



TABLE OF CONTENTS

Introduction	2
Role and Responsibilities of the ACP	2
Executive Summary	3
Program Background	4
Updates to Certification Application & Materials	5
Program On-Site Inspection, File Review, Hearings and Dealership Audits	6
Qualifications, Selection & Training of Arbitrators	17
Complaints	20
Consumer Satisfaction Survey	23
Evaluation of Other Information	24
Relative Issues	27
Prior Year's ACP Recommendations	28
Prior Year's Manufacturer & Program Response	28
Requirements & Conclusion	29
Attachments	31

Prepared by: James R. Williams, Jr., Program Analyst

Arbitration Certification Program

March 8, 2013

Introduction

In 1987, the California Legislature enacted Assembly Bill 2057 (Tanner), mandating the Department of Consumer Affairs (DCA) to certify and monitor arbitration programs established by motor vehicle manufacturers. As a result, DCA established the Arbitration Certification Program (ACP) to oversee a fair and equitable resolution process to warranty-related disputes between manufacturers and consumers. The ACP does not conduct arbitration hearings, nor does it modify or overturn a decision. Rather, the ACP's role is to serve as state regulators and to comply with the statutory mandate to ensure that all the state-certified vehicle programs remain in substantial compliance with the regulations that govern the arbitration process.

The state-certified arbitration programs are required to be funded and competently staffed at a level sufficient to ensure fair and expeditious resolution of all disputes. The programs are required to take steps necessary to insulate the arbitration programs from influence by the manufacturer, so program members and staff act fairly and expeditiously in each dispute, and that the programs maintain both the fact and appearance of impartiality.

As of 2012, the State of California certified 22 of the 46 vehicle manufacturers/distributors.

The ACP attributes the equal participation and responsibility by all the stakeholders - consumers, manufacturers, distributors, dealerships, program administrators, state agencies, and other public entities.

Two notable highlights for the ACP include: **1) ACP Social Media:** The ACP launched its social media websites on both Facebook and Twitter to become more citizen-centric by connecting with its stakeholders. **2) ACP Web Domain:** The ACP correspondingly created another web domain name, www.LemonLaw.ca.gov, to help its stakeholders more easily identify the ACP, the state-certified arbitration programs, California's Lemon Law and regulations. Through these measures, the ACP has seen an increase in visits to our website. This improved internet traffic, combined with the aggressive use of social media platforms to disseminate relevant content, has contributed to raising the ACP's visibility and web presence.

Role and Responsibilities of the ACP

Pursuant to Title 16, California Code of Regulations (CCR), §3399.5, the ACP is mandated to review all state-certified program operations. As state regulators, the ACP will review various components of each certified program throughout the year to ensure that all third-party arbitration program operations remain in substantial compliance by doing the following:

- Evaluating information obtained through the ACP's monitoring and inspection
- Evaluating the qualifications, training, and performance of each program's arbitrators
- Investigating and analyzing of complaints regarding the operation of each program
- Conducting on-site inspections of each program's facilities, records and operations, including the records of individual disputes, interviews of the program's staff and arbitrators, and attendance at meetings held to decide disputes
- Evaluating each program's periodic reports as well as updates to its certification application information and materials
- Surveying the consumers of each certified program online, by mail, or in person to evaluate consumer satisfaction

Executive Summary

The ACP is committed to its mission to ensure California consumers and new vehicle manufacturers have a fair and prompt process to resolve warranty disputes. California Code of Regulations (CCR) §3398.15 requires an arbitration program to promptly take reasonable action to correct violations of the minimum standards prescribed in this subchapter whenever violations become known to the program.

A little over a decade ago, the ACP approved the joint application of Toyota and the National Center for Dispute Settlement (NCDS) to offer a state-certified arbitration program known as the California Dispute Settlement Program (CDSP).

This section of the report will cover a few topics germane to both the manufacturer and program: **1) Post-Arbitration – Repair Orders:** At the 2012 On-Site inspection of Toyota, the ACP discussed with the Manufacturer that California consumers are being denied a right to request additional repair orders at California dealers once consumers have utilized the CDSP arbitration program. Oftentimes, consumers wish or seek to re-file upon receipt of a new repair order. However, because the arbitration program is a non-binding process, consumers must present new evidence in order to re-file for arbitration provided the concern or alleged defect is brought to the attention of Toyota or one of its dealers during the eligibility period. And, pursuant to Title 16, California Code of Regulations, Articles 2 & 3, it is the Manufacturer's duty to aid in the investigation of warranty disputes. The ACP recommended that Toyota create an internal policy to remind its California dealers to ensure that consumers are allowed the right to request repair orders post-arbitration. Toyota agreed to disseminate such a policy. **2) Dealership On-Site Audits:** The ACP analyst conducted dealership audits by interviewing general managers, principals, sales and administrative staff regarding the

manufacturer's arbitration program. From staff to management, it is evident that Toyota continues to educate all of its dealers to provide proper disclosures to consumers as required by CCR §3397.2. Likewise, the ACP was accompanied by store owners, senior vice presidents, customer relations managers, and general managers during these visits. The ACP audited 73 of 134 Toyota dealerships throughout California, and all 73 (100%) inspected dealerships were in substantial compliance with the state regulations regarding lemon law disclosure requirements. Toyota dealers are to be commended for their excellence to customer service, compliance, and cooperation with the state agency during the audit certification process. **3) Hearing Protocol at Dealerships:** In the previous annual reporting year, the ACP approved the *CDSP Dealership Hearing Protocol Letter* that is forwarded on to dealership service managers advising them of a warranty-related dispute [arbitration] scheduled at their respective dealerships. **4) CDSP California-Specific Arbitrator Training:** This state-specific training was held on May 12, 2012, in Irvine, CA. **5) Online Case Management Access:** One of the ACP's strategic goals is to obtain online or web-based access from all of its state-certified programs' case management systems. Digital literacy and technology drive all industries, and government is no exception to technology governance, privacy, and confidentiality requirements. The CDSP must seek to comport with existing and changing technology, environmental, storage, and record-retention policies within California state government. This action item must not fall flat or stored away by the program. The ACP fervently requests that the program work on a technology solution that will enhance its corresponding communication with the state agency by the end of 2013.

From customer service to class-room style training driven by the CDSP and Toyota in this process, it is evident that these stakeholders are striving to preserve the integrity of the arbitration process. In summary, the ACP believes this annual report moves Toyota places within the arbitration mechanism since its state-certification ten years ago.

Program Background

On October 31, 2002, ACP approved the joint application of Toyota and the National Center for Dispute Settlement (NCDS) to offer an arbitration program through its California Dispute Settlement Program (CDSP). Once again, Toyota maintains a state-certified, third-party arbitration program called the California Dispute Settlement Program; consumers must submit the warranty dispute to the CDSP before consumers can take advantage of the presumption in court. The ACP reaffirms that it certified Toyota's California Dispute Settlement Program and not its national program.

Therefore, California laws and regulations must govern the resolution process when California consumers bring a warranty claim against the manufacturer. The parent administrator, NCDS, provides administrative support functions for program operations,

recruits and trains arbitrators, and maintains a pool of Automotive Service Excellence certified inspectors to assess vehicles upon request of the arbitrator. Toyota also contracts with Impartial Services Group (ISG) to assist with the administration of the vehicle repurchase process.

The CDSP conducts arbitration hearings at Toyota dealerships and neutral locations such as libraries, hotels, and business office centers. Consumers are given the option to select the hearing location; however, it is the arbitrator who sets the date and time of the hearing. There is a specific hearing protocol required at dealerships. The ACP approved the *CDSP Dealership Hearing Protocol Letter* that is forwarded on to dealership service managers advising them of a warranty-related dispute [arbitration] scheduled at their respective dealerships. The state agency realizes that the CDSP administrator does not have a principal or fixed place of doing business here in the State of California; therefore, Toyota dealers, in the interest of customer service, work with the CDSP to host the arbitration meeting. The ACP conclusively finds that CDSP arbitrators are considered program staff when facilitating these arbitration meetings, and they must be amenable to controlling all facets of the hearing process from start to finish on the day of the meeting.

The CDSP maintains a pool of arbitrators from which they are randomly selected. Each hearing is to be presided over by a single arbitrator randomly selected from a pool or panel of neutrals within a 25-mile radius of the consumer's home to designate an available arbitrator within the geographic area.

There is a Board of Arbitrators comprised of at least three neutral arbitrators in both Northern and Southern California Regions to manage all California-specific cases, primarily "documents only" cases. This CDSP Board consists of a chair arbitrator who presides over the hearing and at least one certified Automotive Service Excellence (ASE) mechanic serving on each regional board. The program also provides a board agenda to the ACP prior to the scheduled hearing.

Updates to Certification Application & Materials

CCR §3399.4 requires each arbitration program to notify the ACP in writing of any material changes in the information or materials submitted in or with the application for certification, either before or within a reasonable time after the change becomes effective. The following update occurred in 2012:

- As aforementioned, the ACP approved the *CDSP Dealership Hearing Protocol Letter* that is forwarded on to dealership service managers advising them of a warranty-related dispute [arbitration] scheduled at their respective dealerships.

