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 21 California New Car Dealers Association

22 **SUPERIOR COURT OF CALIFORNIA**

23 **COUNTY OF SAN DIEGO**

24 CALIFORNIA NEW CAR DEALERS
 25 ASSOCIATION, a non-profit trade association,
 26
 27 Plaintiff,

28 v.

29 VOLKSWAGEN OF AMERICA, INC., a New
 30 Jersey corporation, VOLKSWAGEN GROUP
 31 OF AMERICA, INC., a New Jersey corporation,
 32 VOLKSWAGEN AG, a publicly traded German
 33 corporation, SCOUT MOTORS, INC., a limited
 34 liability company, SCOUT MOTORS SALES
 35 LLC, a Delaware corporation, and DOES 1-20,
 36 inclusive,

37 Defendants.

ELECTRONICALLY FILED
 Superior Court of California,
 County of San Diego

4/21/2025 11:57:26 AM

Clerk of the Superior Court
 By E. Noriega, Deputy Clerk

Case No.: 25CU020560C

COMPLAINT FOR:

**1. UNFAIR COMPETITION [BUSINESS
 AND PROFESSIONS CODE SECTION
 17200]**

**2. FALSE ADVERTISING [BUSINESS
 AND PROFESSIONS CODE SECTION
 17500]**

1 Plaintiff California New Car Dealers Association (“CNCDA” or “Plaintiff”) hereby files this
2 Complaint for (1) Unfair Competition, under Business and Professions Code section 17200 *et seq.*
3 and (2) False Advertising, under Business and Professions Code section 17500 *et seq.* against
4 Defendants Volkswagen of America, Inc. (“VWA”), Volkswagen Group of America, Inc.
5 (“VWGoA”), Volkswagen AG (“VWAG”), (collectively VWA, VWGoA, and VWAG, are referred
6 to as “VW”), Scout Motors, Inc. (“Scout Motors”), Scout Motors Sales LLC (“Scout Sales”) (VW,
7 Scout Motors, and Scout Sales are collectively referred to as “Defendants”), and hereby alleges as
8 follows:

9 INTRODUCTION

10 1. VW, a multinational corporation, is spending hundreds of millions of dollars to
11 knowingly violate California law. Together with Scout Motors and Scout Sales, VW has taken the
12 extraordinary step of bypassing the California Legislature – and with it their own dealers – to
13 market and sell their Scout electric and gasoline-powered vehicles directly to California consumers.
14 Defendants’ actions are in direct contravention of AB 473 and decades of California legislation
15 designed to promote competition in the automobile industry. VW, Scout Motors, and Scout Sales
16 should be immediately prohibited from their direct to California consumer sales, and Scout Motors
17 should be fined \$2,500 for each of its violations under the False Advertising Law, which on
18 information and belief, exceeds \$35 million in fines based on the average number of California
19 consumers who purchase electric vehicles each year.

20 2. In or about 2022, Volkswagen AG, consisting of the global headquarters of
21 Volkswagen in Germany and including its many arms in the United States, acquired and resuscitated
22 an existing brand named Scout Motors. At the time, Scout Motors was in the process of designing
23 sports utility vehicles and trucks and its vehicles were yet to be rolled out.

24 3. California law has flatly forbidden an automobile manufacturer from competing with
25 its auto dealerships in the same line-make of vehicles or “brand” due to the tremendous economic
26 disparity between the manufacturer and dealer. However, in 2023, auto industry participants
27 recognized that under existing law, automobile manufacturers might be able to compete indirectly
28 with their dealers by setting up an affiliated brand with a different name. As a response to this

1 concern, the California Legislature introduced AB 473.

2 4. Scout Motors immediately opposed AB 473 because it changed California's dealer
3 franchise law to prevent franchisors (e.g., VW) from using affiliates (e.g., Scout Motors) to compete
4 indirectly with their dealers in the sale and service of motor vehicles. In fact, Scout Motors
5 explicitly and repeatedly urged the California Legislature to carve out exceptions for its intended
6 direct-to-consumer sales model that would bypass VW dealerships. Significantly, during the
7 AB 473 legislative process, Scout Motors' General Counsel Neil Sitron told the California
8 Legislature that if the bill were enacted, it could effectively "kill[] off" any opportunity for Scout
9 Motors to sell its vehicles directly to California consumers. *See* August 21, 2023, Letter from Neil
10 Sitron to California Legislature, "*Oppose Unless Amended...*".

11 5. In response to Scout Motors' concerns, the California Legislature made an
12 accommodation for Scout Motors and VW. Consistent with the goal of promoting fair competition,
13 AB 473 was amended so that affiliate brands (e.g., Scout Motors) can be created or used by
14 franchisors (e.g., VW), **but are required to use franchisees to sell and service motor vehicles.**
15 Thus, Scout Motors could sell its vehicles in California as long as it used new or existing VW-
16 affiliated franchisees to sell those vehicles. This accommodation also extended to other automobile
17 manufacturers. Importantly, however, under AB 473, new and existing franchises would not face
18 indirect competition by an affiliate of their own automobile manufacturer. Instead, they would
19 compete with other franchisees on a level playing field.

20 6. On September 11, 2023, the California Legislature passed AB 473. The bill passed
21 unanimously and was signed into law by Governor Newsom on October 7, 2023.

22 7. In direct contravention of California law, Defendants have moved forward with their
23 original plans and are bypassing their dealers entirely. Specifically, Defendants have entered into
24 deposit agreements with California consumers through which Scout Motors takes \$100 deposits for
25 Scout vehicles directly from California consumers through Scout Motors' website. Defendants are
26 further bypassing their California dealers by engaging in direct marketing of their vehicles, which
27 historically was done in partnership with local dealerships.

28 8. Under Defendants' illegal direct-to-consumer sales model, California VW dealers are

1 deprived of the opportunity to sell highly desirable Scout Motors vehicles, resulting in significant
2 financial losses to CNCDA's members—including, but not limited to, loss of livelihood for the
3 dealers, loss of jobs for the employees who work at dealerships (which are one of California's
4 largest employers and generators of sales tax revenue), and lost investment in the dealership
5 showrooms.

6 9. Defendants are knowingly and intentionally violating California law. In direct
7 contravention of AB 473 and its prohibition on a vehicle manufacturer competing with its dealer
8 network through an affiliate brand, Defendants have engaged and are now engaging in direct-to-
9 consumer sales and marketing — thereby openly competing with their own dealers. Indeed, **Scout**
10 **Motors has accepted over 50,000 reservations and deposits directly from consumers for its**
11 **vehicles.** Defendants must not be permitted to continue to disregard California law to the serious
12 detriment of their dealers and the related economy.

13 THE PARTIES

14 10. Plaintiff CNCDA is a statewide trade association that represents the interests of more
15 than 1,400 franchised new car and truck dealer members and has pushed the auto industry forward
16 for over 100 years.

17 11. CNCDA's organizational purpose is to protect the interests of its franchised dealers.
18 CNCDA advocates for franchised dealers through lobbying the legislature and regulatory agencies
19 on behalf of its members, provides guidance on issues directly impacting franchises, defends against
20 excessive regulations while promoting implementation and enforcement of fair and reasonable
21 government rules, and ensures a healthy business climate for dealer operations.

22 12. CNCDA members engage in the retail sale and lease of new vehicles and also engage
23 in automotive service, repair, and parts sales.

24 13. CNCDA member dealers' total sales in California reached \$154 billion in 2024,
25 selling approximately 1.76 million new cars and contributing 21% of the total California statewide
26 sales tax collected.

27 14. CNCDA member dealerships provide a substantial number of jobs in California. As
28 of 2024, CNCDA members provided 138,478 jobs in the state of California and had a total

1 employee payroll of \$14.64 billion.

2 15. In 2024, CNCDA member dealerships paid approximately \$13.8 billion in state and
3 federal taxes. In the same year, CNCDA member dealerships spent approximately \$3.5 billion on
4 products and services from other California businesses.

5 16. In 2024, CNCDA member dealerships paid approximately \$1.28 billion in
6 advertising expenditures.

7 17. In 2024, CNCDA member dealerships spent approximately \$70.75 million on
8 charitable and civic organizations.

