



N O R T H W E S T

**MAG** | McCONKEY AUCTION GROUP

# **GENERAL POLICIES**

**(Terms & Conditions)**

## **In-Lane and Online**

**EFFECTIVE DATE: January 18, 2021**

DAA Northwest (“DAA” or “auction”) has arbitration policies that are similar to the National Auto Auction Association (NAAA) standards. However, there are important differences and exceptions that make the auction experience at DAA unique. We believe that these differences benefit both sellers and buyers. We urge you to familiarize yourself with our policies to assure that you have a positive experience at the auction and that you receive the full benefit of our experience.

# TABLE OF CONTENTS

Effective Date: January 18, 2021

I. GENERAL POLICIES .....	1
II. SALE-LIGHT / VIDEO DISPLAY SYSTEMS: IN-LANE AND ONLINE SIMULCAST ONLY .....	3
III. SELLER RESPONSIBILITIES.....	4
IV. BUYER RESPONSIBILITIES .....	5
V. TITLE ARBITRATION POLICY.....	6
VI. PREVIOUS CANADIAN AND/OR GREY MARKET VEHICLES.....	9
VII. ARBITRATION GUIDELINES .....	10
VIII. ARBITRATION MATRIX.....	12
IX. STRUCTURAL DAMAGE, ALTERATION OR CERTIFIED STRUCTURAL REPAIR OR REPLACEMENT POLICY.....	13
X. STRUCTURAL DAMAGE DISCLOSURE REQUIREMENTS & DIAGRAMS .....	16
XI. FLOOD, PUDDLE OR STREAM POLICY .....	17
XII. WHITE LIGHT – POWERTRAIN POLICY .....	18
ADDENDUM: VEHICLE ACCESSORY ELECTRICAL PROBLEMS .....	19
ADDENDUM: OFFER POLICY.....	20
ADDENDUM: INHERENT CONDITIONS .....	21

# **I. GENERAL POLICIES**

## **1. Fair and Ethical Sale**

Sales made at DAA are intended to promote the fair and ethical treatment of both the Buyer and Seller. If DAA determines that the transaction is not fair and ethical to either party, then Seller and the Buyer agree that DAA may cancel the sale, at its sole discretion. This provision also applies to any clerical or administrative error made by DAA. Any arbitration conducted at DAA is subject to these General Policies and Terms and Conditions. Buyers and Sellers acknowledge that conducting business at the auction is a privilege that may be bestowed, or revoked, by DAA in its discretion. As a condition of transacting business at the auction, Buyers and Sellers agree that DAA may, in the exercise of its sole and absolute discretion, enforce, interpret or waive these Rules and Policies (Terms and Conditions) in any particular case or circumstance, when it determines that doing so is needed to assure the fair and equitable treatments of all parties to a transaction. Federal, State, and Local laws supersede these policies where applicable.

## **2. DAA Role in Sale**

- a) As the auction, DAA is neither a seller nor a buyer. It makes no representations, warranties or any guarantees of any kind as to the description, equipment, warranties, service policy, title status/accuracy, odometer accuracy or any other matter on any vehicle sold or offered for sale. DAA is acting as the agent of both the seller and buyer and, in such capacity, may act upon the verbal or written instructions to sign transaction documents or instruments on behalf of seller or buyer.
- b) DAA is not a party to the contract of the sale. The sales contract is between the Seller and Buyer only. The Seller is required to give the Federal Odometer Mileage Statement in connection with any vehicle sold at auction as required by the Motor Vehicle Information and Cost Savings Act of 1972, the Truth in Mileage Act, as the same have been or may be amended from time to time, and any other applicable federal, state and/or local law or regulation. DAA is not responsible or subject to any liability for the accuracy of odometer readings, odometer statements, announcements, or other disclosures, which responsibility remains with the seller.
- c) All vehicles bought or sold on the premises must be processed through the DAA office. Failure to do so will result in suspension of trading privileges at DAA and its affiliated auctions.

## **3. Outside Sales**

Any sale that is agreed upon between the buyer and seller on DAA premises, but the vehicle is not sold on the auction block, is considered an "Outside Sale". All applicable buyer and seller fees are payable to DAA in connection with any Outside Sale.

