or distributed in the United States ("Settlement Class Vehicles"). These vehicles have been tentatively included in the proposed Settlement of a class action lawsuit in the United States District Court for the Central District of California, Los Angeles Division, before the Hon. Manuel L. Real.

This Notice explains the lawsuit, the proposed Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The Court has ordered this Notice be sent to you because you have a right to know about the proposed Settlement of a class action lawsuit, and about all of your options before the Court decides whether to approve the Settlement. Under the terms of the Settlement, if approved, Audi will be required to conduct and complete the programs designated herein as the "Revised Maintenance Program", "Extended Warranty Program" and the "Reimbursement Program."

2. How do I get more information?

You can visit www.timingbeltsettlement.com or contact Class Counsel below for answers to common questions about the Settlement, plus other information to help you determine whether you are a Class Member and whether you are eligible for a payment. **Please do not contact the Court. Personnel there will not be able to answer your questions.**

Clifford H. Pearson, Esq.
Daniel L. Warshaw, Esq.
Pearson, Simon, Soter, Warshaw & Penny, LLP
15165 Ventura Boulevard, Suite 400
Sherman Oaks, California 91403
Telephone: (818) 788-8300

Robert L. Starr, Esq.
The Law Office of Robert L. Starr
23277 Ventura Boulevard
Woodland Hills, CA 91364
Telephone: (818) 225-9040

3. What is the lawsuit about?

In the Class Action Complaint filed in 2007, Plaintiff alleges that Audi knowingly concealed, suppressed and omitted to disclose to consumers that Class Vehicles contained defectively designed timing belt tensioners, timing belts and/or associated parts (“timing belt system”) and, further, that Audi failed to disclose and/or misrepresented the appropriate service interval for replacement of the timing belt system in Settlement Class Vehicles. Audi has denied any defect, wrongdoing or liability whatsoever and deny that this lawsuit could properly be certified as a class action for trial.

4. Why is this a class action?

In a class action, one or more persons called Class Representatives seek to sue on behalf of people who have similar claims. If the class is “certified” by the Court, all of these people who have similar claims make up the Class and are Class Members. One Court resolves the issues for all Class Members.

5. Why is there a Settlement?

The Court has not decided in favor of either side and has not decided whether this lawsuit could qualify as a class action. Instead, both sides agreed to a Settlement, which, subject to Court approval, provides for certification of a class for settlement purposes only and agreed benefits or payments to Settlement Class Members in exchange for a dismissal of the lawsuit without any finding of liability. By agreeing to a Settlement, parties avoid the costs and risks of a trial, and the Class will get compensation. The Class Representative and her attorneys believe that the Settlement is fair and adequate for all Class Members.

6. How do I know if I am part of the Settlement?

The Court has conditionally certified this case as a class action, in which everyone who fits the following description is a Class Member:

All persons who are now or have been at any time owners of record or lessees of model year 2000, 2001, 2002 and 2003 Audi TT and Audi A4 and 1999 Volkswagen Passat vehicles equipped with 1.8 liter turbocharged engines.

This Settlement applies only to “U.S. vehicles” distributed for sale in the United States.

7. Are there exceptions to being included?

If you are still not sure whether you are included, you can ask for free help. Please visit www.timingbeltsettlement.com or contact the Settlement Administrator at (877) 465-4899.

8. Can I exclude myself from the Settlement?

You have the right to exclude yourself from the Settlement in this case. Any Class Member who intends to request exclusion from the Settlement Class must mail a request for exclusion to the Settlement Administrator at:

**Settlement Administrator
PO Box 1937
Faribault, MN 55021-7192**

This request must be postmarked no later than August 31, 2008. Persons requesting exclusion must set forth their full name and current address and list the make, model year, and, if available, the vehicle identification number of their Settlement Class Vehicle(s). **If you do not exclude yourself from this Settlement, you will be bound by any judgments or orders that are entered in this Action, and all claims that were or could have been asserted based upon the facts alleged in the complaint in this case on your behalf will be released.**

In addition to your right to opt-out, you also can object to the Settlement and ask the Court not to approve the Settlement. See Questions 14 and 15 herein.