9 18. CNCDA's members include VW franchised dealers who, due to Scout Motors'
10 unlawful direct-to-consumer sales, are now in direct competition with a VW affiliate that is selling
11 and servicing vehicles directly to consumers in a sales and marketing program approved by VW
12 executives at the highest level.

13 19. CNCDA members who conduct business under written franchise agreements with
14 VWA have a strong interest in knowing whether Scout Motors' direct-to-consumer sales are a
15 violation of the Vehicle Code. This is especially true since VW, through Scout Motors, insists on
16 moving forward with its direct-to-consumer model and has stated that Scout Motors has accepted
17 over 50,000 reservations and deposits in the United States for its vehicles.

18 20. Absent an adjudication of the merits of this lawsuit, Defendants' business practices
19 will continue to undermine long-standing and recently passed California laws meant to protect
20 dealers and consumers under the Vehicle Code by unlawfully allowing VW to compete with its
21 dealer network for vehicle sales indirectly through its affiliate Scout Motors.

22 21. CNCDA has standing to assert its claims for violation of the Unfair Competition
23 Law, Business and Professions Code section 17200 *et seq.* and the False Advertising Law, Business
24 and Professions Code section 17500 *et seq.* The interests CNCDA seeks to protect are germane to its
25 purpose, which is the promotion of a legal and regulatory climate conducive to a robust business
26 environment for California's car dealers, compliance with applicable law, protection of its members
27 from illegal conduct, and clarification of legal and regulatory mandates. VW dealers who are
28 members of CNCDA have standing to sue in their own right regarding Defendants' violations of the

Vehicle Code. Neither the claims asserted nor the relief requested in this Complaint requires the participation of individual CNCDA members in this lawsuit because, among other reasons: (a) CNCDA does not seek recovery of monetary damages, and therefore no individual examination of injury is required, and (b) the Vehicle Code's protection for franchises that prohibits legacy manufacturers from competing with their own dealer networks applies to all CNCDA members.

22. CNCDA represents the association's members, a readily identifiable group. Additionally, CNCDA's members have a common interest in the questions of law and fact in this lawsuit because CNCDA members have a common interest in: (a) a determination of their rights and duties vis-à-vis Defendants with respect to the program of direct sales of Scout Motors vehicles to California consumers; (b) seeing California franchise laws obeyed and enforced; and (c) the elimination of any ambiguity regarding these matters to help guide their conduct in accordance with the law.

23. CNCDA has standing to assert a claim in its own right under the Unfair Competition Law, Business and Professions Code section 17200, *et seq.*, against Defendants because CNCDA has lost money or property as a result of Defendants' unfair competition.

24. CNCDA has standing to assert a claim in its own right under the False Advertising Law, Business and Professions Code section 17500, *et seq.*, against Defendants because CNCDA has lost money or property as a result of Scout Motors' false advertising.

25. Defendant Volkswagen of America, Inc. ("VWA") is a New Jersey corporation and an operating unit of Volkswagen Group of America, Inc., which has an equity interest directly or indirectly controlled or owned by Volkswagen AG, who also directly or indirectly own an equity interest of Scout Motors. California VW dealers have individual written dealer agreements with VWA.

26. Defendant Volkswagen Group of America, Inc. ("VWGoA") is a New Jersey corporation with its principal place of business in Reston, Virginia. On information and belief, VWGoA has an equity interest directly or indirectly controlled or owned by Volkswagen AG, who also directly or indirectly own an equity interest of Scout Motors.

27. Defendant Volkswagen AG, also known as Volkswagen Group, ("VWAG") is a

1 German public multinational manufacturer of vehicles with its principal place of business in
2 Wolfsburg, Germany. VWAG sells cars under several brands, including but not limited to Audi,
3 Porsche, Škoda, and Volkswagen. On information and belief, Defendant Scout Motors is a wholly
4 owned brand of VWAG.

5 28. Defendant Scout Motors, Inc. (“Scout Motors”) is a Delaware corporation with its
6 principal place of business in McLean, Virginia. Scout Motors is an American automotive company
7 that is wholly owned by Volkswagen AG, which obtained the Scout brand after acquiring American
8 truck manufacturer Navistar International in 2021.

9 29. Defendant Scout Motors Sales LLC (“Scout Sales”) is a Delaware limited liability
10 company with its principal place of business in McLean, Virginia. Scout Sales is qualified to do
11 business in California through a California Department of Motor Vehicle dealer license that is
12 registered in Fremont, California. On information and belief, Scout Sales is a wholly owned direct
13 subsidiary of Scout Motors, and therefore a 100% indirect subsidiary of Volkswagen AG.

14 **JURISDICTION AND VENUE**

15 30. This Court has jurisdiction to hear the subject matter of this complaint as the conduct
16 that led to Plaintiff’s damages took place in this state.

17 31. This Court has jurisdiction over Defendants in this action because each of the
18 Defendants have established minimum contacts with this forum such that the exercise of jurisdiction
19 over Defendants would not offend traditional notions of fair play and substantial justice.
20 Defendants, Defendants’ agents, or Defendants’ personal representatives purposefully directed
21 activities at, or availed themselves of, the forum state in such a significant manner that Defendants
22 could reasonably anticipate being haled into court here, as evidenced by the fact that Defendant
23 Scout Motors has accepted deposits for its vehicles from California residents in contracts that
24 expressly state that they are binding. On information and belief, in order for a consumer to buy or
25 lease a Scout vehicle, the consumer must have (1) signed a Reservation Agreement with Scout
26 Motors and (2) paid Scout Motors a financial deposit. In addition, Defendant Scout Motors has
27 directed its marketing activities towards California residents, and Defendants have announced their
28 intention to open Scout Motors stores and service centers in 16 major markets, including in San

1 Diego, California.

2 32. Venue is proper in this judicial district against each Defendant because, on
3 information and belief: (1) Defendants have committed wrongful acts in this judicial district,
4 including by taking \$100 deposits from consumers in this judicial district or by directing marketing
5 materials to solicit direct sales to consumers who reside in this district; (2) the VW Defendants
6 aided and abetted Scout Motors and Scout Sales in soliciting deposits for Scout vehicles from
7 consumers in this judicial district, and (3) Defendants have declared their intention to open a
8 storefront in this judicial district to sell, service, lease, or repair Scout Motors vehicles directly to
9 consumers.

10 **STATEMENT OF FACTS**

11 ***History and Purpose of California Auto Dealer Franchise System***

12 33. California's Vehicle Code, which codified the auto dealer franchise system, was
13 originally developed by manufacturers as a cost-effective way to expand into local markets and tap
14 into a franchise dealers' resources and the dealers' superior knowledge about those local markets.

15 34. Over time, dealers realized they were largely at the mercy of manufacturers, despite
16 dealers' large investments (both time and money) in infrastructure in order to sell their vehicles.
17 Manufacturers had the power to replace their dealers, could refuse to allocate popular inventory to
18 the dealers, or would open nearby competing dealerships. The relationship between manufacturers
19 and their dealers was inherently asymmetrical, leaving dealers at the mercy of their manufacturers.

20 35. In response to the significant disparity in economic power, dealers prevailed upon
21 their local regulators to enact legislation governing the relationship between dealers and the
22 manufacturers in order to promote fair competition. In 1972, the California Legislature passed the
23 Automobile Franchise Act (the "Act") "'in order to avoid undue control of the independent new
24 motor vehicle dealer by the vehicle manufacturer or distributor'" (among other reasons). *New Motor*
25 *Vehicle Bd. of California v. Orrin W. Fox Co.* ("Fox"), 439 U.S. 96, 101, fn. 6 (1978) (citing
26 Historical and Statutory Notes for Vehicle Code).

27 36. The franchise laws are designed to prevent predatory practices by manufacturers such
28

1 as forcing dealerships to accept unwanted deliveries of cars and requiring “line-make”¹ franchise
2 dealerships to incur unnecessary advertising expenses. *Fox*, 439 U.S. at 100-101 (“disparity in
3 bargaining power between automobile manufacturers and their dealers prompted Congress and some
4 States to enact legislation to protect retail car dealers from perceived abusive and oppressive acts by
5 the manufacturers.”); *see also Tober Foreign Motors v. Reiter Oldsmobile*, 381 N.E.2d 908, 914
6 (Mass. 1978); Stephen M. Fox, *Two Roads Diverged: Tesla, Interruption, and the Commerce*
7 *Clause*, 22 B.U. J. Sci. & Tech. L. 153, 155 (2016).