## **4. DAA VIN Policies**

- a) All vehicles consigned must have a visible public Vehicle Identification Number (VIN) plate attached to the vehicle. The original dash VIN must be present, unaltered and legible. The condition of all other VIN plates and placements are subject to the sole discretion of the auction. Those vehicles having a reassigned VIN plate in place of the original VIN plate must be announced or will be subject to sale cancellation or Buyer

return. DAA reserves the right to refuse the sale of any vehicle in which the VIN plate appears to be altered in any way.

- b) Seller guarantees VIN plates and years on any vehicle up to 20 model years old with the exception of the VIN plates and year on trailers, RVs, and watercraft, which are guaranteed up to 10 model years. Reassigned VIN plates are required to be disclosed and announced on any vehicle less than 20 years old.

## **5. DAA Right of Review**

DAA reserves the right to review any audio/video and other documentation and information to verify the accuracy of a sale.

## **6. DAA Exclusions**

- a) DAA is not bound by information listed in Electronic Data Vehicle Histories (EDVH), i.e. Carfax, AutoCheck, etc., and a vehicle may not be arbitrated solely on information contained in the EDVH data. DAA may, but shall not be required to, independently investigate vehicle history based on information found in EDVH for information that may impact arbitration.
- b) Motor vehicles are not subject to arbitration if they exceed 20 model years, with the exception of trailers, RVs, and watercraft, which cannot be arbitrated if they exceed 10 model years and if sold As-Is Red Light.
- c) Inoperative/non-running consignments, including but not limited to vehicles sold at the “Heavy Metal Sale”, and vehicles announced or otherwise disclosed as “Frame & Drive As-Is”, are not subject to arbitration as to any matter (except for odometer misrepresentation), regardless of age or price.
- d) Kit vehicles and homemade vehicles are sold “As-Is” and cannot be arbitrated for odometer, frame, warranty books, or model year or any other matter.
- e) Collector Car Policy: Arbitration of vehicles sold in vintage/collector sales will be limited to overt or intentional misrepresentation. Questions regarding any such vehicle, including but not limited to questions concerning any prior repair, reassigned VIN plate (20 years and older), and replacement of major part of other components, must be addressed by the buyer prior to purchase. In the absence of specific announced representations to the contrary, all vintage/collector vehicles sold on an “as-is/where-is” and not subject to arbitration for any matter or issue.

## **7. Additional Responsibilities for Online Buyers**

- a) The Buyer is responsible for understanding the Online Bidding/Proxy Bidding and Buy Now procedures for online buying channels.
- b) Vehicles sold online are subject to the time limits for arbitration as described in this policy. Online Buyers are advised to make use of the protections afforded by the Buyer Protection Plan on all online vehicle purchases.
- c) Online Buyer will inspect the vehicle immediately upon arrival at Buyer’s location. The Buyer must notify the DAA or facilitation service provider of any condition report discrepancies of over \$600 within two days of receipt. (Note: Discrepancies that can be addressed for less than \$600 are not eligible for resolution)
- d) Buyer will verify odometer reading upon arrival at Buyer’s location. Mileage must be the same as when purchased if arbitrating for inoperable odometer.

- e) Note: vehicle grades are assigned based on the assumption that each vehicle meets the “green light” functioning criteria as described in this policy. For vehicles sold under other conditions (i.e. Red or White light codes or announced defects) buyers are hereby reminded that the grade indicated on the condition report does not reflect the limited guarantee or announced defects.

### **8. Government Inspection**

All vehicles registered/sold at DAA are subject to inspection, with or without prior notice, by the FBI, State Police, National Auto Theft Bureau, Local Police or other Law Enforcement Authorities, any other governmental agency, or quasi-governmental agency, whether or not a warrant or other legal process is presented.

## **II. SALE-LIGHT / VIDEO DISPLAY SYSTEMS: IN-LANE AND ONLINE SIMULCAST ONLY**

### **1. Auction Light System**

DAA has a standardized light/video display system to describe the condition and/or disclosures related to the vehicle being sold. The system is defined as:

- a) Green Light - “Ride and Drive”: The green light signals that this vehicle is guaranteed under the conditions outlined in the Disclosure/Discovery Arbitration section, except for specific contrary disclosures or announcements made at or prior to the sale.
- b) White Light - “Powertrain”: Only the major powertrain components will be covered for arbitration. The vehicle must function well enough to be safely road tested - see “White Light - Powertrain Policy” in the addendum.
- c) Red Light - “As-Is” (hereinafter known as Limited As-Is): Vehicles selling under the red light will only qualify for limited arbitration under the rules outlined in the Disclosure/Discovery section of these General Policies.