Program On-Site Inspection, File Review, Hearings and Dealership Audits

The CCR §3399.5 requires the ACP to conduct one or more on-site inspections of the program's facility, review case files and attend meetings held by certified arbitration programs to decide disputes. The CCR §3398.13(f), which pertains to record keeping by the certified programs, states in part ... *records be organized and maintained so as to facilitate ready access and review by the Arbitration Certification Program.*

The ACP also performs dealership audits to ensure manufacturers (MFRs) comply with CCR §3397.2, which requires the manufacturer to disclose to consumers, either in its written warranty or in a separate section of the materials accompanying each vehicle sold or leased in California, in clear and readily understood language, information about the manufacturer's arbitration program. CCR §3397.3(a) requires the manufacturer to take steps reasonable calculated to make consumers aware of the arbitration program's existence at the time consumers experience warranty disputes. The ACP is striving to visit all certified MFR dealerships in California by January 2015.

Program On-Site Inspection

The ACP performed two separate on-site inspections of CDSP's headquarters in Clinton Township, Michigan, on April 26, 2012 and November 8, 2012, as the CDSP serves as an administrator for other state-certified manufacturers. The ACP is required to conduct a review of the operation and performance of each certified program at least once annually. The state agency sought to address key program areas and the minimum standards for arbitration programs to remain in compliance with California regulations and the certification process. There were no substantive changes determined by the ACP at either on-site inspection.

As of the date of this report, there are not any known inconsistencies of these standard reviews with regard to the facilities and program operations as being sufficiently funded and staffed to administer cases for Toyota.

Manufacturer On-Site Inspection

On November 15, 2012, the ACP performed its annual on-site inspection of the manufacturer, Toyota Motor Sales, U.S.A., Inc. (Toyota or TMS) at its national headquarters in Torrance, California. Toyota has a tiered operation consisting of twelve Toyota and four Lexus field offices. Each field office is geographically located throughout the United States and defined by its territory. The field offices manage the business and corresponding relationships of Toyota's policies, guidelines, and directives. Field offices are also responsible for the performance of the Toyota brand in the assigned territory with detail in the areas of sales, parts, customer satisfaction, service satisfaction, profitability, facility standards, training of personnel, etc. TMS builds on these programs and provides support to the field offices.

Pursuant to statutory requirements, the ACP reviewed the manufacturer's facilities, records, and operations, including the records of disputes and buybacks of lemon law vehicles. State regulators analyze Toyota's records to also ensure that no violations occur regarding negative equity, performance of awards, and financial information of lemon vehicles.

Another ACP concern presented to Toyota is that state regulators are observing that the Manufacturer is introducing the Manufacturer Response Form (MRF) at the hearings. The state agency is constantly asking the program to ascertain the receipt date of the MRF from Toyota; however, there appears to be a flaw in the Manufacturer Response Form. There is no date when Toyota sends the MRF to the program. During the case file review at the on-site, Toyota showed the ACP that the MRF has a date sent in the upper right hand corner of the form; however, it appears that this crucial date field does not print or is visible once printed. Toyota stated it would look into why this date sent field is not being acknowledged or printed on its Manufacturer Response Form.

The ACP also raised an issue regarding Toyota correspondence sent by the MFR's National Customer Experience Center's Regional Offices in San Francisco and Los Angeles. The CDSP branding and state-certified arbitration program language is nowhere to be found on the MFR's correspondence letters to California consumers. Toyota agreed there appears to be mixed messages being sent on its correspondence letters where reference is made to CDSP or NCDS, and it will seek to revamp and clean up these clerical areas. The ACP stressed the importance of the CDSP brand for California consumers vs. the NCDS brand which is the parent and national program administrator.

During the ACP's 2010 on-site inspection of Toyota, the State reviewed several files which contained the necessary information including copies of all checks, calculations worksheets, and, if available, properly branded lemon law vehicle titles except one which appeared the sales contract contained a provision for an amount that was from a previous loan. However, this may be a potential deduction of negative equity, but further examination of the case file would be necessary to make an appropriate determination. This case was reported to the California Department of Motor Vehicles as a branded or titled lemon vehicle as required by law.

Toyota indicated at that time that they were struggling to get financial information from lending institutions, even from their own subsidiaries like Toyota Financial Services. This may be in part, due to more stringent financial regulations. Toyota inquired as to if the ACP could assist with making this transaction easier. The ACP indicated that it would examine possible options to help ease privacy and confidentiality concerns obstructing the process.

It should be noted that during the 2009 inspection, the ACP found that there is no signed agreement from the consumer related to the extension of the thirty-day compliance requirement. Today, Toyota sends a *Request to Comply or RTC Letter* to the consumer; however, the manufacturer previously received a verbal agreement from the consumer granting the extension. Toyota now ensures that a signed, 30-day waiver letter is in the consumer's file.

Lastly, the ACP discussed with the Manufacturer that California consumers are being denied a right to request additional repair orders at California dealers once consumers have utilized the CDSP arbitration program. The state agency informed Toyota that the ACP received several phone calls from consumers who expressed disappointment, frustration, and also state regulators have physically attended hearings wherein consumers are testifying of the same. The ACP emphasized that Toyota is possibly not aware that its dealers are denying consumers the right to request repair orders at its facilities. The ACP recommended that Toyota create an internal policy to remind its California dealers to ensure that consumers are allowed the right to request repair orders post-arbitration. Toyota agreed to disseminate such a policy.

As of the date of this report, there are not any known inconsistencies of this standard review with regard to the facilities and manufacturer operations of its certified, third-party arbitration program. However, Toyota should seek to address the above concerns in the annual review response to the ACP.

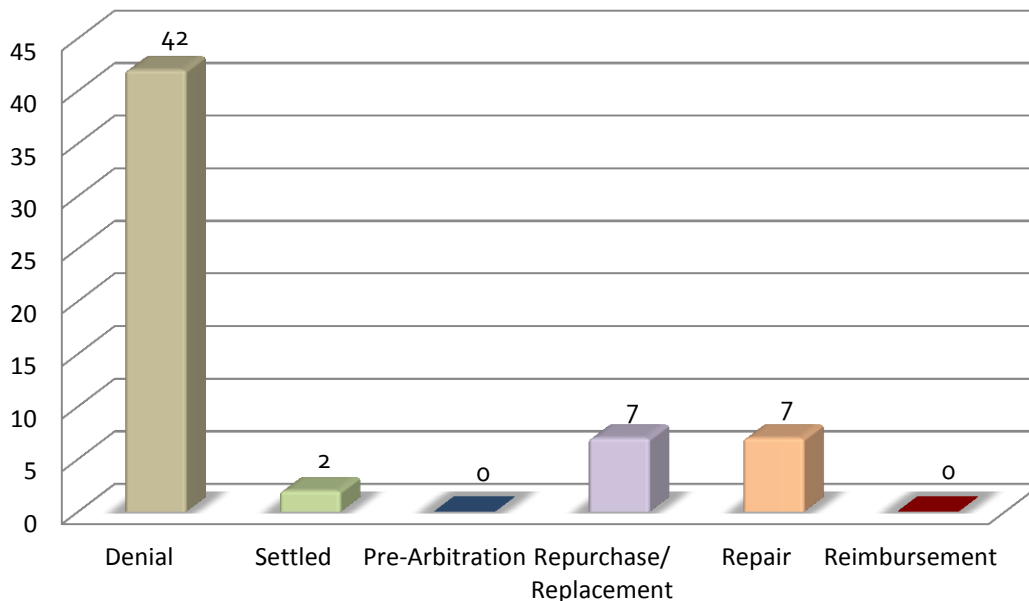
[File Review – CDSP Administration](#)

Currently, the program cooperates in good faith with this requirement by sending approximately 20 case files via U.S. mail twice a month. California agencies and departments are working more ardently to reduce their carbon footprint and vie for a more eco-friendly earth. This high-level mandate of state agencies to “go green” prompts the ACP to encourage its certified programs and manufacturers to work in conjunction on this sustainable effort. The ACP requests that the program work on a technology solution that will enhance its corresponding communication with the state agency.

The ACP reviewed 58 case files of the 138 cases arbitrated. With the exception of the arbitrator's biography (bio), each case file reviewed contained all the necessary documents and financial information. As reported in last year's review, the ACP found one specific flaw which remains inherent – The Board of Arbitrators decision letters did not reflect the ACP on record as present on the day of the hearing (record of hearing/attendees). The CDSP responded to these concerns and stated that CDSP has been providing all parties with the relevant bio of each Arbitrator assigned to hear a case prior to the scheduled hearing (upon assignment of the Arbitrator to the case).

CDSP will further provide to the ACP, with its copy of closed case files, the copy of the Arbitrator's bio. And, the CDSP Board of Arbitrators will be reminded to notify CDSP when a state agency representative is in attendance on the date of a board hearing for inclusion on the decision form.

