

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

JACOB GLASSER: on Behalf of Himself and All Others Similarly
Situated and on Behalf Of the General Public, Plaintiffs, v.
VOLKSWAGEN OF AMERICA, INC., Defendant.
CV06-2562 ABC (JTLx)

Notice of Pendency of Class Action, Proposed Settlement and Hearing

TO: ALL CURRENT OWNERS OF RECORD OR LESSEES OF MODEL YEAR 2007 AND EARLIER VOLKSWAGEN AND/OR AUDI VEHICLES DISTRIBUTED BY VOLKSWAGEN OF AMERICA, INC. FOR SALE IN THE UNITED STATES AND WHICH ARE EQUIPPED OR FURNISHED WITH KEYS OR FUNCTIONALLY SIMILAR DEVICES WHICH LOCK AND UNLOCK ANY DOOR, HATCH OR OPERATIONAL SYSTEM ON A VEHICLE (E.G., IGNITION, STEERING, BRAKING, ENGINE MANAGEMENT, ETC) IN WHOLE OR IN PART THROUGH THE MATCHING OF ELECTRONICALLY STORED CODES OR OTHER DATA STRINGS WHICH ARE UNIQUELY APPLICABLE TO A SPECIFIC VEHICLE. EXCLUDED FROM THE CLASS ARE DEFENDANT'S EMPLOYEES, OFFICERS, AND DIRECTORS AND DEFENDANT'S LEGAL REPRESENTATIVES, SUCCESSORS, AND ASSIGNS.

If you are in the class of people defined above ("Settlement Class") covered by a proposed settlement of this class action, you are entitled to participate in a proposed settlement of this lawsuit. This Notice tells you who is covered by the proposed settlement, describes the case and the benefits of the proposed settlement, and tells you that the Court will hold a hearing to decide whether to approve the settlement. This Notice describes your legal rights in connection with the hearing and this lawsuit. PLEASE READ THIS NOTICE CAREFULLY, AS ALL SETTLEMENT CLASS MEMBERS WHO DO NOT TIMELY EXCLUDE THEMSELVES WILL BE BOUND BY THE RESULTING ORDERS.

No claims for personal injury, or wrongful death resulting from accidents are being compromised or dismissed in the Settlement.

I. THE LITIGATION

A class action is a lawsuit in which one or more persons can sue on behalf of other persons similarly situated. Claims are asserted in a Class Action Complaint against Volkswagen of America, Inc., the former name of the Defendant Volkswagen Group of America, Inc. ("VWGoA") which alleges that VWGoA failed to make certain secure codes and encryption data strings available to locksmiths and repair shops other than franchised Volkswagen and Audi dealers, thus depriving consumers of potential choices in programming computerized replacement Smart Keys, resulting in higher costs for replacing such Smart Keys than would otherwise be the case.

VWGoA denies any wrongdoing and liability whatsoever and further denies that this case could properly be litigated as a class action.

THE COURT HAS DECIDED TO PERMIT THIS CASE TO PROCEED AS A CLASS ACTION FOR PURPOSES OF SETTLEMENT OF THIS LAWSUIT ONLY. THE COURT HAS NOT DETERMINED, AND THIS NOTICE AND THE PROPOSED SETTLEMENT DO NOT IMPLY, THAT THERE IS ANY LEGALLY ACTIONABLE DEFECT IN THE CLASS VEHICLES, THAT VWGOA HAS VIOLATED ANY LAW OR IS SUBJECT TO ANY LIABILITY OF ANY NATURE, OR THAT THIS ACTION COULD PROPERLY BE LITIGATED ON BEHALF OF ANY CLASS.