Notwithstanding the forgoing, except as otherwise provided herein, all vehicles selling “As-Is, Red Light”, for a price of at least \$2500, are subject to arbitration for structural damage, unless the vehicle was sold with an announced structural condition.

### **2. Standard/Default Advisory**

Sellers are advised to adhere to the following standards when offering their vehicles unless they are certain that a vehicle will conform to the higher level of functioning. The following standards are applicable:

- a) In the event a seller fails to specify the light color at the time of sale, DAA will select the appropriate “light” based on the standard definitions below, as determined in its sole discretion.
- b) Green Light: Appropriate for vehicles newer than 10 years and having fewer than 100,000 miles.
- c) White Light: Appropriate for vehicles that are generally operational but are 10 years and older or have 100,000 miles but less than 150,000 miles.
- d) As-Is Red Light: Appropriate for vehicles 10 years or older and have 150,000 miles or more.

### III. SELLER RESPONSIBILITIES

All representations, warranties and other guaranties as stated by the Seller are those of the Seller only and not DAA.

1. Seller will be held responsible for the accuracy and completeness of all representations or descriptions. This includes handouts, catalogues, vehicle markings, condition information or vehicle listings and verbal or written statements made by Seller, Auction, Auctioneer or Selling Representative at the time of sale. The Seller understands that the sale light/video display is a binding arbitration representation of vehicle condition and is therefore responsible for ensuring that their vehicles sell under the correct light in the lane.
2. Following the Federal Odometer Disclosure Law effective January 1, 2021, mileage announcements are not required for vehicles that are 20 years or older starting with model year 2011 and/or are deemed exempt from Federal/State Odometer and Title disclosure laws unless a mileage discrepancy is known or apparent to the seller. The Seller may represent miles on exempt vehicles; any disclosures made by the Seller and all known odometer discrepancies are grounds for arbitration.
3. Title discrepancies must be announced including, but not limited to: not actual miles, salvage, theft recovery, stolen vehicle, flood damage, Lemon Law buybacks and trade assist.
4. If a vehicle is being offered for sale by a third party, an announcement of "3rd Party Seller" is required. Disclosure requirements and time limits are subject to local auction policy.
5. Announcements are required as stated in this policy, and additionally under WA state law or federal statutes or regulations. Announcements must be disclosed on the auction invoice/sale contract/bill of sale or equivalent document in a physical or online auction environment.
6. The availability of a manufacturer's warranty shall not affect a Buyer's right to arbitrate a vehicle. Regardless of the warranty coverage in terms of the root cause of the complaint, an announcement may be required.
7. In the event of a successful arbitration by the Buyer, the Seller is responsible for reimbursement of all reasonable documented expenses incurred by the Buyer (excluding profit, commissions and detail charges) on vehicles arbitrated for undisclosed conditions. Reimbursements that qualify under these guidelines will be at the sole discretion of the Auction and will be limited to the reasonable and documented expenses at auction (wholesale) repair cost.
8. Seller will not be paid for vehicles in arbitration until arbitration is settled and vehicles are sold. For arbitrations occurring after the seller has been paid, seller is required to promptly return the payment to the auction if the transaction is voided as a result of Arbitration.

