

**EXHIBIT A TO
DECLARATION OF CHARLES KIM**

Bozzani Volkswagen



May 30, 2012

Dallas Ford
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Via Fedex Tracking # 798458069626

Dear Mr. Ford,

I am writing in response to your letter dated December 12 in which you informed me of the change of Primary Area of Influence (PAI) for my dealership, Bozzani Motors Volkswagen, located in Covina California. I have chosen not to respond to that letter until today, a full five months after, due to a variety of reasons of which I will touch on throughout this report. The delay was born primarily from my interest of how factors, both outside and inside the Volkswagen Corporate influence, could affect the business conditions evolving in 2012. I was interested to see how these conditions would affect my ability to conduct business in a successful, competitive nature within this newly assigned territory. Such items include, but are not limited to, economic conditions in and around the Inland Empire area of Southern California, sales growth, production and allocation practices of Volkswagen and an impending change to the PAI mapping due to the 2010 census reports.

I would at this time like to establish that I never asked for the increase in territory (PAI) and respectfully decline acceptance of it for the following reasons.

- 1) There exists a geographical boundary separating the new territory from my existing PAI. The maps used by Volkswagen and its research company fail to take into account such obstacles which has made it difficult for me to penetrate this area for many years prior to now. A small mountain range called Kellogg Hill exists that acts as a physical and mental barrier for customers of all walks of life and they tend to stay within the Montclair region of the Inland Empire directly east of me. The extent to which I have sold into that area is a product of my longstanding, positive reputation, but the increase in sales Volkswagen is asking me to pick up in this new area is almost certainly an insurmountable task.
- 2) Economic conditions to the East of me in San Bernardino County continue to be depressed due to the housing crash of three years ago. Homes in this area have seen a decline in value of up to 40% and the

County has suffered from some of the highest unemployment rates in the nation. Because of these unforeseen but very real circumstances, significant sales increases may not be realized for many years to come.

3) The last page of your letter outlines some "further Analysis of Montclair area after removing open point" (Exhibit 1). The current and "after action" differences in these categories represents further evidence as to why I will not accept the increased territory. Volkswagen corporate proved unsuccessful in its bid to establish a new dealership in Montclair, CA as determined by a ruling from the California Motor Vehicle Board. The proposed dealership location was slated to be outside my area of protest (10 mile rule) yet corporate has decided to burden me with the additional responsibility of sales penetration when I had no influence in the decision rendered by the board. Aside from an addition of a dealership to the south of me, my PAI has remained unchanged for the past 15 years and would have remained as such had the proposed dealership successfully been awarded. In addition, I was never officially offered to apply for any point in the Montclair PAI in an effort to protect both areas with expanded sales efforts of another facility. Yet, there now exists no additional location and I am just expected to pick up the slack in an area where Volkswagen was unsuccessful in securing its desired market interest. I refuse to accept this.

In addition, the box labeled September 2011 Dealer sales Index calculated at a current level of -13.0% and adjusted to -41.7% after correction, must be struck from any current and future reports as I have never been responsible for performance of such an index in the Montclair area. I should not be punished for Volkswagens inability to establish a retail point in a desired market. Therefore, under no circumstances will I be held to such an index that I have had no control of in previous years and could be held against me in the future.

Another action listed in this section is 2012 Planning Volume, which took me from 801 to 1,174 units. This represents a 46% increase for this year and nearly a 100% increase over my 2011 planning volume number. Once again this number seems gravely unattainable but this time not due to the increased market area, instead, due to Volkswagens allocation and distribution practices. Under your current turn and earn system, it would be virtually impossible for me to earn enough cars to cover the sales demands of the additional territory. Numerous requests for additional cars to my S.O.M. fell on deaf ears or was met with the response, "we have no additional pool cars available". How am I expected to be held to a higher level of sales standards when my retail partner is unwilling to provide me with the tools needed to succeed? The following table illustrates how this unjust business practice has left me unable to achieve a respectable level of sales and profitability, unlike other Volkswagen dealers who did not see such a marked increase in planning volume. (Documentation of these numbers located in Exhibit 2)

New VW inventory on 1/1/12 = 45 units
New vehicles invoiced January 2012 = 65
New vehicles invoiced January 2012 = 56
New vehicles invoiced January 2012 = 39

Grand Total of available units = 205 for 1st quarter, 2012

Level 1 objective = 146 or 71% of total available.
Level 2 objective = 195 or 95% of total available
Level 3 objective = 244 or 119% of total available

Moreover, I have managed to increase my sales level year over year by 19% when my area has been held to a 14% year over year growth (Exhibit 3). Could I have done better? Yes, provided I received the inventory necessary to satisfy the new territory. There is no doubt in my mind that the new dealership would have received ample vehicles to sell in the Montclair PAI. Where did those vehicles end up when gravely needed by your established retail partner?