Files Reviewed



Hearings

It should be noted that the ACP travels throughout the diverse State of California to attend as many Toyota hearings as possible, and as state regulators, we are not bound to the time limits imposed by or agreed by the parties per state regulations. We are the state agency and not the parties. We will never be considered arriving late to any hearing; however, we do make every attempt to arrive on time as to avoid disruption to the format of the hearing process. Yet, there will be times when flight travel and traffic conditions may affect our ability to arrive at the appointed time for these meetings.

CDSP arbitrators have also been informed by the program management to not start the hearings prior to the appointed time to allow the ACP an opportunity to arrive at the scheduled time and venue. However, the parties may exercise their right to move forward with the hearing process earlier than the scheduled time if they so desire. Keep in mind, these arbitration hearings or meetings are open to the general public, and if any member of the community including the media wishes to attend, they are welcome to do so without even identifying themselves.

The ACP randomly monitored 48 (35%) of the 138 arbitration meetings held by the program during the annual reporting year. Coincidentally, there were 138 arbitration meetings held in 2011 as well.

As the ACP seeks to provide the programs more relevant data in the annual reports, the illustrations below will demonstrate discrepancies observed by the ACP at the hearings. The ACP monitors hearings throughout the State of California. Every Monday, the CDSP electronically sends the *California Weekly Report* which lists the scheduled arbitration meetings in the state. The CDSP assigns each Toyota case with a seven-digit number wherein each case begins with either “11” for hearings held in Southern California, or “12” for hearings held in Northern California. The ACP encourages both the program and manufacturer to pay particular attention to these trends, as this information may provide greater training and administration of arbitration opportunities for the program, manufacturer representative staff, and the arbitrators.

In Northern California hearings, the arbitrators’ understanding of the dealership protocol and the Manufacturer’s duties appear to be the primary concerns observed at hearings by the ACP. In the previous annual reporting year, arbitrators were reminded to:

- 1) Secure the hearing room, especially, at dealerships, before the scheduled time of the hearing. This will aid the arbitrator to know the arrival of all the parties and avoid dealership staff or MFR from escorting the arbitrator to an undisclosed area where the consumer might be waiting. Call the program 24 hours prior to the hearing date to finalize all logistical details for the hearing. Hearing room should comfortably accommodate **at least** six persons at the hearing. This will ensure the privacy and confidentiality of the arbitration setting and process are not compromised.
- 2) Notify the CDSP Operations Manager in the event process-related questions arise. Neutrals have access 24 hours a day/7 days a week through a cell phone number to reach CDSP.

The program remarked it will review its case administration processes to determine if there are more effective ways to inform the parties of the hearing location. At the present time, the parties are confirmed of the location by email, phone calls and a written Hearing Confirmation form. CDSP responded that the Hearing Protocol Letter is automatically printed on all CDSP cases and is sent with a copy of the Hearing Confirmation to all dealership hearing locations.

The CDSP stated that it will strive, with the support of Toyota Motor Sales, USA, Inc., for continuous improvement in all facets of case administration and training of the arbitrators.

The Manufacturer is reminded to:

- 1) Manufacturer Duties - submit the Manufacturer Response Form in a timely manner to the arbitration program as required by CCR §3397.2, 3397.4

In previously reporting years, the ACP reminded Toyota must continue to ensure that the MRF be addressed to the arbitration program for prompt resolution of warranty disputes; and, it is the duty of the manufacturer to aid in the investigation by fully responding and promptly to reasonable requests by the arbitration program for information relating to disputes as required by CCR §3397.2, 3397.4.

The CDSP has advised the state agency that it has put additional steps to ensure all parties receive any document submitted simultaneously or instructions proffered to supply enough copies for all parties.

In Southern California hearings, the primary concerns - conflict of manufacturer duties and insulation, program administration, manufacturer response form, dealership protocol, and arbitrator training.

The manufacturer is reminded to:

- 1) Provide its manufacturer representatives with relevant training in the principles of arbitration including the rights and responsibilities of arbitration.
- 2) Follow dealership protocol – the manufacturer representatives should avoid greeting the arbitrator(s) at the hearings without the consumer present.
- 3) Maintain its position as a party to the hearing and not serve as a program staff.
- 4) Maintain the integrity of the arbitration mechanism. In other words, the manufacturer, and the sponsor of the arbitration program (if other than the manufacturer), shall take all steps necessary to ensure that the arbitration program, and its arbitrators and staff, are sufficiently insulated from the manufacturer and the sponsor, so that the decision of the arbitrators and the performance of the staff are not influenced by either the manufacturer or the sponsor as prescribed in California Code of Regulations §3398.1 (c).
- 5) Submit the Manufacturer Response Form in a timely manner to the arbitration program as required by CCR §3397.2, 3397.4.

The arbitrators are reminded to:

- 1) Uphold control of the hearings before and after. The CDSP considers its arbitrators as program staff in the absence of a hearing coordinator. Arbitrators should seek to administer the performance of case administration at these hearings, namely the dealership protocol requirements must be initiated by the arbitrators at this venue. In the third quarterly review of 2012, the ACP advised the program that arbitrators appear hesitant at times to accept new evidence

because either party, especially the consumer, may lack sufficient copies for all the parties. More importantly, it is the arbitrator's job to make a valiant effort to collect the evidence for the case file. (See California Code of Regulations (CCR) §3398.2; 3398.5 (a), (c) (18)). The CDSP stated it would mentor and counsel the particular Arbitrator hearing this case as to acceptance of evidence and include further evidentiary acceptance protocol in upcoming [arbitrator] bulletins.

- 2) Exude legal confidence on California lemon law statutes and regulations, especially when asking the parties whether they want to go on a test drive or not. CCR §3398.2 and §3398.5, empower the arbitrator to be persons interested in the fair and expeditious resolution of consumer disputes; no arbitrator deciding a dispute shall be a party, or an employee or agent of a party other than for purposes of deciding disputes; and, that the arbitration program shall investigate, gather, and organize all information necessary for a fair and expeditious decision in each dispute.
- 3) Maintain the integrity of the arbitration mechanism. In other words, the manufacturer, and the sponsor of the arbitration program (if other than the manufacturer), shall take all steps necessary to ensure that the arbitration program, and its arbitrators and staff, are sufficiently insulated from the manufacturer and the sponsor, so that the decision of the arbitrators and the performance of the staff are not influenced by either the manufacturer or the sponsor as prescribed in (CCR) §3398.1 (c).
- 4) Take steps necessary to insulate the arbitration program from influence by the manufacturer or sponsor also shall include steps necessary to insulate the program's arbitrators from influence. At the very least, no employee, agent, or dealer of the manufacturer shall communicate directly or otherwise participate substantively regarding the merits of any dispute with the arbitrator who is to decide that dispute, except: (1) the information that is communicated is disclosed to the consumer and the consumer is afforded an opportunity to explain or rebut the information and to submit additional information before a decision is rendered, or (2) as permitted by Section 3398.8. (CCR §3398.1 (e)).
- 5) Maintain both the fact and appearance of impartiality (CCR §3398.1 (g)). Arbitrators should be empowered to communicate with the CDSP first should either party not be present or arrive at the appointed time of the hearing. This step will seek to avoid any form *ex parte* communication with present party or break the arbitrators' insulation of neutrality within the mechanism.

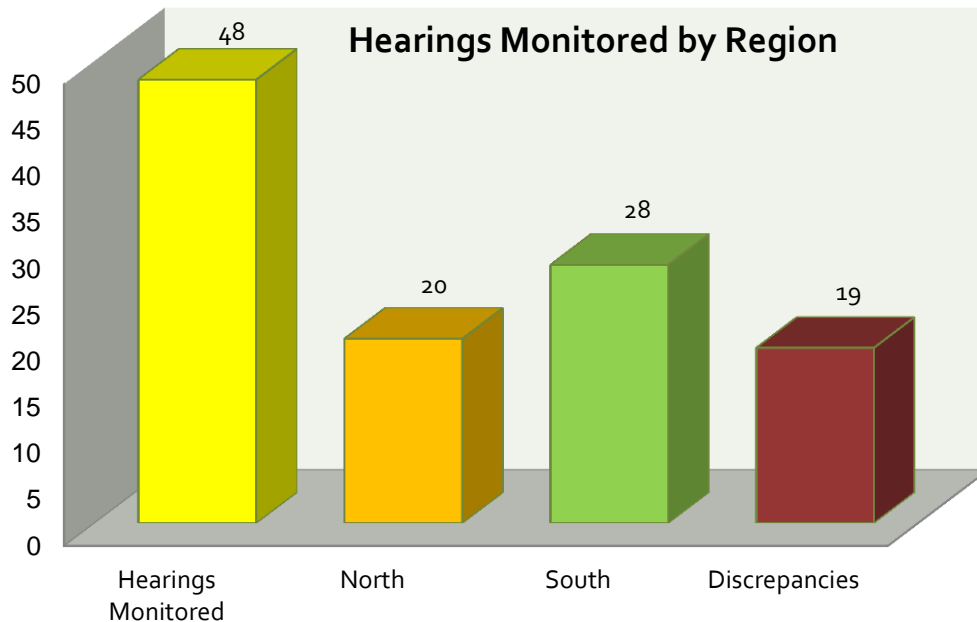
In the 2010 Annual Review, the ACP mentioned to the CDSP the hire or employment of a program coordinator at the hearings would accomplish three things to facilitate: 1) the mechanism or program's confidentiality and privacy of the hearing process is not

jeopardized; 2) the program's both the fact and appearance of impartiality are better maintained; and 3) the program does not obligate the manufacturer to facilitate hearings at dealerships. In the absence of a program coordinator, the ACP again recommends that the program staff physically attend at least two CDSP hearings per year, preferably in each of the two California regions to observe the arbitration process from a hearing perspective rather than just from its out-of-state jurisdiction.