## IV. BUYER RESPONSIBILITIES

1. Prior to placing bids, the Buyer is responsible for inspecting the vehicle, listening to and reviewing any verbal or written announcements and disclosures made by the Seller, Auction, Auctioneer or selling representative. Buyers are also responsible for reviewing all pertinent information available online, including, but not limited to, announcements, disclosures, condition reports, pictures and online listings. Buyers are also responsible for observing and understanding the sale lights (Green, White, Red), which identify various sale conditions for the vehicle. Once the vehicle is sold, the Buyer should check the Auction sales receipt or appropriate document to confirm the vehicle price, disclosures and announcements are correct before legibly printing and signing their name or digitally/electronically signing the Auction sales receipt or appropriate document.
2. Buyers are advised to utilize the Buyer Protection Plan (Post-Sale Inspection/PSI) from the auction on all eligible vehicles purchased.
3. The auction will not arbitrate vehicles based on any unintentional errors or omissions of any promotional information related to the vehicle.
4. Buyer agrees to be liable for any and all work done to a vehicle (including a vehicle purchased as unavailable or absent) prior to returning the vehicle to Auction except on vehicles arbitrated for undisclosed conditions not detectable through vehicle inspection, including but not limited to, not actual miles, salvage, theft recovery, stolen vehicle, flood damage, Lemon Law buybacks and trade assist.
5. The Buyer is financially responsible for any pending sale and assumes all risk of loss until arbitration is final.
6. The Buyer or Buyer's agent (transporter or driver) must note any damage on the gate release prior to removing the vehicle from the Auction or facilitation service provider's location. Auction and/or facilitation service provider will not be responsible for any damage not identified on the gate release or the condition report once the vehicle is removed from the location.
7. Buyer purchases not picked up within 90 days are subject to storage fees and right to impound vehicle by Auction up to maximum dollar amount allowed by WA state or federal law.
8. The Buyer shall not surrender possession of the vehicle to any claimant, except as required by legal process, nor shall Buyer voluntarily pay or acknowledge the validity of any claim, without the prior approval of Auction. Time is of the essence. Any failure on the part of the Buyer, after becoming aware of said claim, to notify Auction of any claim in a timely manner or failure of the Buyer to cooperate in defending any such claim shall relieve Auction and seller of any liability under this policy.
9. A vehicle is not considered returned until received, inspected and approved for return by Auction management. Any vehicle returned must be in the same or better condition as when sold. Any vehicles delivered to and left on Auction premises without Auction approval remain the sole responsibility of the Buyer. Buyer assumes all risk of loss. Vehicle must be returned in a timely manner consistent with Auction direction.
10. There may be a charge for excessive mileage on a returned vehicle at the discretion of the Auction.
11. The Seller/Auction shall not be liable for any vehicle sale or repairs made by the Buyer before the title is received by the Buyer. If the title has been mailed from Auction to Buyer, Buyer may not return vehicle.

## **V. TITLE ARBITRATION POLICY**

### **1. Seller Title Responsibilities**

All titles submit by Seller must be in Seller's company name on title or on a properly executed reassignment form. The Seller unconditionally guarantees the titles of vehicles that are sold through DAA. This guarantee of the title warrants that the title shall be marketable and free and clear of all liens and encumbrances. "Encumbrances" shall be deemed to include any brand (such as "salvage") noted upon the current or any prior certificate of title, unless such encumbrances were disclosed and announced at the time the vehicle is sold through DAA and for a period of four (4) years from the date of sale. Seller's liability under this title guarantee shall never exceed the DAA sale price (the "maximum amount") of the vehicle, and this maximum amount shall be reduced by two percent (2%) per month following the sale date. All liability under this title guarantee shall expire and terminate 48 months after the DAA sale date. DAA will not be responsible for any expenses or other loss or damage incurred on or otherwise related to vehicles returned for late title.

### **2. Seller's Title Guarantee**

Seller warrants, represents and unconditionally guarantees possession and conveyance of a certificate of title, properly executed, valid in the state where the transaction is occurring, free and clear of all liens and encumbrances, and seller warrants and will defend such title against the rights, claims and demands of all persons whatsoever. Note: DAA does not require announcement of or arbitrate for unpaid California DMV fees.

### **3. DAA Right to Remediate Clerical Error**

If the title problem is due to a clerical or coding error, or incomplete documentation, DAA shall be given reasonable time after receiving notice of any alleged title defect to have the error corrected.

### **4. Buyer's Title Claim Notice to DAA**

Whenever any claim is made by any person against the title of a vehicle, whether by suit or otherwise, the Buyer, after becoming aware of said claim, shall immediately notify DAA. This involves giving the full detail and particulars of any claim, cooperating fully in defending any legal action, and in taking other steps to minimize or otherwise mitigate possible loss.

### **5. Title Assignment**

Title must be reassigned or otherwise transferred directly to Buyer. No title assigned directly to DAA will be accepted.

### **6. Payment After Title Receipt**

Seller will not be paid for vehicles until a transferable title is received.

### **7. Non-Titled Vehicle Rules**

a) DAA accepts no responsibility for non-titled vehicles sold without title. Seller must disclose and announce the vehicle being sold with a bill of sale only and that there is no title to transfer.