THE SETTLEMENT BENEFITS – WHAT YOU GET

9. What does the Settlement provide?

Pursuant to the Settlement terms, Audi has agreed to conduct and complete the “Revised Maintenance Program,” the “Extended Warranty Program” and the “Reimbursement Program.” The details of these programs are as follows:

Revised Maintenance Program

- Audi is distributing by mail to Settlement Class Members and through all normal channels of communication to the U.S. market (e.g., maintenance schedules, instructions and publications, and in all other media currently employed for purposes of distribution) a Revised Maintenance Schedule for Settlement Class Vehicles requiring inspection (and replacement if necessary) of the timing belt system every 40,000 miles, and the first mandatory replacement of the timing belt system not later than 105,000 miles (the “Revised Maintenance Schedule”). Your copy of the Revised Maintenance Program, in the form of an insert to your Maintenance Booklet, is enclosed with a letter from Audi explaining the Revised Maintenance Program. **Failure to follow the recommended maintenance schedule could increase the risk of catastrophic engine failure.**
- Any inspection of the timing belt system which is part of any regularly scheduled maintenance at an authorized Audi dealer prior to 105,000 miles (on originally installed belts) or which is performed on or before **September 30, 2008** on a vehicle on which the timing belt has been previously replaced shall be at no additional cost to Settlement Class Members.
- If your Audi has more than 105,000 miles and the originally installed timing belt has previously been replaced, there shall be no charge for the initial inspection of the timing belt system if performed at an authorized Audi dealership if the inspection occurs on or before **September 30, 2008**.
- **Note: Any replacement of the timing belt system, whether required as a result of an inspection or at the 105,000 mile intervals mandated in the Revised Maintenance Program, shall be at your expense.**

Extended Warranty Program

- Audi will provide free repair of damage to the timing belt system and associated engine damage related to a timing belt system failure, at any authorized Audi dealership, commencing August 11, 2008 through 105,000 miles, provided the Settlement Class Vehicle has been

maintained in conformance with the Revised Maintenance Schedule, including an initial timing belt system inspection (and replacement at your expense, if necessary) at the next regularly scheduled maintenance interval as provided in the Revised Maintenance Schedule. The extended warranty will also apply to model year 2001 Audi TT and Audi A4 Settlement Class Vehicles that are equipped with their original timing belt through 120,000 miles, if the Covered Engine Damage occurs on or before **September 30, 2008**. It will be necessary to provide documentation establishing compliance with the Revised Maintenance Schedule such as, repair orders or evidence of payment.

Reimbursement Program

- Out of pocket expenses arising from Covered Engine Damage sustained prior to August 11, 2008 will be reimbursed if submitted to the Settlement Administrator on or before **September 30, 2008**. This reimbursement includes costs incurred for Covered Engine Damage to vehicles, labor, delivery and handling charges, and all other reasonable out of pocket expenses caused by timing belt system failure, including, but not limited to, towing, alternate transportation, and lodging expenses.
- Audi shall be under no obligation to provide the benefits under the Extended Warranty Program or the Reimbursement Program if you fail to have your timing belt initially inspected within 1,500 miles after the mileage prescribed by Audi in the Revised Maintenance Schedule or before **September 30, 2008** if the Settlement Class Vehicle is a 2001 Audi TT or Audi A4.

Documentation Required

To claim reimbursement or to obtain a free inspection of your Timing Belt System before September 30, 2008 if your vehicle has over 105,000 miles and the timing belt has been previously replaced, you will need proof of the following:

- Name and mailing address of the owner, purchaser or lessee of the Settlement Class Vehicle at the time that the expenses for which reimbursement is claimed were incurred;
- Identification of the Settlement Class Vehicle concerning which the Claim is being made, including the Vehicle Identification Number (VIN);
- With respect to a claim under the Reimbursement Program, a receipt or other evidence of payment of all expenses claimed, which may be an original or a copy;
- Where a free inspection is sought prior to September 30, 2008 on a vehicle which previously had its timing belt replaced, a receipt or other evidence of payment for such prior timing belt replacement, which may be an original or a copy.
- A receipt for repair of Covered Engine Damage or prior timing belt replacement must indicate the nature of such repair and identify the parts and components replaced or repaired, unless it is clear from the receipt that it relates exclusively to the repair of Covered Engine Damage.

A Claim Form is enclosed which may be utilized for filing claims. You may obtain additional claim forms by writing the Settlement Administrator at the address provided herein or by visiting www.timingbeltsettlement.com.

The Settlement Administrator must pay, or otherwise act upon any Reimbursement Claim within sixty (60) days of receipt.

- If your claim is denied in whole or in part, the Settlement Administrator will send a notice in writing to the claimant within sixty (60) days of receipt of the claim that includes a clear, concise statement of the reasons for the denial. Such a claim will be treated as a "Disputed Claim," as set forth below.
- If documentation in support of an Extended Warranty/Reimbursement Claim is incomplete when originally submitted, the Settlement Administrator will advise the claimant within sixty (60) days of receipt of the additional documentation that is needed and offer an opportunity to resubmit the claim with complete documentation.