8 37. Notably, the United States Supreme Court stated: “the California Legislature was
9 empowered to subordinate the franchise rights of automobile manufacturers to the conflicting rights
10 of their franchisees where necessary to prevent unfair or oppressive trade practices,” making it clear
11 that the Vehicle Code’s framework around franchises is focused on promoting fair competition. *Fox*,
12 439 U.S. at 107; *see also Powerhouse Motorsports Grp., Inc. v. Yamaha Motor Corp., U.S.A.*, 221
13 Cal. App. 4th 867, 877 (2013) (noting that some 25 states have enacted legislation to protect dealers
14 from “abusive and oppressive acts by the manufacturers.”).

15 ***The California Vehicle Code and its 2023 Amendments***

16 38. Under Vehicle Code section 331, a “franchise” is defined as follows:

17 (a) A “franchise” is a written agreement between two or more persons
18 having all of the following conditions:

19 (1) A commercial relationship of definite duration or
20 continuing indefinite duration.

21 (2) The franchisee is granted the right to offer for sale or lease,
22 or to sell or lease at retail new motor vehicles or new trailers
23 subject to identification pursuant to Section
24 5014.1 manufactured or distributed by the franchisor or the
25 right to perform authorized warranty repairs and service, or the
26 right to perform any combination of these activities.

27 (3) The franchisee constitutes a component of the franchisor’s
28 distribution system.

1 ¹ “Line-make” means a group or series of motor vehicles that have the same brand identification or
2 brand name, based upon the manufacturer’s trademark, trade name, or logo.

(4) The operation of the franchisee's business is substantially associated with the franchisor's trademark, trade name, advertising, or other commercial symbol designating the franchisor.

(5) The operation of a portion of the franchisee's business is substantially reliant on the franchisor for a continued supply of new vehicles, parts, or accessories.

39. Under Vehicle Code section 331.1, a "franchisee" is defined as "any person who, pursuant to a franchise, receives new motor vehicles subject to registration under this code...from the franchisor and who offers for sale or lease, or sells or leases the vehicles at retail or is granted the right to perform authorized warranty repairs and service, or the right to perform any combination of these activities."

40. Under Vehicle Code section 331.2, a "franchisor" is defined as "any person who manufactures, assembles, or distributes new motor vehicles subject to registration under this code."

41. Under Vehicle Code section 11713.3(z), an "affiliate" is defined as "a person who directly or indirectly through one or more intermediaries, controls, is controlled by, or is under the common direction and control with, another person. 'Control' means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of any person."

42. Under the Vehicle Code's definitions, VW dealers are franchisees of VW – a franchisor – that operate under franchise agreements in order to sell, service, and repair VW vehicles. Scout Motors is an affiliate of VWAG because it is wholly owned by VWAG and is under the "common direction and control" of VWAG.

43. Prior to AB 473, Vehicle Code section 11713.3 made it "unlawful and a violation...for a manufacturer, manufacturer branch, distributor, or distributor branch....[t]o compete with a dealer in the same line-make operating under an agreement or franchise from a manufacturer or distributor in the relevant market area." (emphasis added). The prior version of the law did not expressly prevent franchisors – i.e. vehicle manufacturers – from using affiliates to compete with their own dealer franchises in the sale and service of motor vehicles. This created a

gap in the law that vehicle manufacturers could exploit to turn the franchise laws back in their favor.

44. In 2023, CNCDA sponsored AB 473 in the California Legislature in order to “strengthen and update California’s franchise laws to create a stronger and more equitable vehicle franchise system for our members.”² One of the main purposes of AB 473 was to “[p]rotect the underlying intent of the vehicle franchise system by precluding manufacturers from launching a new brand name of vehicles as a way that would compete directly with their franchised dealer network.”³ The amendments were focused on promoting fair competition among franchisees by preventing vehicle manufacturers from competing directly or indirectly through an affiliate brand with their own dealer networks.

45. During the legislative process of AB 473, Scout Motors was vocal in its opposition to the law. In materials for the Assembly Committee on Transportation, the Committee noted:

“Scout Motors is opposing the bill, arguing the anti-competition language in the bill ‘would serve to prohibit Scout Motors (or any other new-to-the-market manufacturer would be statutorily banned from using newly appointed intendent dealers, using existing independent dealers, or selling direct to California in any affiliate of such manufacturer were selling motor vehicles.’

To address this concern the author amended the bill to permit competition so long as the vehicle is being sold *using new or existing franchisees to sell and service those vehicles.* It would still prohibit Scout Motors or any new vehicle line from a manufacturer with a dealership network in California from being sold directly to customers. **Volkswagen, the parent company of Scout Motors, could sell Scout vehicles in the state if they sell them at any of their other vehicle line company’s dealerships like Volkswagen, Audi, Porsche, Bentley or Lamborghini. Volkswagen Group could also create a new franchise network for Scout Motors if they want to keep a separate brand distinct from their other models.** This provision would not affect Tesla, which does not have a dealership network to directly compete against.” (emphasis added).

46. Scout Motors also formally proposed edits to the language of AB 473 that would specifically carve out an exception for when vehicle manufacturers “creat[e] a new line of motor

² SUPPORT AB 473: CNCDA’s 2023 Franchise Bill, <https://www.cncda.org/advocacy/ab-473/>.

³ *Id.*

1 vehicles that are exclusively battery electric vehicles that are manufactured in the United States.”

2 This suggestion was rejected.

3 47. Scout Motors also attempted to carve out another exception solely for its benefit by
4 proposing that certain affiliates be excluded from the law until 2029. This proposal had no public
5 policy rationale and was also rejected.

6 48. On August 21, 2023, Scout Motors’ General Counsel Neil Sitron wrote to the
7 California Legislature stating that if AB 473 was amended, **it could prohibit Scout Motors from**
8 **“sell[ing] its vehicles directly to California consumers.”** See August 21, 2023, Letter from Neil
9 Sitron to California Legislature, “*Oppose Unless Amended...*” (emphasis added). Indeed, in Mr.
10 Sitron’s letter to California Senate President Toni Atkins and Appropriations Chairman Anthony
11 Portantino, **Scout Motors’ General Counsel stated that he understood that under AB 473, Scout**
12 **would not be able to bypass VW’s dealers, and instead would be required to respect**
13 **California’s time-honored position that manufacturers are forbidden from competing with**
14 **their dealers.** *Id.* (Mr. Sitron wrote: “Under [AB 473’s] language... [a manufacturer] would be
15 statutorily banned from deciding its distribution model in California...”). **Mr. Sitron admitted**
16 **during the legislative enactment process of AB 473 that the amended law would “kill[] off”**
17 **any opportunity for Scout Motors to sell its vehicles directly to California consumers.** *Id.*
18 (emphasis added).

19 49. Scout Motors’ suggestions were rejected, and AB 473 (which took effect on January
20 1, 2024) amended Vehicle Code section 11713.3(o) to prevent an automaker from circumventing its
21 existing dealer network by creating an affiliate brand that competes with existing dealers by selling
22 and leasing vehicles directly to consumers and servicing such vehicles. The proposed amendments
23 to the legislation were designed to ensure that while new brands could enter the market, existing
24 franchise operations in California—like VW—would not be permitted to circumvent their
25 established franchised dealers through affiliate brands like Scout Motors. The additions to the
26 legislation state that:

27 “It is unlawful and a violation of this code for a manufacturer,
28 manufacturer branch, distributor, or distributor branch licensed
pursuant to this code to do, **directly or indirectly through an**

1 **affiliate**, any of the following:

2 //

3 **(o)(1) To compete with their franchisees in the sale, lease, or**
 4 **warranty service of new motor vehicles.”** (emphases added).