- b) All non-titled vehicles and equipment will be sold “As-Is”.

### **8. Titles Not Permitted**

- a) Applications or other documents related to a duplicate title will not be accepted, unless announced as such or if allowed by the appropriate jurisdiction.
- b) Foreign titles, such as Canadian titles, are unacceptable.

### **9. Assignment Title Timeliness for Vehicles Sold Title Attached/Unavailable/Absent**

- a) Title Arbitration Policy: Seller has up to a maximum of 21 days to present a title - unless the sale was announced “Delayed Title” at the time of sale (sale day is day 1). After 21 days, it is the Buyer’s option to return the vehicle. A 3-day notice is required. Buyer may give notice of intent to return vehicle on 18th day. In the event “Delayed Title” is announced at the time of sale, the seller has up to a maximum of 45 days to present a title (sale day is day 1). After 45 days, it is the Buyer’s option to return the vehicle. A 3-day notice is required. Buyer may give notice of intent to return vehicle on the 42<sup>nd</sup> day.
- b) Buyers are cautioned to not sell or make repairs to a purchased vehicle until title is received. In the event a vehicle is returned due to lack of title from the seller, Buyer is only entitled to the auction buy fees and reasonable transportation expenses to and from the Buyer’s dealership to DAA, and shall have no right to recover any other loss or damage, including, without limitation, no right to recover any lost profit, interest accrual, or any damage asserted by a third party purchaser as a result of buyer’s inability to deliver title.
- c) Buyer Responsibilities: The Seller/DAA shall not be liable for any vehicle sale or repairs made by the Buyer before the title is received by the Buyer. If the title has been mailed from DAA to Buyer, Buyer may not return vehicle. Buyer is required to notify DAA in a timely manner consistent with DAA’s policy before returning vehicles. If a valid negotiable title is presented within the DAA policy notice period, the transaction will stand.
- d) If, after 90 calendar days, Seller has not produced negotiable title and Buyer has not returned the vehicle, this title guarantee shall not apply and DAA shall have no duty to produce the certificate of title to the Buyer and shall have no duty to pay Seller.

### **10. Applications for Duplicate Title**

Applications for duplicate title will not be accepted except as follows: (a) Washington Paperless Titles (Paperless/PPL) and Lost Title Applications (LTA) will be accepted and are subject to the following conditions: (i) Must be announced; (ii) Failure to announce a Lost Title Application or Washington Paperless Title may result in the sale being canceled or the Seller being charged for all costs associated with obtaining a free and clear title. Handling to be determined at the sole discretion of the Auction; and (b) Non-Washington dealers may purchase vehicles announced as “PPL”, “Paperless Title” or “LTA.” Buyer will be responsible for cost of obtaining a Washington title and Buyer may not arbitrate the vehicle for late title. Oregon and Idaho dealers will be required to accept PPLs and LTAs based upon the then current Washington state title rules.

### **11. Title and Vehicle History – see Arbitration Matrix**

Seller must declare the following, whether or not the current title is branded:

- a) Branded Title: Any brands appearing on the title, or which will appear on the title. Applies to all vehicles, regardless of age and sale price.
- b) Salvage History: A total loss (as determined by NMVTIS), salvage, junked or prior salvage vehicle.
- c) Canadian Imports: Canadian vehicles that are ten (10) model years old and less. NOTE: to be eligible for consignment and sale, Canadian vehicles must have a U.S. title and meet U.S. standards.
- d) Police, Taxi, Government and/or Livery.
- e) Warranty Return: A vehicle that has been declared a warranty return (a Lemon Law vehicle).
- f) Flood damage.

## **12. Auction Title Indemnity**

In regard to defect in title, and in any matter relating to odometer mileage, odometer statements, or damage disclosure statements: Seller and Buyer agree to indemnify and hold harmless DAA from and against any liability, loss costs, damage or expenses, including attorney fees which may arise either directly or indirectly from the sale and purchase of the consigned vehicle including but not limited to title services provided.

## **13. Buyer Delivery Responsibility**

DAA will not be responsible for delivery of titles mailed, via regular U.S. First Class mail, from DAA and not received by the Buyer. Buyer has the choice of alternative delivery method, if desired, and will advise DAA of its choice and will pay DAA for such service. In the absence of such notice, DAA is authorized to mail the title to buyer via U.S. First Class mail.