The program staff is reminded to:

1) In 2009, CDSP provided the *Important Notice to Consumers* letter to bi-lingual or multi-lingual consumers prior to the scheduled hearing. In 2012, the ACP approved the revised language in the CDSP's *Notice* to ensure consumers who believed there might be language difficulties at the hearing that it was their responsibility to obtain an interpreter to assist them. Today, the program has incorporated this *Notice* into the Hearing Confirmation Letter.

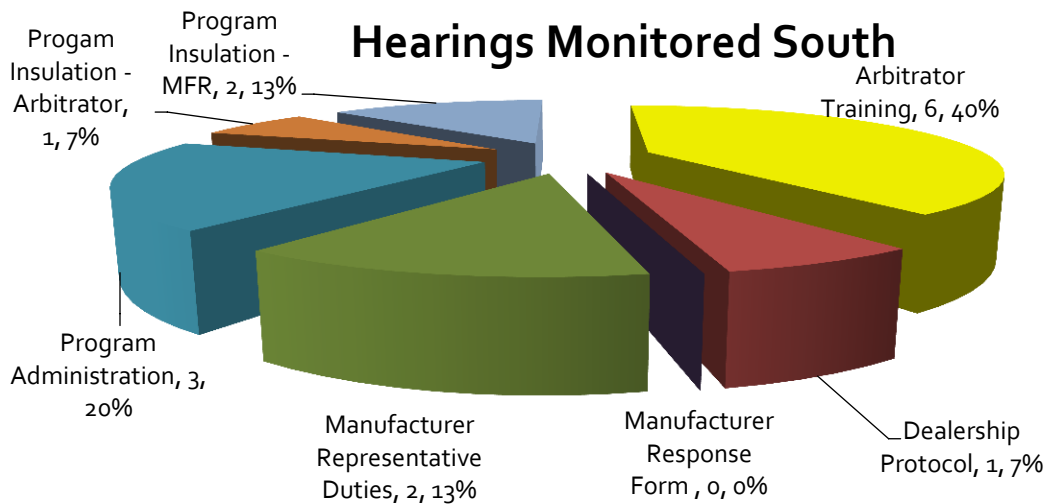
2) Tighten its control in the area of case administration and communication to ensure that all parties are better informed where the exact arbitration meeting is being held across all venues – dealerships, business and community centers, hotels, libraries, etc.



Hearings Monitored North



Hearings Monitored South

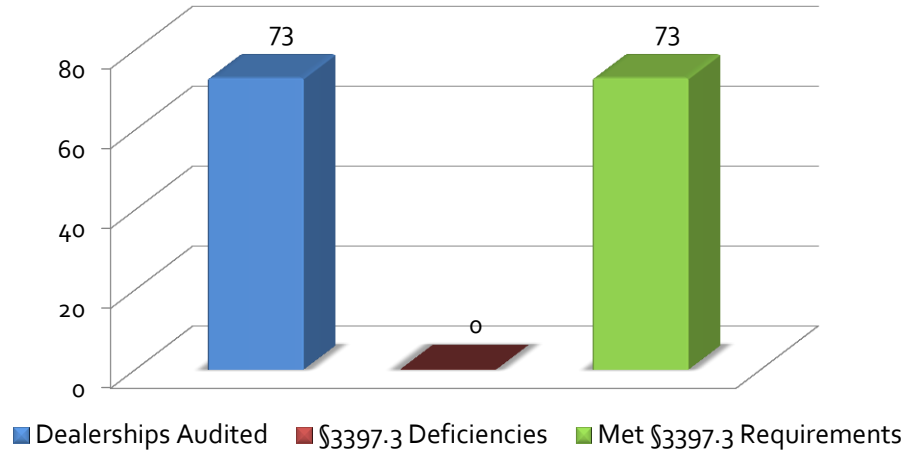


Dealership Audits

The ACP continued its ongoing effort by working with Toyota and its dealers to provide proper disclosures to their customers. The ACP divided its audit territory into regions – Northern California, Central Valley California, Southern California, and Coastal California by visiting 73 of 134 dealerships throughout California, an increase of 20 more dealerships audited by the ACP than in 2011(see chart breakdown below). The ACP’s audit reveals that for the past two annual reporting years, 2011 and 2012, each Toyota dealership visited by the ACP met all the disclosure requirements and was 100% in compliance with the state regulations. When compared to 2010, fifty-nine (59) of the 63 (94%) dealerships audited by the ACP complied with the statutes

The level of awareness and education made by the dealerships, both sales and service department managers, is significantly evident at all these locations to ensure that consumers are given correct disclosure information about the lemon law and the arbitration process as required by CCR § 3397.2. Most dealerships house the CDSP

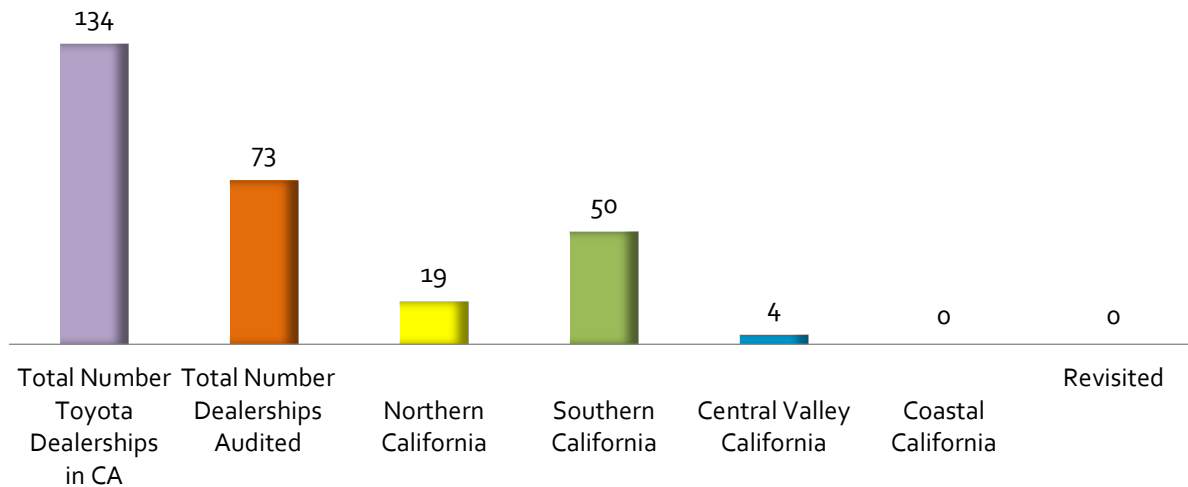
brochures on display at the cashier counter in the service department, in customer lounge areas, or at the reception desks on showroom floors. Larger dealerships usually retain a Customer Relations Manager or Compliance Manager on site who oversees the arbitration program for the manufacturer.



Indeed, Toyota is delivering the message about its state-certified auto warranty program, the *California Dispute Settlement Program*. The manufacturer seems to empower its dealerships to be cooperative and vigilant should state regulators visit its dealerships. It is noteworthy to mention that 100% of the dealerships visited were very receptive to the unannounced audit by the ACP. In response to the ACP's 2012 1st Quarterly review, Toyota (TMS) responded that TMS provides continual education and counseling to all dealers relative to their responsibilities to meet mandated requirements and proper disclosures both State and Federal. All Toyota dealerships are independent businesses and not owned or operated by TMS; so TMS' role is to counsel, guide, and recommend. Ultimately, it is the business principal who decides how they will represent themselves in the marketplace.

Many owners, vice-presidents general managers, service managers, customer relations managers, and other senior designees reacted favorably to the audits and touted such terms as transparency, accountability, and compliance as best practices for building solid relationships with consumers and the general public.