5 50. The amendments to AB 473 therefore allow franchisors, like VW, to use affiliates to
 6 sell vehicles only if they sell those vehicles using new or existing franchisees. The California
 7 Legislature was clear when it passed the law (and rejected Scout Motors’ proposals) that it intended
 8 to address the asymmetrical relationship between franchisors and franchisees, promote fair
 9 competition, and increase equity in franchises.

10 51. Defendants’ ongoing program of selling Scout Motors vehicles – which is an affiliate
 11 of VW under the Vehicle Code – directly to consumers is prohibited by the Vehicle Code because it
 12 cuts out VW dealers as the franchisees.

13 52. AB 473 expressly contemplates manufacturers, such as VW, selling or leasing
 14 vehicles through affiliates, such as Scout Motors. This is highlighted by the exception in Vehicle
 15 Code section 11713.3(o)(4)(B), which states “a manufacturer, manufacturer branch, distributor, or
 16 distributor branch, or an affiliate thereof, shall not be deemed to be competing with their franchisees
 17 in any of the following limited circumstances....**When creating a new line of motor vehicles and**
 18 **using new or existing franchisees to sell and service those vehicles.”** (emphasis added). In other
 19 words, a manufacturer like VW with franchisees may create a new brand, but it must use a franchise
 20 dealer network to sell those vehicles to satisfy the exception.

21 ***Defendants’ Blatant Violation of the California Vehicle Code In Its Direct-to-Consumer Sales***

22 53. Scout Motors does not fall within the exception in Vehicle Code section
 23 11713.3(o)(4)(B) because Scout Motors is not using franchises within the VW network to sell its
 24 vehicles. In fact, Scout Motors is not using franchisees *at all*.

25 54. Scout Motors admits it is a wholly owned subsidiary and affiliate of VW, as
 26 confirmed by VW executives’ affirmative statements admitting as much. Indeed, statements by
 27 VW’s executives demonstrate VW’s control or direction of Scout Motors. For example, as of
 28

January 8, 2025, Volkswagen Group Chairman Oliver Blume admitted that VWAG had invested billions of dollars in North America, pointing specifically to VWAG's efforts to expand its North American reach through its brand Scout.⁴

55. In addition, on or around January 7, 2025, Oliver Blume, the Chairman of VWAG – not the CEO of Scout Motors – announced that Scout Motors had received more than 50,000 reservations and deposits for Scout Motors' vehicles, demonstrating VW's clear involvement in and knowledge of Scout Motors' operations and business.⁵

56. In its 2024 Annual Report, VWAG stated: "Under the Volkswagen Group's North American strategy, **Scout Motors Inc., Tysons/USA, a wholly owned subsidiary in the Volkswagen Group**, was established in Fiscal Year 2022." (emphasis added). The report also reported: "The company [Scout Motors] has been included in the Volkswagen consolidated financial statements since January 1, 2023."

57. On January 17, 2025, Scout Motors' executives, to evade the law and despite multiple admissions otherwise, claimed that they are an "independent" company, separate from VW. In a letter to CNCDA, Scout's General Counsel Mr. Sitron stated that: "Scout Motors and the Scout brand exist and operate independently of VWGoA and its brands such as Volkswagen and Audi. They will continue to do so in the future." See January 17, 2025 Letter from Neil Sitron to Michael Cypers. But such statements are in direct contrast to admissions from the CEOs of both Scout Motors and VWAG and directly contravene VW's investment and involvement in the Scout brand.

58. Scout Motors CEO Scott Keogh also admitted on or around February 13, 2025 that Scout is "100%" a brand of VWAG, stating:

"First and foremost, **100% Scout Motors is part of the Volkswagen Group**. The Volkswagen Group, as you know as well as anyone, holds a whole host of brands from Škoda to Bentley to Porsche to Audi and other things. We are one of those brands. **Our reporting line is from here in the states, Scout Motors is a LLC, and reports into the**

⁴ Jack Walsworth, *With Scout and Cupra inbound, Blume confident in VW Group's fortunes in U.S.*, Jan. 8, 2025, <https://www.autonews.com/volkswagen/an-ces-2025-blume-vw-group-outlook/>.

⁵ Michael Wayland, "VW's Scout has more than 50,000 reservations for upcoming EVs as automaker aims to grow U.S. share," Jan. 8, 2025, <https://www.cnn.com/2025/01/08/scout-motors-electric-vehicles-ev-reservations.html>.

1 **Volkswagen Group directly in Germany.** So for me, for example, I
2 report into the Board. We have board meetings there, we give them
3 updates, away we go. **They are the sole provider, funder of the**
4 **company as of right now,** but we've structured the company in a way
5 that if we want to be strategic partners with someone else, if we want
6 to seek outside capital, if potentially we want to go public, the
7 company's been structured to do that."⁶ (emphases added).

8 59. This renders Scout Motors ineligible for any exception to the Vehicle Code because
9 it is an affiliate of VWAG.

10 60. In addition, Mr. Keogh stated that "[w]e [Scout Motors] are one of the brands of the
11 Volkswagen Group, full stop. They fund it, they strategically made the decision to investment
12 [sic]..."⁷

13 61. Despite Scout Motors' clear involvement in the legislative process and its knowledge
14 that amendments to AB 473 would **"kill[] off"** Scout Motors' ability to sell its vehicles directly to
15 California consumers, Defendants are now proceeding with a distribution model that explicitly
16 violates the clear statutory language of AB 473. See August 21, 2023, Letter from Neil Sitron to
17 California Legislature, *"Oppose Unless Amended..."* (emphasis added). Scout Motors has
18 announced its intention to begin production of its vehicles in 2026 with a release directly to the
19 general public in 2027.

20 62. On information and belief, Scout Motors is highly motivated in moving forward with
21 its direct-to-consumer model because it does not want to share profits with local dealerships when
22 selling the desirable and highly profitable Scout electric and gasoline-powered vehicles, and Scout
23 Motors wants to reduce its warranty costs by not paying franchisees their statutory rates.

24 63. On information and belief, Scout Sales obtained a California dealer license through
25 the Department of Motor Vehicles and is the entity responsible for selling and distributing vehicles
26 to California consumers when such vehicles become available.

27 64. Scout Motors has begun actively soliciting and accepting deposits for Scout Motors

28 ⁶ "The Re-Emergence of Scout Motors With President and CEO Scott Keogh," The InEVitable Podcast, at 27:52-28:42, <https://www.motortrend.com/features/scout-motors-ceo-scott-keogh-inevitable-vodcast-podcast-episode-113/>.

⁷ *Id.* at 29:20-27.

1 vehicles directly from California residents and to the exclusion of its dealers. In accepting \$100
2 deposits for vehicles, Scout Motors entered into contracts with consumers called the “Reservation
3 Agreement.” No consumer can purchase a Scout Motors vehicle without first making a \$100 deposit
4 to Scout Motors and entering the Reservation Agreement, which is a binding contract (see Exhibit
5 A).

6 65. The Reservation Agreement explicitly states: “By this agreement, together with your
7 payment of the Reservation Fee, you are reserving a **future purchase** of your selected Scout
8 vehicle.” (emphasis added). A Scout Motors vehicle cannot be sold to a consumer without that
9 consumer first entering into the Reservation Agreement and paying the \$100 deposit. The language
10 of the Reservation Agreement reinforces this by stating that Scout Motors “will provide a credit to
11 the final price equivalent to the Reservation Fee” when a consumer completes the future purchase of
12 their Scout Motors vehicle.

13 66. On information and belief, the number of reservations and deposits Scout Motors
14 receives and will receive will affect and alter the production volume for Scout Motors.

15 ***Defendants’ Blatant Violation of the California Vehicle Code In Its Direct-to-Consumer***
16 ***Marketing***

17 67. Scout Motors has engaged in extensive advertisement of its vehicles throughout
18 California, encouraging consumers in its advertising to place a deposit directly with Scout Motors
19 for a vehicle.