## **14. Seller Additional Fees**

- a) Seller will be responsible for the buy fee plus reasonable transportation expenses to and from the Buyer's dealership to DAA on vehicles returned for "no title".
- b) Titles received after the maximum time allowed in this Title Policy may be subject to a late title fee. All expenses to obtain title will be charged to the Seller and shall be payable on demand.

## **VI. PREVIOUS CANADIAN AND/OR GREY MARKET VEHICLES**

A Canadian Import disclosure is required for any vehicle (regardless of manufacturing origin) having been registered in a Canadian province. Additional announcements may be required as well due to the use in Canada.

### **1. Eligible Vehicles**

Any vehicle not originally built to U.S. specifications can, under certain circumstances, be imported through a registered importer who modifies the vehicle to comply with U.S. equipment and safety regulations and then certifies it as compliant, and an independent commercial importer who modifies the vehicle to comply with U.S. emissions regulations and then certifies it as compliant. Only vehicles properly converted to U.S. specifications can be sold and must be announced as such.

### **2. Seller Responsibilities**

Seller must inform Auction that a vehicle has grey market history at time of registration and must disclose that to the buyer in writing as an announced condition on all documentation supporting the transaction.

### **3. Proper Conversion**

- a) If a vehicle was manufactured in Canada for the Canadian Market, the Manufacturer is required to obtain and affix a U.S. Safety Standard Certification Label to the vehicle.
- b) All vehicles imported must be imported through a Registered Importer. Registered Importers are required to post a bond with the U.S. Department of Transportation. All vehicles imported through a Registered Importer must have:
  - i. U.S. Safety Standard Certification label that identifies the Registered Importer
  - ii. Valid U.S. Title or Legal Foreign Title
  - iii. Meet ALL Federal NHTSA, D.O.T. and/or E.P.A. Mandated Guidelines
  - iv. Documentation must be provided
- c) All vehicles, whether imported by a Manufacturer or a Registered Importer, must show miles per hour on the speedometer and miles traveled on the odometer. Title 49, United States Code, Chapter 327, Section 32704, allows replacement odometers without a door frame sticker if the conversion from kilometers to miles can be done without changing the distance traveled by the vehicle; therefore, replacement of an odometer under these circumstances does not have to be announced by the Seller.

### **4. Factory Warranty**

Vehicles announced as "Canadian Import" are subject to warranty limitations and denial. Buyers are advised to become familiar with warranty issues prior to purchase of "Canadian Import" vehicles. There will be no arbitration for denial of warranty coverage on any vehicle sold as "Canadian Import".

## VII. ARBITRATION GUIDELINES

Vehicles that have any of the defects outlined the Arbitration Matrix that were not disclosed or announced at the time of sale must be reported to Auction within the time frame noted below in order to be eligible for arbitration. Vehicles must be returned to Auction in the same or better condition than when purchased.

### 1. Time Period

Refer to the Arbitration Matrix for arbitration time periods. Sale day is Day 1. Arbitration shall end at the close of business as determined by each Auction on the last calendar day in the time period.

### 2. Process

Arbitration may be initiated by either the buyer or the auction inspection staff but must be initiated within the timelines as described in this policy document. Repair costs will be determined by the auction and will reflect the auction's best estimate of normal wholesale repair cost. Vehicle cannot be rejected if seller agrees to repair issues "defects" that do not exceed \$600 per covered defect and if repaired within normal arbitration timeframe (7 days) unless agreed to by buyer/seller otherwise. If a single covered defect exceeds \$600 the deal can be rescinded regardless of seller willingness to repair. The auction management makes the binding decision upon both the Buyer and Seller on all arbitration matters.

### 3. Fees

Auction reserves the right to assess an arbitration fee to the Buyer. If the arbitration is valid, Auction reserves the right to assess an arbitration fee to the Seller in addition to any charges associated with the arbitration.