Total Dealerships Audited by Region



Toyota dealers seem to exercise a cooperative spirit and hands-on approach towards ensuring their stores are in compliance regarding the arbitration program and by making the proper disclosures to consumers. Dealers in these cities are especially worth mentioning (in no particular order) – *Culver City, Escondido, Oakland, Sacramento, Richmond, San Francisco, Daly City, Visalia, Los Angeles, Alhambra, Westminster, Tustin, Orange, Garden Grove, Long Beach, Fremont, Milpitas, Simi Valley, Costa, Mesa, Corona, Redlands, Moreno Valley, Temecula, Chula Vista, Roseville, Riverside, Whittier, Downey, San Jose, Gardena, Marina del Rey, Sunnyvale, Oxnard, Santa Barbara, Ventura, Fresno, Clovis, Redwood City, San Bruno, San Diego, Petaluma, Santa Rosa, La Crescenta, Pasadena, Huntington Beach, Van Nuys, Hemet, Elk Grove, Folsom, El Cajon*

Many of these dealerships (*italicized above*):

- discussed trends in the auto industry
- shared their personal or corporate involvement in their local communities
- requested the ACP's *Lemon-Aid for Consumers* Booklets in different languages to reach their customers who speak another language other than English
- introduced ACP staff to their General Managers (GM)
- accompanied by GM, Owners, and Vice Presidents on ACP audit of their dealerships
- gave the ACP staff a tour of their facility operations;

- provided the ACP with Toyota's "New Delivery Checklist" which is being used by dealer staff prior to the sale or delivery of a new or used vehicle
- empowered their staff to treat visitors like ambassadors upon arrival
- ensured entire dealership staff was aware of the CDSP white brochure
- informed the ACP of expanded business operations or renovations;
- led by Owners, Principals, and Vice Presidents, invited all of their senior managers to attend the onsite audit while the ACP was present; and
- were knowledgeable on California's lemon law and presumption standards and other court rulings affecting federal or state lemon laws

The ACP recommends that Toyota continue to educate all of its dealers on the mandated requirements to provide proper disclosures to consumers upon the sale or delivery of a vehicle or at the time of repair or service of a vehicle by consumers. The manufacturer's dealers should also seek to display the CDSP brochures in conspicuous locations such as the cashier counter, customer lounge, showroom floor, or reception desk areas.

Dealership In-Service Presentations

In 2010 and 2011, the ACP staff was invited by Northern California dealerships to attend their monthly Parts & Service Club Managers' meetings. The ACP conducted three training presentations about the Arbitration Certification Program and California's lemon law requirements. The ACP views these in-service presentations as educational opportunities for dealers to gain an overview about the ACP, California's lemon law, and the dealership audit process when ACP staff visits a Toyota dealership.

Qualifications, Selection & Training of Arbitrators

CCR §3398.2 sets forth the minimum standards for the qualification, selection, and training of arbitrators. Specifically, this section requires that arbitrators be persons interested in the fair and expeditious resolution of consumer disputes. In addition, this section prohibits arbitrators with a conflict of interest from deciding a dispute, requires selection of arbitrators on a random basis, and requires the program to provide arbitrators with applicable law, training and refresher courses. Lastly, this section requires any arbitrator who is unable to demonstrate both the fact and appearance of fairness and impartiality in deciding disputes to disqualify him or herself.

The ACP reviews the qualification and training of arbitrators on an ongoing basis by reviewing arbitrator biographies, monitoring arbitration hearings and arbitrator training sessions, reviewing case files, and investigating consumer complaints.

Qualifications

CDSP arbitrators are members of the community interested in the fair and expeditious resolution of consumer disputes. These individuals are trained and certified by the National Center for Dispute Settlement.

Selection

As a part of its process for selecting prospective arbitrators, the CDSP administered by the NCDS conducts a two-day initial training course. The key elements of the course include relevant laws and regulations, the hearing process, decision-making, arbitrators' rights and responsibilities, and a number of practice cases.

Upon successful completion of the training course, arbitrators are certified by NCDS and placed on a list in a sequential manner, and they serve based on geographical and rotational guidelines to hear cases on a random basis. NCDS also conducts a two-day advanced training; one California-specific and two national refresher-training courses, that additionally focus on California law and regulations, are held.

The traits used for selecting an arbitrator are:

- Professional expertise (attorney, medical, auto, teacher, conflict resolution)
- Locale interest
- Ability to be neutral or impartial
- System of checks and balances
- Personality
- Hearing etiquette
- Availability and schedule

The arbitrator hiring is based upon the program's need: 2-3 for the rural (within a 50-mile radius) and 15-25 for metropolitan areas. The program added five new arbitrators to its panel of arbitrators and provided the ACP with the necessary information that these persons met the California-specific arbitrator standards and training requirements. The program's recruitment efforts to rotate its panel of arbitrators should be applauded for maintaining a professional cadre of independent neutrals to be persons interested in the fair and expeditious resolution of consumer disputes. The supervisor or operations manager checks off on each arbitrator candidate's approval.

Training

All arbitrators are required to undergo training and become certified NCDS dispute settlers. California-specific arbitrators every two to three years in person, and on the off year, five online courses are enforced by the program to fulfill this requirement. It

should be noted that the NCDS/CDSP leadership conducts all annual training programs in-person at designated hotels in the country. The state agency attends the annual California-specific arbitrator training, and the national initial and refresher arbitrator trainings provided the State's budget allocates for these trainings.

Twenty-nine (29) arbitrators attended the CA-specific arbitrator training; three California arbitrators attended the new arbitrator initial training course, and three California arbitrators attended the September refresher training course. If the arbitrator does not complete all necessary requirements, he or she is placed on the inactive list for one year. Each arbitrator must receive a passing score of 80% from the online graded test.

The CDSP/NCDS provided the following 2012 Arbitrator In-Person Trainings:

- Arbitrator Refresher Training - Grapevine (Dallas), Texas – March 2 - 4
- Arbitrator Refresher Training - California-Specific, Irvine, California – May 12
- New Arbitrator Initial Training - Grapevine (Dallas), Texas – June 8 - 10
- Arbitrator Refresher Training - Grapevine (Dallas), Texas - September 21 - 23

The California-Specific Arbitrator Training was held on May 12, 2012, in Irvine, California. The NCDS/CDSP Senior Vice President did an outstanding job of re-emphasizing this past year to the attendees that Toyota's CDSP is certified by the California Department of Consumer Affairs Arbitration Certification Program and will continue to be recognized in its literature and training materials to consumers, the manufacturer, and the arbitrators. As in the previous year, the CDSP also ensured that the 2012 Arbitrator Training was more closely focused on California regulations and the specifics governing the auto warranty process for California consumers.

This year's training focused primarily on the arbitrator's role - that of a peaceful and orderly resolution of a dispute. Arbitrators were reminded that in our society of judicial independence, consumers many times consider their purchase of a vehicle as their second most important investment. California's Song-Beverly Consumer Warranty Act (SBCWA), the Lemon Law, was set up by the Legislature. It [SBCWA] is a pro-consumer legislation for the benefit of the consumer. CDSP trainers reminded the arbitrators to maintain the integrity of the process, as many consumers view perception as being reality. Another trainer challenged the arbitrators to be fair, to have empathy and understanding as consumers have a lot of money or debt coming into the arbitration process.

Coupled with this year's training, the CDSP once again invited the ACP to participate as a guest speaker at the request of the arbitrators to provide ACP observations and comments relative to the state agency's compliance and monitoring efforts. The ACP staff acknowledged the tremendous efforts of both the program and the arbitrators for their commitment and professionalism to ensure that the CDSP remained in substantial

compliance throughout 2011. The ACP encouraged the arbitrators to start the hearings at the appointed time and not earlier, as the state agency or any member of the public may wish to attend the hearings. Arbitrators were also challenged to reference the California Code of Regulations to gain more understanding of California law and rules governing the arbitration mechanism.

Topics were tapered to be California-specific in these areas:

- ✓ Song-Beverly Consumer Warranty Act
- ✓ Overview of California auto warranty law
- ✓ Overview of ACP observations and comments
- ✓ Due process requirements
- ✓ Scope of Authority
- ✓ Arbitrator's Role
- ✓ CDSP's "Top 10s"
- ✓ Arbitrators' "Top 10s"
- ✓ Establishing Control of Hearings
- ✓ 5 Ws of Arbitration Ruling
- ✓ Content of Decisions

Here are some observations by the ACP at the training:

Because arbitrator training is essential to the overall success of the program's operations, the ACP recommends that the program reinforce to its panel the importance of theory and practical knowledge in the application of federal and state lemon law statutes; specifically, as it relates to California auto warranty disputes. Arbitrators are encouraged to take advantage of the CDSP resources – federal and state laws, ACP website, program rules, monthly bulletins, web portal, webinars, conference calls, coaching and mentoring programs, training manuals, and annual trainings held throughout the year. Likewise, the arbitrators shall be persons interested in the fair and expeditious resolution of consumer disputes (see CCR 3398.2 (a), Qualification, Selection and Training of Arbitrators).

Complaints

California Business & Professions Code §472.4(c) (2), CCR §3398.12 and CCR §3399.5(a) (4) require ACP to investigate complaints received from consumers regarding the arbitration program's operations. It also mandates the arbitration program to advise consumers of their right to register a complaint with the ACP.