20 68. Scout Motors’ advertisements throughout California are false and misleading because
21 Scout Motors does not disclose to its consumers that the transaction is illegal under the California
22 Vehicle Code. California Business and Professions Code section 17500 makes it unlawful for a
23 corporation to “directly or indirectly **to dispose of real or personal property** or to perform
24 services, professional or otherwise, or anything of any nature whatsoever or to **induce the public to**
25 **enter into any obligation relating thereto**, to make or disseminate or cause to be made or
26 disseminated before the public in this state...including over the **Internet**... any statement,
27 concerning that real or personal property or those services, professional or otherwise, or concerning
28 any circumstance or matter of fact connected with the proposed performance or disposition thereof,

1 which is **untrue or misleading**.” (emphases added).

2 69. Each violation of California Business and Professions Code section 17500, meaning
3 every \$100 deposit for its vehicles by a California resident, is “a misdemeanor punishable by
4 imprisonment in the county jail not exceeding six months, or by a fine not exceeding **two thousand**
5 **five hundred dollars (\$2,500)**, or by both that imprisonment and fine.” (emphasis added).

6 70. On information and belief, Scout Motors has accepted and continues to accept \$100
7 deposits directly from California consumers to reserve Scout Motors vehicles and has stated its
8 intention to sell new motor vehicles directly to consumers, including consumers in San Diego
9 County.

10 71. On information and belief, Scout Motors is “induc[ing] the public to enter into an[]
11 obligation relating” to the purchase of personal property by accepting \$100 deposits for its vehicles
12 in violation of California Business and Professions Code section 17500.

13 72. On information and belief, VW, acting through multiple VW executives and entities,
14 has aided and abetted Scout Motors and Scout Sales, and is aiding and abetting Scout Motors and
15 Scout Sales, in soliciting deposits for its vehicles from California residents. VW is also encouraging
16 and/or funding the direct-to-consumer model in violation of Vehicle Code section 11700.3, which
17 states that “[n]o person may aid and abet a person in the performance of any act in violation of this
18 chapter.” VW has also aided and abetted, and is aiding and abetting, Scout Motors’ and Scout Sales’
19 clear violation of AB 473 by bypassing VW’s own dealer network.

20 73. On information and belief, Defendants’ actions in soliciting deposits for transactions
21 that are illegal is also a violation of the Federal Trade Commission Act, 15 U.S. Code § 45, which
22 states: “Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or
23 practices in or affecting commerce, are hereby declared unlawful.”

24 ***VW Causes Significant Harm***

25 74. VWA entered into written “Dealer Agreements” with California dealerships to sell its
26 vehicles. These Dealer Agreements outline the relationship between automobile manufacturer as the
27 franchisor and a local dealership as a franchisee. Under these Dealer Agreements, VWA sells and
28 delivers authorized vehicles to the dealership, and the dealership assumes the responsibility for the

1 promotion and sale of those vehicles in the dealership's geographic area. Dealer Agreements are
2 meant as a comprehensive relationship where a dealer has access to VW inventory.

3 75. Bypassing VW dealers causes significant harm to its dealers who risk losing their
4 livelihoods in an already difficult auto industry in favor of Defendants' desire to keep profits from
5 direct sales for themselves. Sidestepping dealers also harms Californians in other ways. Defendants'
6 direct-to-consumer model also threatens tens of thousands of jobs of other Californians connected to
7 the dealer economy. It also deprives consumers of intra-brand competition and greatly limits options
8 for warranty and recall work.

9 76. CNCDA has suffered injury because it has diverted significant financial resources
10 and executive and staff time to investigate and counteract Defendants' violations of the law.
11 Following Defendants' announcement that Scout vehicles would be sold directly to consumers,
12 CNCDA commissioned a comprehensive independent analysis into Defendants' illegal activity and
13 how to bring Defendants into compliance with the law, including, but not limited to, civil litigation,
14 administrative action, and contact with legislators.

15 77. In addition, after expending significant resources on behalf of its members to sponsor
16 and advocate for AB 473, CNCDA has now expended even further resources to investigate
17 Defendants' threatened and actual violations of the California Vehicle Code and to prevent the
18 violations of the very law it worked to enact in the California Legislature, which was enacted after
19 Scout's active participation. CNCDA's efforts to counteract Defendants' violations of the law
20 requires CNCDA to expend even more resources that would otherwise be spent on other issues
21 germane to CNCDA's organizational purposes.

22 78. Dealers across the entire country are concerned with Defendants' direct-to-consumer
23 model. The National Automobile Dealers Association ("NADA"), which is a trade association
24 representing nearly 16,500 franchised new car and truck dealerships across the United States, sent
25 an instructive letter to Oliver Blume, Chairman of the Executive Board of VWAG on March 6,
26 2025. *See* **Exhibit B**. In the letter, NADA states that it "fully stands behind VW, Audi, and Porsche
27 dealers that are being left behind by this decision that violates protections provided by state law.
28 Your U.S. dealers have always been trusted partners who have made significant investments and

1 stood behind the brands – in good times, and bad...” *Id.* NADA also emphasized in the letter that
2 other vehicle manufacturers successfully launched new brands using a selected subset of their
3 existing dealer networks for distribution, and the same could be true for Defendants’ sale of Scout
4 Motors vehicles. *See id.* NADA’s March 2025 attempt to discuss Defendants’ distribution model
5 comes after numerous attempts to discuss with Defendants’ management that the “franchise system
6 is the best and most efficient way to deliver the customer experience that today’s marketplace
7 demands.” *Id.*

8 79. Defendants’ violation of the Vehicle Code is so blatant that on February 6, 2025,
9 Assembly Majority Leader and Representative in the California State Assembly, District 4, Cecilia
10 Aguiar-Curry, who was one of the authors of AB 473, sent a letter to Neil Sitron, General Counsel
11 of Scout Motors, and Antony Klapper, Senior Vice President and General Counsel of VWAG
12 stating:

13 “VW and Scout have begun accepting deposits for Scout vehicles
14 directly from California residents, excluding existing or future
15 franchised dealers from the sales and service process. **Such practices**
16 **violate Vehicle Code section 11713.3(o), as amended by AB 473,**
which expressly forbids an automaker from competing with its
own dealers through an affiliate brand.

17 California’s franchised dealerships—and the consumers they serve—
18 stand to suffer harm from Scout’s stated distribution model.
19 Franchised dealerships provide not only sales but also local
20 maintenance and warranty services, fueling vital economic activity
21 throughout the state. Scout’s stated plan erodes these consumer
22 protections, eliminates local business opportunities, and disregards the
23 clear legislative language and my intent of AB 473.

24 As the Assembly Majority Leader and author of AB 473, I’m asking
25 you to reconsider Scout’s distribution, sales, and service plans and
26 ensure that Scout’s practices comply with the law.” (emphasis added).

27 (attached as **Exhibit C**).

28 80. Scout Motors’ CEO Scott Keogh and General Counsel Neil Sitron know that Scout
Motors’ sales directly to California consumers violate the California Vehicle Code.

81. Multiple senior executives of VW, including but not limited to Antony Klapper, Kjell
Gruner, and Oliver Blume, similarly know that Scout Motors’ sales directly to California consumers

1 violate the California Vehicle Code.

2 82. Defendants' blatant violation of California law must not be permitted.

3 **FIRST CLAIM FOR RELIEF**

4 **UNFAIR COMPETITION, VIOLATION OF BUSINESS AND PROFESSIONS**

5 **CODE § 17200**

6 **(Against All Defendants)**

7 83. CNCDA hereby realleges and incorporates by this reference the allegations from the
8 above paragraphs as if fully set forth herein.