### 4. Not subject to arbitration:

- a) Vehicles exceeding 20 model years, with the exception of trailers, RVs, and watercraft, which cannot be arbitrated if they exceed 10 model years and if sold As-Is Red Light.
- b) Kit vehicles or homemade vehicles are sold "As-Is" and cannot be arbitrated for odometer, frame, warranty books, or model year.
- c) Noise and Inherent Conditions: No arbitration can be based on noises or conditions that are inherent or typical to a particular model or manufacturer, unless deemed "excessive" by the arbitrator on non-warranty items. OEM dealer warranty guidelines will be used where applicable to determine whether the condition is excessive. *(See Addendum Inherent Conditions)*
- d) Manual Transmissions: Vehicles with standard transmissions cannot be arbitrated for manual clutches unless the defect will not allow an adequate test drive.
- e) Auction will not arbitrate vehicles for wearable items (i.e. maintenance items, suspension) and accessory equipment not listed as covered in Arbitration Matrix or as deemed by Auction (i.e. radiator, water pumps , torn CV boots) unless unable to complete proper drive for post-sale inspection.
- f) Unsafe vehicles: Auction reserves the right to reject any vehicle that management judges to be unsafe.

- g) Auction is not bound by vehicle grades or other types of scoring systems placed upon the vehicle. Buyers may only arbitrate a vehicle based upon damage or defects that were present at the time of the sale of the vehicle.
- h) Vehicle modifications (e.g. suspension raised or lowered, aftermarket supercharger, etc.) must be announced on Green Light or White Light vehicles however, the method used for the modification will not be arbitrated. Buyers are advised to become familiar with any modifications prior to purchase. Buyers are hereby additionally advised that vehicles modified from the original design are inherently unreliable and subject to premature component wear and / or failure. Modified vehicles are subject to limitations for arbitration and BPP coverage at the sole discretion of the auction.

## NAAA Seller Disclosure/Announcement Requirements

	Disclosure/Announcement Required			Arbitration Time Periods		
	Green Light Only	White Light Only	Red Light Only	Green Light Only	White Light Only	Red Light Only
	Ride & Drive	Limited Guarantee	Limited As-Is	Ride & Drive	Limited Guarantee	Limited As-Is
<b>Major Components</b>						
Sludged Engine	YES	YES	NO	B or C	B or C	N/A
Missing Airbag	YES	YES	YES	B or C	B or C	N/A
Engine Problem *	YES	YES <b>Δ</b>	NO	A or C	A or C	N/A
Transmission Problem *	YES	YES <b>Δ</b>	NO	A or C	A or C	N/A
Cracked or Repaired Block / Transmission / Transfer Case / Differentials	YES	YES	NO	B or C	B or C	N/A
4X4 System / Running Gear Problem *	YES	YES <b>Δ</b>	NO	A or C	A or C	N/A
ABS Problem *	YES	NO	NO	A or C	N/A	N/A
HVAC Problem *	YES	NO	NO	A or C	N/A	N/A
Power Steering Problem (Hydraulic and Electrical System Components) *	YES	NO	NO	A or C	N/A	N/A
Emission Control Equipment Missing or Inoperable / Performance Modifications *	YES	YES <b>Δ</b>	NO	A or C	N/A	N/A
4X2 Vehicles Modified to Resemble 4X4	YES	YES	YES	A or C	N/A	N/A
SRS (Safety Restraint System, Airbag Light) *	YES	NO	NO	A or C	N/A	N/A
Hybrid or Electric Vehicle Battery Problems and/or Missing or Inoperable Battery Charger *	YES	YES <b>Δ</b>	NO	A or C	A or C	N/A
<b>Vehicle History Issues</b>						
Structural Damage/Certified Structural Repair or Replacement/Structural Alteration Per NAAA Structural Damage Policy	YES	YES	YES ***	B or C	B or C	B or C
Not Actual Miles/Inoperable Odometer	YES	YES	YES	B or C	B or C	B or C
Total Loss and/or Salvage Retention (By Insurance Records) **	YES	YES	YES	B or C	B or C	B or C
Theft Recovery/Stolen Vehicles (Including History) **	YES	YES	YES	30 Days	30 Days	30 Days
Banded, Insurance and/or Salvage Titles (Including History) **	YES	YES	YES	B or C	B or C	B or C
Flood Damage (By Auction Inspection) **	YES	YES	YES	30 Days from Sale Date	30 Days from Sale Date	30 Days from Sale Date
Lemon Law/Manufacturer's Buyback **	YES	YES	YES	B or C	B or C	B or C
State-Issued VIN Plates (Including Kit Vehicles) Less Than 20 Years Old	YES	YES	YES	B or C	B or C	B or C
All Taxis and Livery Requiring Local or State Licenses and Law Enforcement Vehicles	YES	NO	NO	B or C	N/A	N/A
Previous Canadian Vehicles (Current Model Year and Up to 10 Model Years Old) Unless State or Local Law Supersedes	YES	YES	YES	B or C	B or C	B or C
Grey Market Vehicles **	YES	YES	YES	B or C	B or C	B or C
Vehicles Being Sold with No Title (Bill of Sale Only)	YES	YES	YES	B or C	B or C	B or C
Voided Factory Warranty	YES	YES	NO	30 Days	30 Days	N/A
Fuel Conversion	YES	YES	NO	B or C	B or C	N/A
Non-Original Engine (Excludes Items Replaced Under Manufacturer's Warranty) Current Model Year and Up to 4 Model Years Old	YES	YES	NO	B or C	B or C	N/A
Logo or Decal Misrepresentation	YES	YES	YES	B or C	B or C	B or C
Biohazard Vehicles (Existing or Cleaned)	YES	YES	YES	A or C	A or C	A or C
Flood Damage History (Discovered by DMV and/or Insurance Company Records) **	YES	YES	YES	120 Days	120 Days	120 Days
<b>Other Issues</b>						
Vehicle Accessory Electrical Problems * (Current Model Year and Up to 4 Model Years Old) - See Addendum	YES	NO	NO	A or C	N/A	N/A
Paintwork (3 Panels or More) on Current Model Year and Newer (Excludes Bumpers)	YES	NO	NO	A or C	N/A	N/A
Vehicles Being Sold With a Government Release for Title (ie: 27A, SF-97-1, and etc), CO,MSO or Repo Affidavit Title (If Required By Law)	YES	YES	YES	7 Days After Receipt of Title	7 Days After Receipt of Title	7 Days After Receipt of Title
Pending State or Local DMV Fees or Taxes Over \$100 Due On Vehicle (If Required By Law)	YES	YES	YES	7 Days After Receipt of Title	7 Days After Receipt of Title	7 Days After Receipt of Title
Any Disclosure Required By Law	YES	YES	YES	7 Days After Receipt of Title	7 Days After Receipt of Title	7 Days After Receipt of Title
Concealed Damage > \$600 at sole discretion of the auction	YES	YES	NO	B or C	B or C	N/A