Complaints Received by the California Dispute Settlement Program

The CDSP did not report any complaints to the ACP in 2012 as well as in 2011 nor the preceding year.

Complaints Received by the ACP

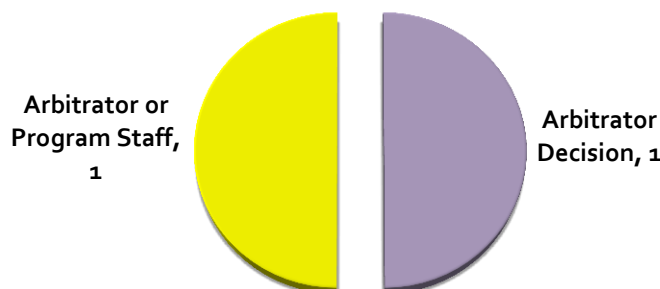
One of the ACP's goals is to promote the use of alternative dispute resolution in lieu of court action and to reduce the strain and cost on the participants and the court system. The ACP does investigate all complaints filed with its office. It should be noted that the ACP does not have statutory authority to overturn the arbitrator's decision.

The ACP does not involve itself with the merits of any case, whether staff physically attends a case or not, but ensures the integrity of the arbitration process is maintained; and, concurrently, that the principles of arbitration have been applied.

The ACP reminds consumers that because the arbitration program is a non-binding process, they must present new evidence in order to re-file for arbitration provided the concern or alleged defect is brought to the attention of Toyota or one of its dealers during the eligibility period.

The ACP received two registered complaints from consumers in 2012; compared to four registered complaints from consumers in 2011; and eleven in 2010 down by 81% or ratio of greater than 5:1 reduction in complaints to the State. The ACP attributes this dramatic drop in registered complaints by consumers to simply better communication bridges and collaboration efforts have been formed among all the stakeholders to preserve the integrity of the arbitration mechanism.

Registered Consumer Complaints to the ACP



One registered complaint was related to the level of service the consumer stated he received from the arbitrator and the program's case administrator. This consumer stated that one of the rules[s] of [the] hearing is that the arbitrator cannot be alone with any parties; and, that when he left the dealer [at the conclusion of the hearing], the arbitrator and the manufacturer representative were alone.

After further review and communication regarding the level of service concern between the arbitrator and the program case administrator, the state agency has established that the integrity and rules of the arbitration process have not been compromised, and it appeared that the arbitrator did not jeopardize the joint certification of Toyota Motor Sales, USA, Inc. (Toyota) and the CDSP. Pursuant to Title 16, California Code of Regulations (CCR), §3399.5, the ACP is mandated to review all state-certified program operations. As state regulators, the ACP reviews various components of each certified program throughout the year to ensure that all third-party arbitration program operations remain in substantial compliance with California law.

The ACP's findings revealed that consumers may sometimes get confused when contacting either Toyota or the CDSP about their case or dispute from these two separate entities. The CDSP case administrator monitors all case management aspects (telephone calls, emails, documents/correspondence, etc.) upon notification of a dispute by consumers to the close of their cases which typically involves the most likely parties - the arbitrator and the manufacturer representative.

On the other hand, arbitrators are charged with preserving the integrity of the arbitration mechanism and to uphold control of the hearings. California regulations, specifically CCR §3398.1 (g) states: "*An arbitration program shall maintain both the fact and appearance of impartiality.*" This requirement includes the avoidance to close hearings in parking lots or any outside location not previously agreed upon by the parties. As a best practice, the arbitrators should return the parties to the designated hearing room. There the arbitrator should appropriately adjourn the hearing by either leaving the room first and instructing the parties to wait behind at least 2 minutes before they exit the room or vice versa. This critical step will seek to avoid any subsequent encounters by any of the parties outside of the hearing room. Arbitrators should also avoid verbal and non-verbal pleasantries in the arbitration setting such as greeting the MFR representatives outside of the consumer's presence or waving good-bye to the MFR representatives at the close of the arbitration meetings. Arbitrators must demonstrate competency throughout the duration of the arbitration meeting as to avoid any potential violation to California law or jeopardize the joint certification of Toyota and the CDSP.

The second consumer expressed dissatisfaction with the non-performance of an award by the manufacturer in the arbitrator's decision of a repair award. Under Rule 23, *Clarification*, of the CDSP Rules, the consumer requested the arbitrator to clarify or modify his decision in the award. The consumer contacted the ACP for further assistance to exercise her right under the program rules. The consumer asserted that the manufacturer's performance of a further repair attempt had not occurred to her satisfaction, and she wanted the decision modified by the arbitrator.

Pursuant to California Code of Regulations (CCR) §3398.15, *Compliance by Program*, the ACP findings revealed that the program should seek instruction from California law to assert California standards (*Articles 2 & 3, Minimum Standards for Manufacturers and Minimum Standards for Arbitration Programs*) in this matter.

The ACP recommended that the Program promptly refer this case to the Arbitrator for **Reconsideration** to avoid any violation(s) of the California regulations. Once the Arbitrator reconsidered, the program should immediately contact the consumer and the ACP of the Arbitrator's ruling.

After further review and communication with the CDSP, the ACP established that the integrity and rules of the arbitration process have not been compromised, and the Arbitrator reconsidered all evidentiary evidence, and his decision remained affirmed.

Quite frankly, in the ten year history of the joint certification of Toyota and the CDSP, the ACP has not recorded a registered consumer complaint invoking California regulations to recommend to the program a *Request for Reconsideration* of an arbitrator's decision.

In all these analyses, the ACP ensures that the certified program conducts dispute resolution in a fair and expeditious manner. The ACP also reminds consumers that the decisions are based on what the arbitrator believes is fair and appropriate under the circumstances after applying the appropriate legal standards. Therefore, California laws and regulations must govern the resolution process when California consumers bring a warranty claim against the manufacturer.

Consumer Satisfaction Survey

In accordance with CCR §3399.5(a) (5), the ACP is required to perform an evaluation of consumer satisfaction based on the results of an annual survey.

Typically, the ACP provides a pre-arbitration survey form to the arbitrator prior to the commencement of the arbitration meeting. The arbitrator will request that the consumer return the survey form to the state agency within 1 to 5 calendar days or prior to the arbitrator's decision being rendered. The ACP subsequently sends out a post-arbitration survey form via postal service or online to consumers who utilized the arbitration program.

The 2012 Annual Consumer Satisfaction Survey results will be released in the second quarter.

Evaluation of Other Information

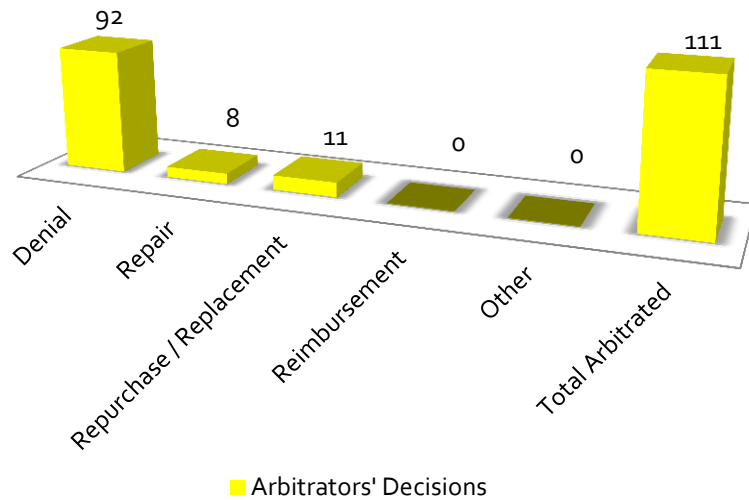
Statistical Reports

The attachments at the end of this review provide an overview of the disputes filed through the California Dispute Settlement Program, including comparisons with statistics from previous years. The following tables compare current statistics to the previous two years:

CDSP Toyota Reported Disputes	2010	2011	2012
Out of Jurisdiction	274	71	59
Mediated Prior to Arbitration	16	17	6
Arbitrated	301	181	138
Total Disputes Filed	591	269	203
CDSP Toyota Arbitrators' Decisions	2010	2011	2012
Repair	8	5	9
Replacement/Repurchase	22	24	14
Reimbursement of Expenses	2	0	0
No Relief	268	150	115
Other	1	2	0

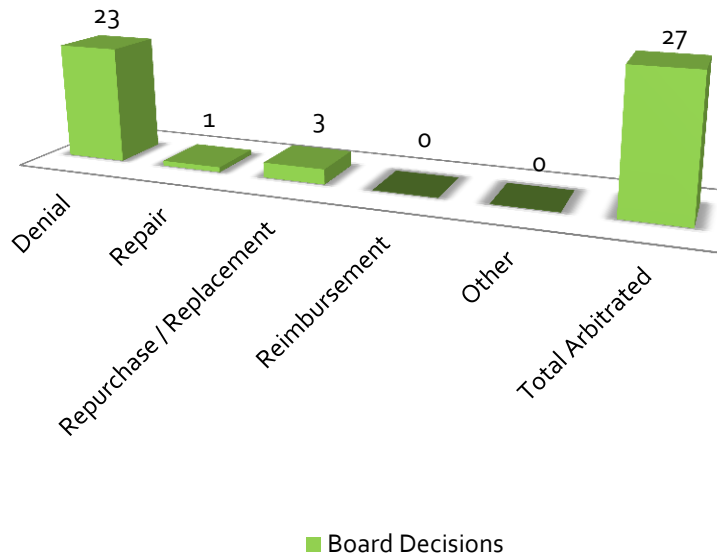
Arbitrator

In the below illustrations, the ACP performed a case decision breakdown between the single arbitrator versus the board of arbitrators.