9 84. By engaging in the conduct described in this complaint, CNCDA is informed and
10 believes that Defendants have violated and continue to violate California Vehicle Code section
11 11713.3(o) by taking reservations and deposits for Scout Motors vehicles in its direct-to-consumer
12 model. Defendants' conduct alleged above constitutes and was intended to constitute unlawful and
13 unfair business practices within the meaning of the Unfair Competition Law, California Business
14 and Professions Code section 17200 *et seq.*

15 85. By engaging in the conduct described in this complaint, CNCDA is informed and
16 believes that the VW Defendants, through multiple executives, have violated and continue to violate
17 California Vehicle Code section 11700.3 by aiding and abetting Scout Motors in its scheme to take
18 reservations and deposits for Scout Motors vehicles in its direct-to-consumer model. Defendants'
19 conduct alleged above constitutes and was intended to constitute unlawful and unfair business
20 practices within the meaning of the Unfair Competition Law, California Business and Professions
21 Code section 17200 *et seq.*

22 86. By engaging in the conduct described in this complaint, CNCDA is informed and
23 believes and thereon alleges that Defendants have violated and continue to violate Business and
24 Professions Code section 17500 by accepting deposits for a transaction that they knew, or should
25 have known, was illegal and therefore untrue and misleading under the definitions of the statute.
26 Defendants' conduct alleged above constitutes and was intended to constitute unlawful and unfair
27 business practices within the meaning of the Unfair Competition Law, California Business and
28 Professions Code section 17200 *et seq.*

1 87. By engaging in the conduct described in this complaint, CNCDA is informed and
2 believes that Defendants knowingly and blatantly disregarded the Federal Trade Commission Act,
3 15 U.S. Code § 45, by taking deposits for Scout Motors vehicles in its direct-to-consumer model.
4 Defendants' conduct alleged above constitutes and was intended to constitute unlawful and unfair
5 business practices within the meaning of the Unfair Competition Law, California Business and
6 Professions Code section 17200 *et seq.*

7 88. During all relevant times to this complaint, Defendants engaged in or still engage in
8 fraudulent, unfair, or unlawful business practices, as defined in the Unfair Competition Law,
9 Business and Professions Code section 17200 *et seq.* and in violation of California law.

10 89. A business act or practice is unfair where it offends an established public policy or
11 when the practice is illegal, immoral, unethical, or oppressive. Defendants have engaged in unfair
12 business practices as a result of the actions alleged herein. By engaging in a direct-to-consumer
13 model to reserve and sell Scout Motors vehicles, Defendants invoked, tolerated, encouraged, or
14 enticed violation of the California Vehicle Code, the Business and Professions Code, and the
15 Federal Trade Commission Act, and thus engaged in unfair business practices designed to give it an
16 unfair competitive advantage.

17 90. The acts and practices of Defendants are unlawful because they constitute a violation
18 of each of: California Vehicle Code section 11713.3, California Vehicle Code section 11700.3,
19 Federal Trade Commission Act, 15 U.S. Code § 45, and California Business and Professions Code
20 section 17500 *et seq.*, as described in this complaint.

21 91. Plaintiff has suffered economic damage and loss as a result of Defendants' violations
22 of the California Vehicle Code, the Business and Professions Code, and the Federal Trade
23 Commission Act.

24 92. As a result of Defendants' violation of the Unfair Competition Law, Business and
25 Professions Code section 17200 *et seq.*, Defendants are unjustly enriching themselves at the expense
26 of Plaintiff's California members. Any and all increases in revenue for Defendants caused by the
27 acts and practices described herein will directly correspond to an increased sale value by which
28 Defendants are unjustly enriched. Defendants should be required to disgorge illegal gains for the

1 purpose of making full restitution to Plaintiff.

2 93. As a direct and proximate result of Defendants' conduct as described herein, Plaintiff
3 has been harmed in an amount to be proved at trial.

4 94. Plaintiff further seeks, and as a result of the foregoing is entitled to, an order granting
5 injunctive relief against Defendants to prohibit Defendants from taking deposits for and selling
6 Scout Motors vehicles to California consumers in their direct-to-consumer model.

7 **SECOND CLAIM FOR RELIEF**

8 **FALSE ADVERTISING, VIOLATION OF BUSINESS AND PROFESSIONS**

9 **CODE § 17500**

10 **(Against Scout Motors)**

11 95. CNCDA hereby realleges and incorporates by this reference the allegations from the
12 above paragraphs as if fully set forth herein.

13 96. By engaging in the conduct described in this complaint, CNCDA is informed and
14 believes that Scout Motors violated and continues to violate the law by taking \$100 deposits from
15 California consumers for Scout Motors vehicles in its direct-to-consumer model when it knew or
16 should have known that such transactions are unlawful.

17 97. Scout Motors has deliberately and willfully made, disseminated, or caused to be
18 made or disseminated, untrue or misleading statements or by the exercise of reasonable care should
19 have known, that the statements were untrue and misleading, with the intent to induce members of
20 the public to place \$100 deposits for Scout Motors vehicles. Scout Motors knew, or should know,
21 that such transactions are unlawful and therefore false and misleading.

22 98. Scout Motors' statements are likely to deceive consumers because it is probable that
23 advertisements requesting \$100 deposits for a Scout Motors vehicle could mislead a significant
24 portion of targeted consumers. The targeted consumers likely to be deceived have acted and act
25 reasonably in these circumstances.

26 99. Scout Motors' conduct is likely to cause confusion, mistake, or deception, or
27 constitute actual deception or confusion or probable deception or confusion, because a reasonable
28 consumer would not know or have reason to know that Scout Motors' reservation and deposit

1 system is unlawful.

2 100. Based on its extensive involvement in the legislative process and its statements,
3 Scout Motors, and several senior executives including Neil Sitron and Scott Keogh, have actual
4 knowledge or should have known that taking \$100 deposits for its vehicles is a false advertisement
5 because they know or should know of the unlawful nature of its direct-to-consumer model.

6 101. As a result of Scout Motors' violation of the False Advertising Law, Business and
7 Professions Code section 17500 *et seq.*, Scout Motors is unjustly enriching itself. Any and all
8 increases in revenue for Scout Motors caused by the acts and practices described herein will directly
9 correspond to an increased sale value by which Scout Motors is unjustly enriched. Scout Motors
10 should be required to disgorge illegal gains for the purpose of making full restitution.

11 102. As a direct and proximate result of Scout Motors' conduct as described herein,
12 Plaintiff has been harmed in an amount to be proved at trial.

13 103. Plaintiff further seeks, and as a result of the foregoing is entitled to, an order granting
14 injunctive relief against Scout Motors to prohibit Scout Motors from taking reservations and
15 deposits for and selling Scout Motor vehicles to California consumers in their direct-to-consumer
16 model.

17 104. A violation of Business and Professions Code section 17500 "is a misdemeanor
18 punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding
19 two thousand five hundred dollars (\$2,500), or by both that imprisonment and fine." Bus. & Prof.
20 Code § 17500. Scout Motors, and each of its executives who have engaged or is engaging in false
21 advertising in violation of Business and Professions Code section 17500 *et seq.*, is subject to either a
22 misdemeanor, fine up to \$2,500, or both.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, Plaintiff prays for judgment against Defendants as follows:

25 1. For declaratory relief that Defendants' direct-to-consumer model to sell Scout
26 Motors vehicles is unlawful under California Vehicle Code section 11713.3;

27 2. For a permanent injunction, a preliminary injunction, and a temporary restraining
28 order prohibiting Defendants from selling Scout Motors' vehicles directly to consumers and to

1 prevent Scout Motors from taking deposits for Scout Motors vehicles directly from California
2 residents;

3 3. For prejudgment interest;

4 4. For restitution;

5 5. For misdemeanor findings and a fine of \$2,500 per violation of Business and
6 Professions Code section 17500 *et seq.*;

7 6. For attorneys' fees and costs incurred by Plaintiff in this action; and

8 7. For an award of such other and further relief as the Court deems just and proper.

9
10 DATED: April 21, 2025

GLASER WEIL FINK HOWARD
JORDAN & SHAPIRO LLP

11
12 By: 

13 JOSEPH LEVENTHAL

14 MICHAEL CYPERS

JULIE R.F. GERCHIK

15 WOGAI MOHMAND

16 *Attorneys for Plaintiff California New Car*
17 *Dealers' Association*
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Exhibit A

Reservation Agreement

This Reservation Agreement (“Agreement”) governs the placing of a reservation (“Reservation”) with Scout Motors Inc., 1775 Tysons Blvd, 5th Floor, McLean, VA 22102 (“Scout Motors”) for a Scout Motors vehicle (“Scout vehicle”). Please carefully read this Agreement before submitting your Reservation. By submitting your Reservation, you agree to be legally bound by all terms of this Agreement.