II. THE SETTLEMENT

In response to this lawsuit, VWGoA has provided information to Plaintiffs' Counsel which establishes that, since approximately July 2004, the identical computerized equipment needed to complete the programming of Smart Keys to mate with specific individual vehicles which is available to Volkswagen and Audi dealers franchised by Defendant has also been offered for sale and/or lease to independent repair shops and/or locksmiths, through VWGoA's parts distribution system. VWGoA has further informed Plaintiffs' Counsel that, since on or about July 2004, independent repair facilities and locksmiths which have purchased and/or leased the required equipment are provided access to a dedicated telephone service, which permits them to program or mate replacement Smart Keys manufactured and furnished through normal parts distribution channels by Defendant to particular vehicles. Plaintiffs' Counsel have also been informed that, though VWGoA publishes "Manufacturer's Suggested Retail Prices" for Smart Keys (as with all items distributed through its parts distribution system), it does not directly or indirectly set the prices which any person, whether a franchised dealer or an independent repair shop or locksmith, may charge a vehicle owner or lessee for parts or labor associated with replacing and reprogramming Smart Keys. Lastly, VWGoA has confirmed that the prices charged by authorized VW and Audi dealers for replacement Smart Keys are competitive with the prices charged for replacement Smart Keys by independent repair shops or locksmiths who sell replacement Smart Keys and has demonstrated to Plaintiffs' Counsel that in fact there is no pattern of greater charges for key replacement and reprogramming services by authorized dealers as compared to charges by similarly situation comparable independent repair facilities or locksmiths. Plaintiffs' counsel have determined that, in light of this information, the settlement proposed will fully and fairly protect the interests of the Settlement Class while by providing upgraded customer communications in these areas based on these facts, VWGoA and counsel for the Settlement Class have agreed to a proposed settlement which, if approved by the Court, will result in the dismissal of this action based upon VWGoA's implementation of an information program consisting of all of the following steps:

a. VWGoA shall maintain in place the systems and procedures described above and herein, or their substantive equivalent, through January 1, 2013, in a manner reasonably designed to furnish a functioning replacement Smart Key to any vehicle owner or lessee who seeks to purchase one or more Smart Keys from an independent repair shop or locksmith which is appropriately equipped to program or mate Smart Keys with specific vehicles identified with a correct Vehicle Identification Number ("VIN").

b. Such systems and procedures shall provide a Smart Key that has been or can be programmed or mated with a specific Volkswagen or Audi vehicle identified with a correct VIN to an overnight or other express shipper designated by the ordering independent repair shop or locksmith within one business day of the time at which the ordering independent repair shop or locksmith certifies to Defendant that such vehicle owner or lessee has provided satisfactory proof to the independent repair shop or locksmith of his or her identity and vehicle ownership or status as the lessee of the specific vehicle identified by its Vehicle Identification Number.

c. Vehicle Owner's literature for Volkswagen and Audi vehicles distributed by VWGoA shall disclose the facts that (1) Smart Keys may be

programmed or mated with specific vehicles by independent repair shops and locksmiths which are appropriately equipped to do so as well as by authorized dealers; (2) that a current list of such independent repair shops and locksmiths may be accessed on the company's website(s) (currently <http://www.vw.com> and <http://www.audiusa.com>); and (3) that information as to the identities and locations of such facilities may be obtained through the toll free Customer Care telephone numbers maintained by Defendant.

d. An Insert or Supplement for Owner's Manuals meeting the requirements of paragraph a above is included with this Notice. PLEASE PLACE OR AFFIX THIS INSERT IN YOUR OWNER'S MANUAL.

e. The Insert or Supplement included with this Notice is being furnished to dealers or otherwise added to Owner's literature in Subject Vehicles where Owner's Literature has already been printed. In the case of vehicles in dealer inventory, sufficient supplies of such inserts shall be made available to dealers to insure that such insert can be placed in the Owner's Literature for all vehicles in dealer inventory.

f. Personnel staffing the Customer Care telephone exchange maintained by VWGoA shall be provided with written guidance and appropriate training concerning the information set forth above in subparagraph a.

g. VWGoA shall include in its website(s) (currently <http://www.vw.com> and <http://www.audiusa.com>), the following disclosures, which shall, at a minimum, be accessible through a site search on the phrases "replacement key" and "Smart Key":

The Immobilizer – The New World of Anti-Theft Technology

All [VW/Audi] vehicles are now equipped with a state of the art electronic "immobilizer" anti-theft system. The critical component in this system is a sophisticated electronic anti-theft device – the "immobilizer." The immobilizer activates when the ignition key is removed and, together with the engine control unit, largely prevents unauthorized starting of the engine. The immobilizer in the vehicle interacts with a transmitter and receiver unit (transponder) in the ignition key. Whenever an attempt is made to start the engine, the immobilizer transmits a new code to the car's electronics. The immobilizer keeps the ignition, fuel, and steering systems locked unless a key with the proper code is used to start the vehicle.