Cases filed by consumers continue to drop off considerably in the past three years. In 2012, there were only 203 disputes or cases filed, down by 66 cases from 2011. There was a significant decrease of 54% in the number of cases filed in 2011 (269) when compared to 2010 wherein 591 cases were filed.

The CDSP has an average count of 15 active arbitrators who heard cases in 2012 (number based on the quarterly program reports), down from an average count of 19 active arbitrators who heard cases in 2011. Cases heard (arbitrated) dropped nearly 24% from the previous year, and there was also a 54% decline in cases arbitrated from 2010 to 2012. In 2012, the arbitrators heard 138 cases vs. 181 cases in 2011 and 301 cases in 2010. Arbitrator awards fell sharply by 25% of their decisions to consumers compared to 2011 at 6%.



The California Board held 8 board hearings totaling 27 cases adjudicated by this panel of arbitrators. In addition to adjudicating consumer claims, the board also reviews eligibility of certain claims at the request of the program to determine if the consumer claim meets the standard criteria for arbitration under the program’s scope of authority. In 2012, the board heard 27 cases compared to only 38 in 2011, and 105 in 2010. These declining figures in board cases heard of nearly 29% from 2011 and 74% from 2010 in cases by documents only. This trend could signal that more consumers are simply electing to present their cases in person (orally) rather than by written documents.

Timeline-Requirements Report

CCR §3398.9 requires arbitration programs to render decisions within 40 days, although this deadline can be extended under certain circumstances outlined in CCR §3398.9(c).

In previous reporting years in 2009 and 2010, the ACP raised concern when the program should report the actual MFR Performance of Awards in correct quarterly periods.

If the actual date of performance does not meet the criteria established in CCR §3398.9 (c) (1), (2), (3), then the arbitration program must report the actual date of performance in the same quarter as the performance date with comments stating the reason for the exception or non-compliance. However, for statistical reporting purposes, these cases should not be carried over and reported into a new reporting quarter or year.

If the actual date of performance occurs in a different quarter, the program should report this data in the same quarter based on the original performance date and amend its report stating the reason for the exception or non-compliance.

The CDSP did not have any cases which exceeded the 40-day requirement for unallowable reasons. The Administrator has done a commendable job of consistently complying with the 40-day reporting timeline when compared to 2009 and 2010 annual reporting years.

CCR §3397.5 requires the manufacturer to perform accepted arbitrator's decisions within 30 days. The program reported Toyota complied with the 30-day requirement in all decisions. Toyota Motor Sales, USA, Inc. has also done a commendable job of consistently complying with the 30-day performance requirement when compared to 2009 and 2010 annual reporting years.

Relative Issues

This section of the Annual Review has been created to elevate noteworthy issues observed by the ACP in 2012 to the attention of all arbitration programs and manufacturers alike. This segment serves to highlight trends as well as the areas for continued progress, so that all arbitration programs and manufacturers can take proactive approaches towards continued compliance.

Technical Service Bulletins and Supporting Documentation

CCR §3397.4(b) requires that the "manufacturer shall fully and promptly respond to reasonable requests by the arbitration program for any pertinent documents in its possession or under its control, such as: (1) technical service bulletins..." The arbitration programs specifically ask for the inclusion of technical service bulletins in letters requesting the completion of the manufacturer response form. However, the ACP has observed that oftentimes these technical service bulletins are not provided with the manufacturer response form or are produced only at the hearing when requested by the consumer or arbitrator. Manufacturers are required to produce these documents when requested by the arbitration program.

Technical Experts

The ACP has recently fielded inquiries regarding the use of technical expert inspections as a component of the mediation process. The ACP does not have any issue with the use of technical experts, either manufacturer-employed or independent experts, during settlement negotiations. However, these inspections are not admissible during arbitration. Song-Beverly Consumer Warranty Act provides the arbitrator the ability to request an inspection and written report on the condition of the vehicle by an automobile

expert who is independent of the manufacturer. This right cannot be infringed by an agreement or request made outside of the arbitration process.

Negative Equity

From the Relative Issues section of the 2010 Annual Review:

When an award is made, it is the responsibility of both the arbitration program and manufacturer to ensure the consumer is made whole. Negative equity is not an allowable deduction in state-certified arbitration programs. This has been the ACP's position since 1996, when the issue was first brought to the attention of the ACP for opinion. Therefore, when the arbitration program receives and reviews the repurchase and replacement amounts (calculation worksheets) provided by the manufacturer, it is the program's duty to notify the manufacturer of unallowable deductions, such as negative equity. This deduction should be corrected and returned to the consumer. In 2010, four manufacturers across two arbitration programs deducted for negative equity. Moving forward, arbitration programs should not allow manufacturers to make this deduction, and manufacturers should review their calculation amounts and return to consumers any amounts to which they are entitled.

In 2012, the ACP observed that some settlement documents included reference to a deduction for negative equity. Since arbitration programs have agreed to follow the parameters of Song Beverly in settlements, the ACP wants to ensure there are no references to a deduction for negative equity in both settlement and arbitration documents.

Prior Year's ACP Recommendations

In 2011, the ACP made the following recommendation(s):

The ACP requested that CDSP and Toyota address the following issue:

- Ensured arbitrators are provided relevant training in the principles of arbitration, applicable law, and the rights and responsibilities of the arbitrator as required in CCR §3398.2., particularly in flawed decision writing, decision content, record of the hearing, and correct use of template language

Prior Year's Manufacturer & Program Response

Joint Response by Toyota Motor Sales, USA, Inc. and the California Dispute Settlement Program Response to Requirements

The ACP received in a timely manner the joint response from both the program and manufacturer regarding the 2011 Annual Review. CDSP responded since the training of the independent arbitrators is solely a function of CDSP rather than Toyota, it will address the steps CDSP will take to accomplish the request made by the ACP. First,

CDSP will hold its yearly arbitrator training in California on May 12, 2012, where these issues will be directly addressed with the arbitrators hearing cases under the certified program. Secondly, CDSP will create CDSP specific arbitrator bulletins to more directly address issues unique to CDSP and programs certified by the ACP. Lastly, CDSP will continue to mentor arbitrators individually when valid issues are raised regarding those arbitrators or the cases they handle.

CDSP will strive, with the support of Toyota Motor Sales, USA, Inc., for continuous improvement in all facets of case administration and training of the arbitrators.

Requirements & Conclusion

Requirements

The ACP requests that Toyota and CDSP individually address the following issues specifically defined below:

Toyota

- Ensure the manufacturer representatives are provided relevant training in the principles of arbitration, applicable law, and the rights and responsibilities of the manufacturer as required in CCR §3397.2, §3397.4, particularly to avoid comments in their testimony at the arbitration meetings such as “per CDSP and the State, design characteristics are not arbitral”
- Ensure the manufacturer representatives maintain their position as a party to the hearing and not serve the role as an arbitrator or program staff which includes following the dealership protocol
- Ensure timely responses are provided to ACP as required in CCR §3398.15

CDSP

- Ensure arbitrators secure the hearing room, especially, at dealerships, before the scheduled time of the hearing. This will ensure the privacy and confidentiality of the arbitration setting and mechanism are not compromised.
- Ensure arbitrators are provided continued and relevant training in the principles of arbitration, applicable law, and the rights and responsibilities of the arbitrator as required in California Code of Regulations §3398.2., particularly in the area of program administration and upholding control of the hearings
- Ensure that the arbitration program shall investigate, gather, and organize all information necessary for a fair and expeditious decision in each dispute (see CCR 3398.5 (a), Investigation of Facts)

- Ensure that the arbitration program maintains both the fact and appearance of impartiality as required by CCR § 3398.1(g)
- Ensure timely responses are provided to ACP as required in CCR §3398.15

Conclusion

Toyota Motor Sales, USA, Inc. and the California Dispute Settlement Program as administered by the National Center for Dispute Settlement remain in **substantial compliance** with California regulations relating to the state-certification process.

Toyota and CDSP have performed an overall commendable job throughout the year with respect to the arbitration mechanism, communication, and their willingness to work diligently with the state agency.

The ACP requests a written response that includes action to be taken by Toyota and CDSP to remedy these requirements noted above within 30 days of this report.