4) Variable Bonus calculations as we both know are calculated based on the planning potential and even with the 19% increase in sales so far this year, I needed significantly more cars that Volkswagen was willing to provide me. (See chart above) Clearly I was not given enough vehicles to obtain this lofty goal whereas other dealers in my area were in fact provided with the tools to obtain their sales level. This has been demonstrated to me by the attached report (Exhibit 4) showing significant more net profit generated from these dealers who's 2012 Variable Bonus Calculations were not increased by such a large amount. This leads me to believe that Volkswagens pricing policy to various dealers rests on a two tier structure which is an illegal practice in the state and elsewhere. As if to add insult to injury, Volkswagen adds additional monies to those dealers who continue to obtain the level bonus's through the "Spring Sprint Dealer Challenge" (Exhibit 5) program separating further the margin structure between the haves and the have nots. How can I rely on making the same margin on a new and used CPO as other dealers when Volkswagen has failed to provide me with enough vehicles to obtain the goal? A goal, I must reinforce that was thrust upon me due to Volkswagen corporate inability to establish a retailer where they wanted one.

5) Reconfiguring the current PAI boundaries due to changes realized in the 2010 census took place in a letter to me dated April 2, 2012. I was glad to see this change because for years I have expressed my displeasure with the territory which existed in close proximity to Puente Hills VW. The definition of your PAI states "Any area where the assigned Volkswagen Dealer has an advantage to serve the customer over any other Volkswagen dealer based solely on the Dealer's location" (Exhibit 6) and the recent realignment has not kept within that

policy. Four of the five census tracts that belong to Walnut have been removed, however, tract #4034.05 located in Walnut, CA was not. The driving distance to the area in question from Puente Hills VW is approximately 5.8 miles where the drive distance from my dealership is 10.6 miles. Please refer to the map (Exhibit 7) and you can see that the straight line measurement favors Puente Hills VW as well. I have also included retail sales figures for both 2011 and 2012 which shows how this advantage has helped Puente Hills VW. (Exhibit 8)

Walnut, CA total retail sales 2011 = 51
Puente Hills VW sales share = 25 or 51%
Bozzani VW sales share = 10 or 19%

Walnut, CA total retail sales 2012 = 26
Puente Hills VW sales share = 12 or 46%
Bozzani VW sales share = 3 or 11%

Clearly the closer proximity that Puente Hills VW enjoys to the area in question gives them a competitive advantage over my dealership and the census tract should be removed from PAI details for the Covina territory.

6) The letter you sent me dated December 12 refers to "the removal of the Montclair open point". I question the factual nature of that statement. As of this date, it has been made clear to me that Volkswagen legal has in fact put in motion efforts to file an appeal to the Motor Vehicle Board's findings. That is to say that it is Volkswagens intent to continue legal proceedings to establish a retail point in the Montclair PAI. This demonstrated to me that they have not removed, but merely put on hold, the PAI until that or another point or location can be successfully established. In light of this, I conclude that there has been no change to the Montclair PAI and should remain as it has in previous years. A separate PAI that borders mine but has no bearings or abilities to initiate change to the Covina PAI. As a result, the increase in planning volume is not warranted and should not be allowed under standards of fair business practices.

In conclusion, I am asking for the following actions to take place all of which must be effective retroactive to January 1, 2012.

1 – Any and all areas of the Montclair PAI that were reassigned to enlarge the Covina PAI be removed from the latter and not used to calculate any reports or bonus payments.

2 – Census tract #4034.05 be removed from the Covina PAI due to its close proximity to another dealer's location.

3 – Recalculate the Variable Bonus payments, year to date, using only the Covina PAI as it previously existed, minus the census tract in question.

4 – A signed agreement from your office that I will continue to receive from this day forward ample cars in order to achieve my level 3 pay out bonus on a quarterly basis. This number will not be limited to my level three objective, but will be in addition to an existing acceptable base level of inventory so I will not be required to sell down to zero to achieve it.

I will be happy to meet with you in person to work out the details of this request. The favor of a reply is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Bozzani', with a long horizontal line extending from the end of the signature towards the right.

Greg Bozzani
Bozzani Motors