1. Reservation Agreement

By this Agreement, together with your payment of the Reservation Fee, you are reserving a future purchase of your selected Scout vehicle. This Agreement does not obligate you to ever purchase a Scout vehicle, and it does not obligate Scout Motors to ever sell you a Scout vehicle. This Agreement is not a contract for the purchase, lease, or finance of a specific Scout vehicle that has already been manufactured and given a Vehicle Identification Number, and it does not lock in final pricing, a firm production slot, a firm delivery date, or specific configuration of a Scout vehicle.

After you submit your Reservation and the Scout vehicle you selected becomes available in production, we will invite you to complete the configuration of your Scout vehicle on our website. Once you have completed the configuration of your Scout vehicle, we will provide you with confirmation of your Scout vehicle configuration, and a detailed break-down of the approximate final price. To purchase the Scout vehicle you have selected and configured, you will need to execute Scout Motors’ standard Agreement for Purchase or a lease agreement if Scout Motors is, at that time, offering leases to consumers in the state/province/territory in which you reside (collectively, “Final Sales Agreement”) which will include additional terms and conditions, including the final purchase price for your Scout vehicle. Additional payments, including applicable taxes, other governmental fees, and/or shipping or destination charges, will be required as part of your final purchase of a Scout vehicle and will be reflected in your Final Sales Agreement.

By placing your Reservation, and thereby entering into this Agreement, you represent that you are at least 18 years of age or the legal age of majority in your state/province/territory (whichever is greater) and legally competent in the jurisdiction from which you are entering this Agreement to do so. If you are reserving a production slot for a Scout vehicle on behalf of a legal entity or organization, you further represent that you have actual authority to bind such legal entity or organization to this Agreement. We reserve the right to accept or decline Reservations in our sole discretion.

2. Reservation Fee

You will be charged a one-time fee of \$100 USD or 150 CAD (“Reservation Fee”) when you place your Reservation for a Scout vehicle. Placing a Reservation, which includes acceptance of this Agreement, constitutes your agreement to be charged the Reservation Fee using your provided payment method. The Reservation Fee is not a pre-payment or installment on the Scout vehicle that you may ultimately purchase, nor does the Reservation Fee guarantee the allocation of a Scout vehicle. All vehicle orders require an approved credit application and/or Final Sales Agreement to be completed prior to final delivery of the

vehicle. Failure to do so may result in the Reservation being canceled and the Reservation Fee being refunded.

You can cancel your Reservation at any time and receive a full refund of the Reservation Fee by sending an email from the email address that you used to make the Reservation to support@scoutmotors.com. If you ultimately execute a Final Sales Agreement and accept delivery of a Scout vehicle, we will provide a credit to the final price equivalent to the Reservation Fee.

3. Preliminary Price Estimate

Any pricing provided to you in advance of the Final Sales Agreement (“Preliminary Price Estimate”) is only being offered to you as an estimate for illustrative purposes only, does not constitute an advertisement, solicitation, credit application, or offer for direct sale, financing, or leasing, and is subject to change. The Preliminary Price Estimate shown as part of your vehicle configuration might not include documentation fees, applicable taxes, government fees, and/or shipping or destination charges. Because such taxes, fees, and other costs are subject to change and will depend upon differing factors (such as where you choose to register the Scout vehicle), they will be calculated closer to the time of delivery and will be indicated on the Final Sales Agreement executed between you and Scout Motors.

The Preliminary Price Estimate does not reflect any changes that you may choose to make to the vehicle configuration. If you make changes to the vehicle configuration, you may be subject to potential price increases for any pricing adjustments made since your original Reservation. Any changes made to your vehicle configuration, including any changes in the method of delivery, delivery location, or estimated delivery date, will be reflected in a subsequent vehicle configuration or in the Final Sales Agreement.

You acknowledge that the estimated battery range and other available features, options, and accessories, and the pricing for them, may change before you execute the Final Sales Agreement. This means that your final price as will be reflected on the Final Sales Agreement could be higher than the Preliminary Price Estimate as a result of changes in the base price for the Scout vehicle or any of its features, options, or accessories, including, without limitation, model change-overs, increased labor or material costs, etc. Moreover, we reserve the right, in our sole discretion, to discontinue vehicle models, related products, features, options, and accessories and such discontinuance may result in changes to the final price as will be reflected on the Final Sales Agreement.

4. Delivery

Your priority in for the delivery of a Scout vehicle will be set, in part, by the date of payment of your Reservation Fee. The actual date of delivery will depend upon a variety of factors, including, among other things, your priority, our manufacturing schedule, your execution of the Final Sales Agreement, and the method and location of delivery of the Scout vehicle. There is no estimated or guaranteed delivery date based on your Reservation or this Agreement, nor does the Reservation Fee guarantee allocation of a Scout vehicle. Any estimated delivery time frames provided are estimates only provided for informational purposes, and are subject to change. While Scout makes every effort to provide accurate estimates, unforeseen circumstances including (but not limited to) production delays, transportation issues, or supply chain disruptions may impact the estimated delivery schedule. As such, you acknowledge and agree that Scout will not be liable to you for delays in delivery. The method of delivery of the Scout vehicle will be set out in the Final Sales Agreement.

5. Privacy Policy and Terms of Use

The information you provide with your Reservation will be used in accordance with our Privacy Policy and Terms of Use (“Privacy Policy”), each of which is incorporated herein by reference and available on our website scoutmotors.com/legal. Please read the Privacy Policy carefully to understand our practices regarding your information and how it will be treated.

6. Limitation of Liability

To the fullest extent permitted by law, you agree that we are not liable for any direct, special, consequential, punitive, indirect, or incidental damages of any kind whatsoever, including lost profits, loss of business or loss of opportunity, regardless of the basis or circumstances of any claim, damage, loss, or expense, whether in contract, tort, or otherwise. Your sole and exclusive remedy under this Agreement for any claims, damages, costs, or expenses arising under, out of, or related in any way to this Agreement and/or your Reservation is return of the Reservation Fee.

7. No Assignment or Re-Sellers

You may not assign your rights under this Agreement or your Reservation without our express, written consent. We reserve the right, in our sole and exclusive discretion, to cancel any reservation that we believe has been made with a view toward resale of any Scout vehicle or that has otherwise been made in bad faith.

Without limiting the generality of any other section of this Reservation Agreement, we reserve the right to limit or refuse any reservation you place with us. Further, we reserve the right to verify the validity of any reservation and/or cancel any reservation if we find evidence of fraud, tampering and/or any other violation of this Reservation Agreement. We may, in our sole and absolute discretion, limit or cancel the number of reservations submitted per person, or per household. These restrictions may include reservations placed by or under the same credit card, and/or reservations that use the same billing and/or delivery address.

All reservations are subject to verification by us at any time and for any reason. We reserve the right, in our sole and absolute discretion, to require proof of identity (in a form acceptable to us): (i) for the purposes of verifying the legitimacy of any reservation and/or other information; and/or (ii) for any other reason we deem necessary, in our sole and absolute discretion, for the purposes of fulfilling a reservation in accordance with our interpretation of the terms and conditions of this Reservation Agreement.

8. Governing Law

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW AND FOR CUSTOMERS WHO ARE NOT INDIVIDUALS RESIDING IN THE PROVINCE OF QUEBEC: This Agreement, and the Reservation, together with their formation and subject matter, and any related non-contractual disputes or claims between us, are governed solely by the laws of the state of Missouri, United States regardless of any conflict of laws principles. If you opt-out of the dispute resolution process described in Section 9, or otherwise believe that a dispute or claim is not subject to the terms of Section 9, you agree that any dispute or claim between you and Scout Motors shall be resolved in a state or federal court in the state of Missouri, United States. You expressly consent to the jurisdiction of such courts in the state of Missouri, United States and waive all objections to personal jurisdiction or as to venue in such courts due to lack of contacts, inconvenient forum, or any other basis.

FOR CUSTOMERS WHO ARE INDIVIDUALS RESIDING IN THE PROVINCE OF QUEBEC: This Agreement, and the Reservation, together with their formation and subject matter, and any related non-contractual disputes or claims between us, are governed solely by the laws of the Province of Quebec and the federal laws of Canada applicable therein, regardless of any conflict of laws principles.

