



VOLKSWAGEN DEALERSHIP COMMUNICATION

To: **Dealer Principals and General Managers**

Jonathan Browning Name

President and CEO Title

Subject: **Voluntary Safety Recall and Stop Sale on
the 2011 Jetta Sedan**

VW Brand Department

March 28, 2011 Date

Today we are announcing a voluntary safety recall and Stop Sale on the 2011 Jetta Sedan. Although new vehicle recalls are not uncommon in today's industry, we are treating this situation with a high level of sensitivity and urgency. This is a first time event for the all new Jetta. Nevertheless, it does represent an opportunity for us to jointly demonstrate our commitment to exceeding Customers' expectations.

You will receive the official Service and Stop Sale bulletins later today. This letter provides you with more background on the situation, including what we are doing for customers and what support we will provide to dealerships while the Jetta supply is temporarily interrupted.

Situation Background:

During our intensive monitoring of Jettas in operation during the launch process, we discovered a small number of similar technical repair incidents which we deemed to be a customer risk and worthy of a voluntary safety recall. The repair requires replacement of a small section of the wiring harness that's associated with the anti-theft alarm horn and the vehicle converter box. The repair takes approximately one hour to complete.

The population of affected vehicles is approximately 71,000, including 21,000 vehicles in Dealer inventory and 10,000 at the Ports. Working closely with suppliers, we have already developed an accelerated plan to supply dealerships with replacement parts. By Wednesday of this week, there will be 17,500 replacement parts in dealerships and we expect to receive a minimum of 10,000 replacement parts per week thereafter.

The factory has already started to produce Jettas with an updated wiring harness, and we expect those vehicles will begin to arrive by early April. So when you consider there is a very good inflow of replacement parts that have already begun to arrive this week, along with the incoming pipeline of vehicles that don't require a repair, we expect the time period of business impact will be fairly short.

Customer Reassurance Plan:

Our number one priority is to ensure we minimize the inconvenience for our customers and we must make every effort to exceed their expectations. To help achieve this, we have developed a four point Customer Reassurance Plan:

1. Each customer will receive a letter that includes an apology for their inconvenience, along with a \$50 Branded gift card as a token of our commitment to a positive customer experience.

2. We will pay dealerships \$50 to pick up and deliver a customer's vehicle if they request this service when their repair is scheduled to be completed.
3. When customers request a Loaner vehicle while theirs is being repaired, dealerships will be reimbursed at the current rates. **It's very important:** any customer who tells you they are uncomfortable driving their vehicle due to this issue should be put in a Loaner vehicle immediately
4. Dealerships will be reimbursed \$30 to wash and vacuum the customer's car after the repair is performed.

We believe this comprehensive plan will provide dealerships with the opportunity to exceed your customers' expectations even in a difficult situation.

Business Impact:

The last few days in March and the first days in April will be the period of time when our business is most impacted from this voluntary recall. During that 10 day period, Volkswagen will cover the floorplan costs of the Jetta Sedan inventory dealerships had on their lot at the end of March. No claims are necessary and we will process a credit to your parts account on your May statement.

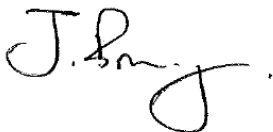
Furthermore, to help mitigate the impact of the Stop Sale in the final few days of March, we will adjust dealerships' Variable Bonus targets by approximately 9%. The Jetta inventory and availability situation will also be taken into consideration when we set the April Variable Bonus targets.

We feel these extraordinary measures will help to minimize the impact to dealerships during the Stop Sale and in the initial days of the voluntary safety recall.

Ladies and Gentlemen, by working together, we can turn this unexpected situation into a positive re-assurance experience for our customers. Additional details of the voluntary safety recall and Stop Sale will be discussed on the April Dealer video broadcast that will be available on www.vwhub.com later today, so please make sure you sign on to watch this broadcast.

I thank you in advance for your help and support.

Sincerely,



Jonathan Browning