Attachments

Attachment 1

Toyota Motor Sales USA, Inc.'s CDSP Summary of Total Disputes Closed

Attachment 2

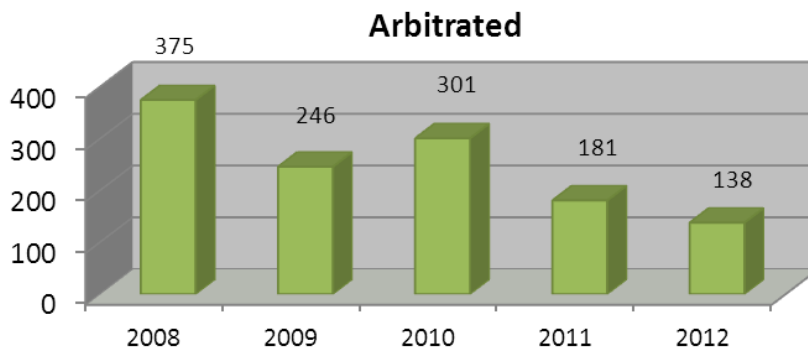
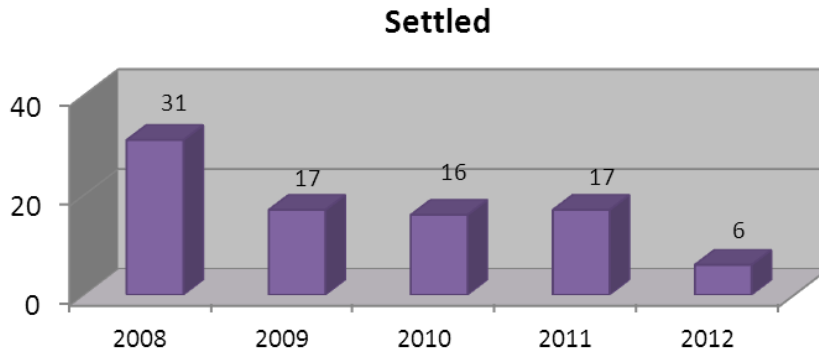
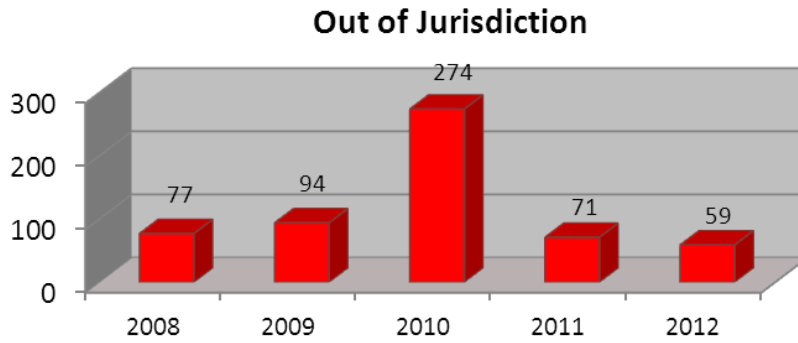
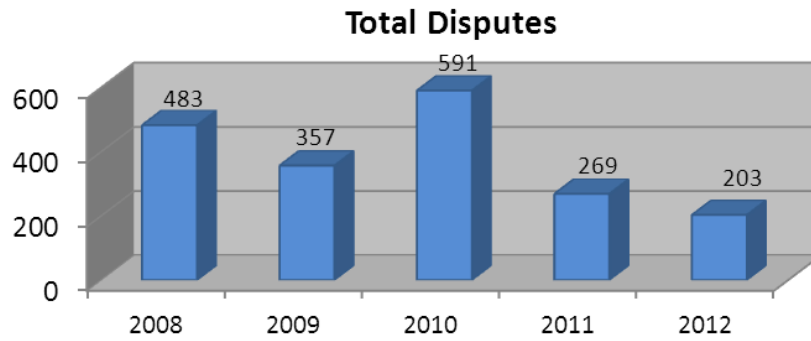
Toyota's CDSP Breakdown of Total Disputes Charts

Attachment 3

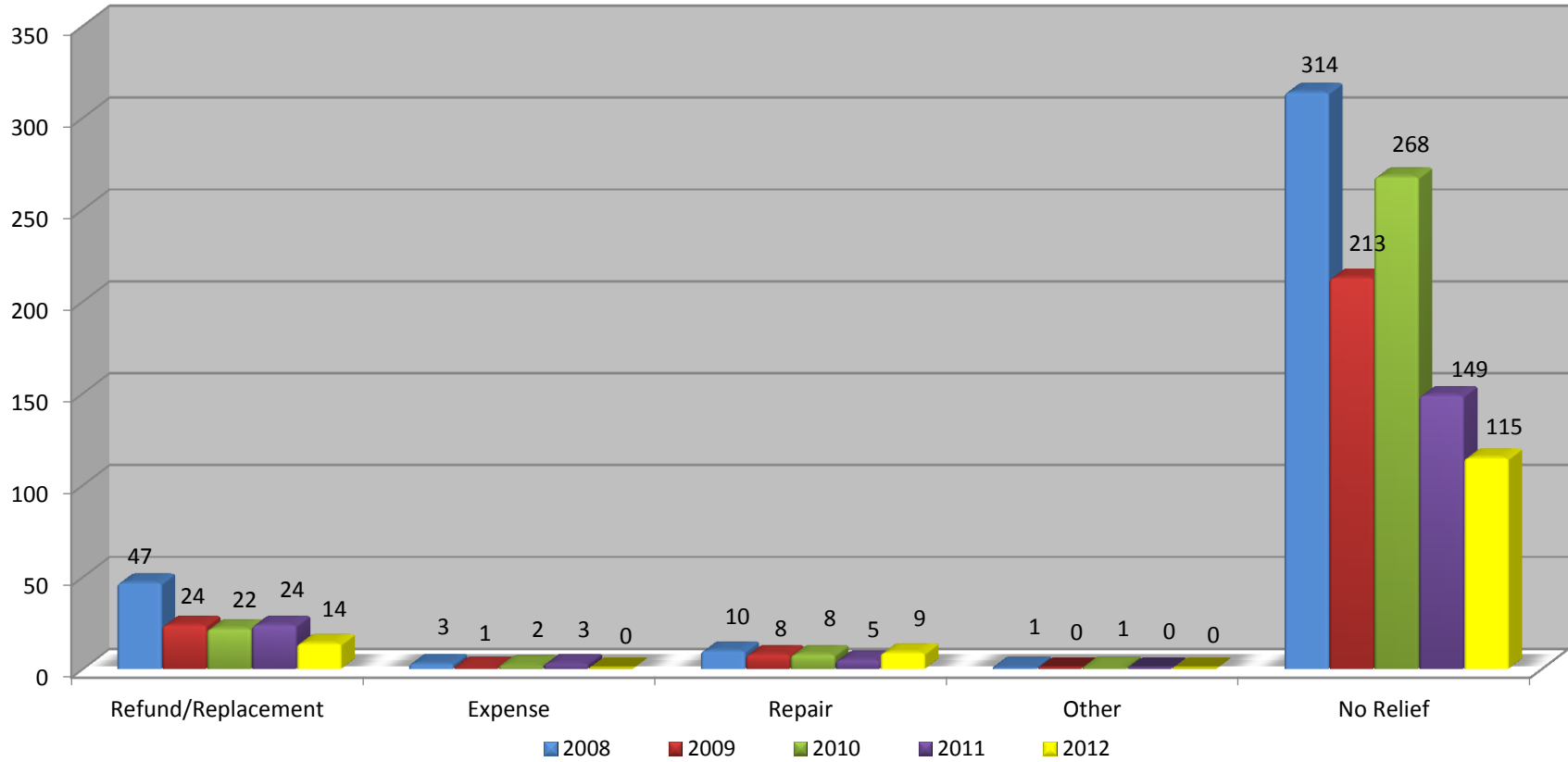
Toyota's CDSP Breakdown of Arbitrators' Decision Chart

Summary of Total Disputes Closed By the (California Dispute Settlement Program - CDSP) (Toyota Motor Sales USA, Inc.)	
Reporting Period: January 1, 2012 to December 31, 2012	
PART 1: DISPUTES CLOSED DURING REPORTING PERIOD	
A. Disputes ruled out of jurisdiction	59
B. Disputes mediated prior to arbitration	6
C. Disputes arbitrated	138
Total disputes closed	203
PART II: NATURE OF CONSUMERS' REQUESTS FOR RELIEF IN ARBITRATED DISPUTES	
A. Repair	0
B. Replacement	29
C. Return and restitution	37
D. Either replacement or return and restitution	20
E. Reimbursement of expenses	2
F. Other	0
Total Requests	88
PART III: NATURE OF DECISIONS IN ARBITRATED DISPUTES	
A. Repair	9
B. Replacement	1
C. Return and restitution	9
D. Either replacement or return and restitution	4
E. Reimbursement of expenses	0
F. No relief granted	115
G. Other	0
Total decisions	138

CDSP Toyota Breakdown of Total Disputes



Toyota's California Dispute Settlement Program Breakdown of Arbitrators' Decisions



Attachment 3