- The Settlement Administrator may deny any Extended Warranty/Reimbursement Claim which it reasonably and in good faith deems to be fraudulent.
- Audi must make payments under the Reimbursement Program within thirty (30) days of the date on which the order of the Court finally approving the Settlement is not subject to any appeal or the Settlement Administrator's receipt of the claim, whichever shall be later. Under applicable Court rules, the earliest deadline for these payments is **January 2, 2009**.

With respect to any Disputed Claims, under either the Extended Warranty or Reimbursement Programs, Defense Counsel and Class Counsel shall confer within thirty (30) days of the date on which the order of the Court finally approving the Settlement is not subject to any appeal in an effort to resolve the Disputed Claim, and shall notify Claimant of the results of their efforts within three (3) days after such conference. In the event any Disputed Claim is not resolved to the satisfaction of you or Class Counsel, you or Class Counsel may submit the Disputed Claim to mediation and, if mediation fails, binding arbitration under the "Autoline" program administered by the Council of Better Business Bureaus. Subject to this Settlement becoming final and not subject to appeal, Audi will pay all amounts agreed to at mediation or determined to be reasonable by the arbitrator. All costs for such mediation and arbitration shall be paid by Audi, except that Audi shall under no circumstances be liable for any attorney fee incurred by the Claimant in connection with such mediation or binding arbitration.

In connection with this Settlement, Audi will not pay any Claim for personal injury (including physical, psychological or mental injury), for death, or for damage to property apart from Covered Engine Damage to Settlement Class Vehicles. No claims of this type are affected or released in any way by this Settlement.

10. When Must I Get My Timing Belt System Inspected?

Pursuant to the Settlement terms, timing belt system inspections are required every 40,000 miles. Timing belt system inspections can be performed as part of regularly scheduled maintenance, which includes recommended oil changes at 5,000 mile intervals. Therefore, if your vehicle has reached 40,000 miles, you can get your timing belt inspected as part of your next regularly scheduled maintenance, which will be in no more than 1,500 miles. In addition, pursuant to the Settlement terms, an initial timing belt system inspection is required at the next regularly scheduled maintenance after the date of this Notice.

IMPORTANT! – IN ORDER TO QUALIFY FOR THE EXTENDED WARRANTY AND/OR REIMBURSEMENT OF COSTS RELATED TO POSSIBLE FUTURE TIMING BELT SYSTEM FAILURE UP TO 105,000 MILES, YOU MUST HAVE YOUR TIMING BELT INSPECTED AT THE NEXT REGULARLY SCHEDULED MAINTENANCE AFTER YOU RECEIVE THIS NOTICE AND THEN FOLLOW THE REVISED MAINTENANCE SCHEDULE, INCLUDING ANY RECOMMENDED REPAIRS OR REPLACEMENTS. BE SURE TO KEEP YOUR REPAIR ORDERS AND RECORDS OF PAYMENT.

Authorized Audi dealerships will perform timing belt system inspections according to the Revised Maintenance Schedule at no extra charge. Any repairs or replacements which are performed as a result of such inspection, however, will be at your expense.

11. What claims will I release?

In connection with the Settlement, unless you opt out of this Class, you will release (i.e., give up) all claims made or that you could have made against certain persons (the "Released Persons") related to Audi's maintenance policies and practices relating to timing belt system failures in Settlement Class Vehicles. This Settlement does not affect or release claims for personal injury (including physical, psychological or mental injury), death, or damage to property other than Covered Engine Damage to Settlement Class Vehicles.

The Released Persons are Volkswagen of America, Inc., AUDI AG, a corporation organized and existing under the law of the Federal Republic of Germany, Volkswagen AG, a corporation organized and existing

under the laws of the Federal Republic of Germany, their present or former officers, directors, employees, agents, heirs, executors, administrators, successors, reorganized successors, assigns, subsidiaries, affiliates, parents, divisions, predecessors, subrogees and authorized dealers.

THE LAWYERS REPRESENTING YOU

12. Do I have a lawyer in this case?

The law firms of, Pearson, Simon, Soter, Warshaw & Penny, LLP and the Law Offices of Robert L. Starr, represent you and other Class Members. These lawyers are called Class Counsel. You will not be charged for these lawyers. These lawyers will be paid by Audi in an amount to be approved by the Court, without deducting or reducing any benefits available to the Class. If you want to be represented by your own lawyer, you may hire one at your own expense.