The Smart Key – Yours and yours alone

Even an exact physical duplicate of a key cannot start the vehicle unless the key's transponder and the vehicle's immobilizer have been coded to each other. Securely encrypted and constantly changing electronic codes match your specific key with the onboard computer on your vehicle – and your vehicle alone.

Code Security

No security system can provide 100% protection against theft, and thieves may be able to overcome the electronic immobilizer. However, objective data has demonstrated a dramatic reduction in theft rates in vehicles equipped with immobilizer and "smart key" technology. For these systems to be effective, the codes that are unique to a particular key and a particular vehicle cannot be allowed to fall into unauthorized hands. At the same time, vehicle owners who have lost or misplaced their sets of keys need to be able to obtain replacements in the most convenient manner possible, while preserving the security of key coding information.

Replacement Keys

Replacing a transponder key can be costly. Coding a replacement key for your vehicle requires specialized equipment available only to your [VW/Audi] dealer and to certain independent repair facilities and locksmiths that are qualified to make remote control keys. This equipment can also be used to disable a key which is lost or stolen by reprogramming the remaining keys to the vehicle. In addition, because all key programming accesses a single secure database, a

permanent record is generated whenever a replacement key is coded to a particular vehicle.

For a list of independent repair facilities or your nearest dealer, [click here](#). [VW/Audi] dealers and independent repair facilities and locksmiths are independent businesses which set their own prices for keys and coding services.

h. Defendant shall draft and disseminate a brochure (or similar point of sale disclosure) that contains the disclosures set forth in paragraph g above and that describes, among other things, the operation of the Smart Keys, how and where to obtain replacement Smart Keys and general information regarding the cost of obtaining a replacement Smart Key. These brochures shall be distributed to authorized VW and Audi dealerships. To the extent that any state or federal statute may at any time impose other, further and/or different obligations or duties on Defendant at any time with respect to Smart Keys, this Agreement and any Judgment which may be entered pursuant thereto, the Court's continuing jurisdiction with respect to implementation and enforcement of the terms of this Agreement shall cease as of the effective date of such statute.

III. ATTORNEY FEES – CLASS COUNSEL

In the event that the Court approves the proposed settlement of the case, VWGoA will pay attorneys' fees, plus costs and expenses and an incentive fee to the named plaintiff, in the amounts to be awarded by the Court to Class Counsel. The parties will attempt to negotiate agreed amounts of such fees, costs and incentive payment. If they are unable to agree, the issue will be submitted to the Court. Both sides will have the right to appeal any decision which the Court may make on a disputed application. Any such payments will be made solely by VWGoA and will not reduce, directly or indirectly, any of the Settlement's benefits to Class members.

The Counsel for the Settlement Class is:

Jordan L. Lurie, Esq.,
WEISS & LURIE
10940 Wilshire Blvd., 23rd Floor
Los Angeles, CA 90024
Telephone: 310-208-2800
e-mail: jlurie@weisslurie.com

You may address any inquiries concerning this Notice to him in writing.

IV. RIGHTS AND OPTIONS OF CLASS MEMBERS

If you are a Settlement Class member, you have the following options:

- You may do nothing and remain a Settlement Class member. If you choose to take no action, your interests as a member of the Settlement Class will be represented by the class representative and his counsel. You will not be charged for their services. You will be bound by any judgment or other final disposition of this litigation and may participate as a member of the Settlement Class in any settlement.
- You may remain a Settlement Class member and represent yourself or hire your own attorney to represent you at your own cost. You or your attorney must file a Notice of Appearance with the:

Clerk
United States District Court
Edgar R. Roybal Federal Building and Courthouse
255 East Temple Street (Room 680)
Los Angeles, CA 90012

and send a copy to Counsel for the Settlement Class and Counsel for VWGoA identified in this Notice below. Such Notice of Appearance must be filed by September 1, 2008.