9. Dispute Resolution

THIS SECTION 9 APPLIES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND DOES NOT APPLY TO INDIVIDUALS RESIDING IN THE PROVINCE OF QUEBEC. If you have a concern or dispute regarding the Reservation or this Agreement, please send written notice describing your dispute and your desired resolution to legal@scoutmotors.com. If your dispute is not resolved within 60 days of your email notice, you agree that any claim, controversy, or dispute arising out of or relating in any way to any aspect of the relationship between you and Scout Motors pursuant to the Reservation or this Agreement be resolved not in court by a judge or a jury, but instead only by and through the Better Business Bureau, Auto Line, as a

telecom binding arbitration under rules promulgated by the Better Business Bureau. Scout Motors will pay the fees associated with such binding arbitration. The arbitrator may only resolve disputes between you and Scout Motors related to, or arising out of, the Reservation and this Agreement and may not consolidate claims without the consent of all parties, including Scout Motors. Within 30 days of the Effective Date, you may opt out of binding arbitration through the Better Business Bureau, Auto Line, by sending a letter to 1775 Tysons Blvd, 5th Floor Floor, McLean, VA 22102 stating your name, Reservation confirmation number, and intent to opt out of this arbitration provision.

10. Class Action and Jury Trial Waivers

To the fullest extent permitted by applicable law (and except for individuals residing in the province of Quebec), no claim under this Agreement or related to the Reservation shall be joined to any other claim from other current or former users of our website or otherwise related to Scout vehicles or any other reservations. No claim brought under this Agreement shall proceed as a class action. You hereby waive any right to trial by jury in any action or proceeding arising out of or related to this Agreement, the Reservation, or any acts or omissions related thereto, whether now existing or hereafter arising or discovered, and whether sounding in contract, tort, or otherwise. You agree that we may file a copy of this Agreement with any court as written evidence of your knowing, voluntary, and bargained-for agreement to irrevocably waive trial by jury and that any action or proceeding whatsoever between us relating to these terms shall instead be tried in a court of competent jurisdiction by a judge sitting without a jury.

11. Effective Date

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW: This Agreement is effective upon Scout Motors' receipt of the Agreement and your payment of the Reservation Fee. Scout Motors receives and accepts the Agreement and payment of the Reservation Fee at its offices in Fairfax County, Virginia. By submitting the Agreement and paying the Reservation Fee, you agree that the Agreement is formed in the state of Missouri, United States.

The undersigned have executed this Agreement effective as of the Effective Date.

[Electronic Signatures Via Website]

Exhibit B



Michael J. Stanton
President and CEO

March 6, 2025

Dr. Oliver Blume
Chairman of the Executive Board
Volkswagen Group
Berliner Ring 2
38440 Wolfsburg, Germany

Dear Dr. Blume:

I am writing to you on behalf of all the Volkswagen, Audi, and Porsche dealers in the United States.

The decision by you and your Board of Management to directly distribute Scout in the United States and compete with your dedicated dealer body is misguided, violates well-established state franchise laws, and is one that I strongly encourage you to revisit.

Since VW AG signaled the reemergence of the Scout brand in the U.S., NADA has communicated very clearly on numerous occasions with Scout and VW management that the franchise system is the best and most efficient way to deliver the customer experience that today's marketplace demands. This included a letter I sent directly to you in July 2023, to which I received no reply.

NADA fully stands behind VW, Audi, and Porsche dealers that are being left behind by this decision that violates protections provided by state law. Your U.S. dealers have always been trusted partners who have made significant investments and stood behind the brands – in good times, and bad, such as the Audi acceleration issue, the VW diesel emission scandal, and most recently the ID 4 quality challenges.

There have been several past examples of success by OEMs in the U.S. launching a new brand and using a selected subset of their existing dealer networks for distribution. On behalf of your U.S. dealers, we request a meeting with you at your earliest possible convenience to discuss alternatives to this direct distribution approach. We can either meet at your office in Wolfsburg, my office in Washington, or somewhere in between.

The dealership franchise system is a proven model of success and would allow the Scout brand immediate traction in our competitive marketplace. The alternative is continued strain on the relationship with your U.S. dealers and unnecessary, state-by-state, protracted legal challenges.

I look forward to hearing from you soon.

Regards,

A handwritten signature in black ink, appearing to read "Mike Stanton", with a stylized, cursive script.

Mike Stanton

cc: Automotive Trade Association Executives
Kjell Gruner, President and CEO, Volkswagen Group of America
Scott Keogh, President and CEO, Scout Motors
Timo Resch, President and CEO, Porsche Cars North America
Andrew Savvas, Chief Sales and Marketing Officer, Volkswagen of America
Daniel Weissland, President, Audi of America
U.S. Volkswagen, Audi, and Porsche Dealers

Exhibit C

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0004
(916) 319-2004

E-MAIL
Assemblymember.Aguiar-Curry@assembly.ca.gov

WEBSITE
a04.asmdc.org



DISTRICT OFFICES
600 A STREET, SUITE D
DAVIS, CA 95616
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VIA E-MAIL AND FIRST-CLASS MAIL

February 06, 2025

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**Re: Volkswagen Group of America's and Scout Motors Inc.'s Violation of AB 473
(Aguiar-Curry, Chapter 332, Statutes of 2023)**

Dear Messrs. Sitron and Klapper:

I write to you in my capacity as the Majority Leader of the California State Assembly and as the author of Assembly Bill 473 ("AB 473"), which was enacted to protect dealers from adverse treatment from their manufacturer partners, including unfair competition. My office has been informed that Volkswagen Group of America Inc. ("VW") and its affiliate, Scout Motors Inc. ("Scout"), are planning to compete with existing California VW franchisees by selling Scout vehicles directly to California consumers. This plan blatantly disregards the requirements and intent of AB 473.

AB 473, which took effect on January 1, 2024, amended Vehicle Code section 11713.3(o) to prevent an automaker from circumventing its existing dealer network by creating an affiliate brand that directly sells and services vehicles with consumers. In my legislation, we took particular care to ensure that while new brands could enter the market, automakers with existing franchise operations in California—like VW—would not be permitted to circumvent their established franchised dealers through affiliate brands like Scout.

During the legislative process for AB 473, Scout Motors raised concerns that the bill could prevent it from selling its vehicles in California entirely. In response to this legitimate concern, I amended AB 473 to allow existing franchisees like VW to establish new brands like Scout, so long as they use new or existing independent franchisees to sell and service their vehicles. Despite these amendments, which were in response to feedback from VW and Scout's advocates here in Sacramento, it now appears both companies are proceeding with a sales approach that contravenes our carefully crafted statutory language.

I have been informed that VW and Scout have begun accepting deposits for Scout vehicles directly from California residents, excluding existing or future franchised dealers from the sales and service process. Such practices violate Vehicle Code section 11713.3(o), as amended by AB 473, which expressly forbids an automaker from competing with its own dealers through an affiliate brand.

California's franchised dealerships—and the consumers they serve—stand to suffer harm from Scout's stated distribution model. Franchised dealerships provide not only sales but also local maintenance and warranty services, fueling vital economic activity throughout the state. Scout's stated plan erodes these consumer protections, eliminates local business opportunities, and disregards the clear legislative language and my intent of AB 473.

As the Assembly Majority Leader and author of AB 473, I'm asking you to reconsider Scout's distribution, sales, and service plans and ensure that Scout's practices comply with the law. VW has been a longstanding partner to its dealers throughout California. I hope that it will continue this constructive partnership with local businesses, as the investments made by independent franchisees promote safety are vital to the economic health of our communities.

Please confirm receipt of this letter and outline your efforts to comply with AB 473. If you have any questions or wish to discuss this matter further, you may contact my Legislative Director Marika Nell at marika.nell@asm.ca.gov or (916) 319-2004.

Thank you for your immediate attention to this critical matter.

Sincerely,

A handwritten signature in black ink, reading "Cecilia Aguiar-Curry". The signature is fluid and cursive, with the first name "Cecilia" being more prominent and the last name "Aguiar-Curry" following in a similar style.

CECILIA AGUIAR-CURRY
Assembly Majority Leader
California State Assembly, District 4

cc:

Rob Bonta, Attorney General of California
Steve Gordon, Director of the California Department of Motor Vehicles