13. How will the lawyers be paid?

Class Counsel will ask the Court for up to \$5,000,000 in attorney's fees and up to \$80,000 in costs. Audi does not dispute Plaintiffs' Counsel's entitlement to an appropriate fee but opposes such request. Class Counsel may ask the Court for a lesser amount of attorney's fees that Defendant will not object to at the Fairness Hearing. Both sides may appeal any decision by the Court as to attorney's fees and costs unless there is a subsequent agreement that Defendant will not object to the attorney's fees and cost request by Class Counsel. Audi will pay whatever attorney's fees that may be awarded or agreed without reducing or limiting any of the benefits available to Class Members under the Revised Maintenance Program, the Extended Warranty Program and/or the Reimbursement Program.

Any contested proceedings as to fees, expenses and compensation to named plaintiffs will proceed separately from any proceedings seeking approval of the Settlement terms. In this manner, if the Court approves the Settlement terms other than fees, Audi will be obligated to provide all of the relief agreed to for Settlement Class Members, regardless of the progress or outcome of any fee dispute.

In addition, Audi has agreed to pay Plaintiff Alexandra Olson \$5,000 for her service to the Class.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it. This includes Class Counsel's request for payment of attorney's fees and costs.

14. What does it mean to object?

Objecting is simply telling the Court that you do not like something about the Settlement. It will not have any bearing on your right to Settlement proceeds. You can object to the Settlement, including Class Counsel's request for attorney's fees and costs, if you dislike any part of it.

15. How do I tell the Court that I don't like the Settlement?

To object, you (or your attorney) must serve such objection upon all counsel of record and file your objection with the Court on or before **August 31, 2008**. Objectors must state in writing all objections and the reasons therefore, and include any and all supporting papers, including proof of membership in the Class and, if applicable, the objector's statement of intent to appear at the Fairness Hearing. If you do not timely file a written objection and notice of your intent to appear at the Fairness Hearing, you shall not be permitted at the Fairness Hearing to object to the Settlement or to any matters related to the Settlement or the provisions of the Settlement Agreement, and shall be foreclosed from seeking review by appeal or otherwise. **You must file your objection with the United States District Court, 312 N. Spring Street, Los Angeles, CA 90012. Mail your objection to the four different places**

below, postmarked no later than August 31, 2008. You must mail your objection by this date. If you fail to do so, the Court will not consider your objection.

COURT

Clerk
U.S. District Court
312 N. Spring Street
Los Angeles, CA 90012

DEFENSE COUNSEL

Craig L. Winterman, Esq.
Herzfeld & Rubin, LLP
1925 Century Park East
Los Angeles, CA 90076

CLASS COUNSEL

Daniel L. Warshaw, Esq.
Pearson, Simon, Soter, Warshaw & Penny, LLP
15165 Ventura Blvd., Suite 400
Sherman Oaks, CA 91403

SETTLEMENT ADMINISTRATOR

Settlement Administrator
PO Box 1937
Faribault MN 55021-7192

ALL PAPERS SUBMITTED MUST INCLUDE THE CASE NUMBER CV07-05334 R (JTLx).

THE FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement and other matters, including Class Counsel's request for attorney's fees and costs. You may attend and, if you timely file notice of your intent to appear, you may participate, but you are not required to do so.

16. When and where will the Court decide whether to approve the Settlement?

The Court will hold a Fairness Hearing on November 3, 2008 at 10 a.m. at the United States District Court for the Central District of California, 312 N Spring Street, Los Angeles, CA 90012, in Courtroom 8. At this hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will also decide what amount of Class Counsel's fees and expenses will be paid. At or after the hearing, the Court will decide whether to approve the Settlement.

17. Do I have to go to the Fairness Hearing?

No; Class Counsel will answer questions the Court may have. You (or your attorney) are however, welcome to go at your own expense. If you send an objection, you do not have to go to Court to discuss it. As long as your objection is postmarked by **August 31, 2008** the Court will consider it. You also may pay your own lawyer to attend, but it is not necessary.

18. May I speak at the hearing?

You may ask the Court for permission to speak at the Fairness Hearing. To do so, you (or your attorney) must send a letter saying that it is your "Notice of Intention to Appear." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be postmarked no later than **August 31, 2008** and sent to the Clerk of the Court, Class Counsel, Defense Counsel, and the Settlement Administrator at the four addresses indicated above in Item 15.

GETTING MORE INFORMATION

19. Are there more details about the Settlement?

This Notice summarizes the proposed Settlement. More details are in the parties' Settlement Agreement. You can get a copy of the Settlement Agreement by visiting www.timingbeltsettlement.com or by writing Class Counsel at the Post Office Box address provided herein. **Remember, please do not contact the Court.** Personnel there cannot give you additional information.

DATE: August 1, 2008