- You may request exclusion from the Settlement Class. If you elect to be excluded from the Settlement Class, you will not be bound by any judgment, disposition, or settlement of the class action, and you may not participate in the settlement of this class action in any fashion. You will retain, and will be free to pursue, any claims you may have on your own behalf. To exclude yourself from the Settlement Class, you must mail a request for exclusion to the following address:

VW and Audi Smart Key Litigation
PO Box 090650
Milwaukee, WI 53209

Your exclusion request must set forth your full name and current address and the model, model year and vehicle identification number ("VIN") of the Settlement Class Vehicle(s) owned, and specifically state that you request exclusion from the Settlement Class in *Glasser, et al. v. VWGoA*, CV06-2562 ABC (JTLx). Your written request for exclusion must be postmarked by no later than September 1, 2008.

- You may object to the Settlement. If you do not elect exclusion from the Settlement Class, but nevertheless object to the proposed settlement in whole or in part, you must mail such objection and any supporting papers to the following address:

Hon. Audrey B. Collins
United States District Court
Edgar R. Roybal Federal Building and Courthouse
255 East Temple Street (Room 680)
Los Angeles, CA 90012
Re: CV06-2562 ABC (JTLx)

(Please be sure to note this Case Number on the envelope or mailing label.)

The objection must list the make, model year, and vehicle identification number of the Settlement Class Vehicle(s) owned, and include proof of ownership (such as title or DMV registration) and be postmarked on or before September 1, 2008. If you intend to appear personally at the formal fairness hearing on September 22, 2008, your objection must so state in writing. Any Settlement Class member who does not file an objection in the time and manner described above is forever foreclosed from raising any objection to such matters. Any Settlement Class member who objects to all or part of the Settlement will be bound by the Settlement regardless of whether such Settlement Class member's objections are sustained by the Court. Copies of all objections mailed to the Clerk of Court must be sent to Counsel for the Settlement Class:

Jordan L. Lurie, Esq.,
Weiss & Lurie
10940 Wilshire Blvd., 23rd Floor
Los Angeles, CA 90024

and to counsel for VWGoA

Craig L. Winterman, Esq.
Herzfeld & Ruben, LLP
1925 Century Park East, Suite 600
Los Angeles, California 90067

Daniel V. Gsovski, Esq.
Herzfeld & Ruben, P.C.
40 Wall Street
New York, New York 10005

V. FAIRNESS HEARING

On September 22, 2008 at 10:00 a.m., a fairness hearing will be held in the United States District Court, Edgar R. Roybal Federal Building and Courthouse, 255 East Temple Street (Room 680), Los Angeles, CA 90012, before Hon. Audrey B. Collins, for the purpose of determining whether the proposed settlement is fair, reasonable, and adequate and should be approved and the lawsuit dismissed. The fairness hearing may be continued without further notice.

VI. EFFECT OF SETTLEMENT APPROVAL

If the settlement is approved, it will be binding and end any and all claims, including, but not limited to, any claims for compensatory and exemplary or punitive damages or equitable relief of any nature, that Settlement Class members made or could have made arising out of or in any way related to the design, manufacture, materials, or defendant's warranty policies and practices relating to replacement and/or recoding of Smart Keys in Settlement Class Vehicles which claims accrued at any time prior to the date this Settlement is approved by the Court and final judgment is entered. The settlement does not release, dismiss or affect any past, present or future claims for damages arising out of any accidents that result in personal injury or wrongful death, nor does it release any claims which may accrue after final judgment is entered in this case, including but not limited to claims arising under the "Lemon Law" of any state, nor does it release any claims under the "Lemon Law" of any state which are currently in litigation as of the effective date of this settlement.

VII. FOR MORE INFORMATION

This Notice is only a summary. The full Agreement of Settlement may be obtained upon written or telephone request to Counsel for the Settlement Class, at the address set forth above. Other documents filed in the case may be inspected and copied at the Office of the Clerk, United States District Court, Edgar R. Roybal Federal Building and Courthouse, 255 East Temple Street, Los Angeles, CA 90012. Do not write or telephone the Clerk's Office if you have any questions about this Notice or the settlement. Address any questions regarding this Notice or the proposed settlement in writing to the Counsel for the Settlement Class identified above.

July 2008

BY ORDER OF THE COURT

The Honorable Audrey B. Collins
United States District Judge