### Time Period vs. Sale Channel Breakdown

"A" Inlane - Sale Day Only    "B" Inlane - 7 Calendar Days Only    "C" Online – 2 calendar days within verified receipt of the vehicle from the seller and/or auction not to exceed 10 calendar days from original sale date

\* Must disclose defects that are singularly \$600 or more to repair or replace (fleet consignment only). Dealer consignment must declare regardless of cost.

\*\*These transactions may be subject to arbitration regardless of the stated time limits. Arbitration claims initiated after the stated time period will be addressed via the depreciation formula described in "Title Arbitration Policy"(Paragraph I).

\*\*\* Must sell for \$2,500 or more

**Δ** Refer to White Light Addendum

## IX. STRUCTURAL DAMAGE, ALTERATION OR CERTIFIED STRUCTURAL REPAIR OR REPLACEMENT POLICY

The purpose of the NAAA Structural Damage Policy is to define and clarify terminology associated with structural damage and to specify the disclosure requirements of the seller for vehicles offered at NAAA affiliated auctions. The policy is intended to provide adequate disclosure to the buyer for informed purchase decisions and to limit arbitrations for the seller. This policy, along with the main Arbitration Policy will serve as the primary criteria for all arbitration proceedings.

### 1. Definitions

- a) **Vehicle Structure**-The main loadbearing platform of a vehicle that gives strength, stability and design exclusivity and to which all other components of the vehicle are fastened. For purposes of this policy, there are three macro types:
- i. **Unibody** - A type of structure whereby the floor, roof, panels, etc. are bonded together into one unit, thereby eliminating the need for a separate conventional frame. Unibody structures are typically shorter, sturdy and have thinner wall thickness.
  - ii. **Unibody on Frame** - A type of structure whereby a unitized structure is bolted to a conventional frame.
  - iii. **Conventional Frame** - A type of structure consisting of two symmetrical rails (beams) connected by cross-members.
- b) **UVMS** - Used Vehicle Measurement Standard. The commercially acceptable measurement deviation from the vehicle's original structural specification in order for any deviation not to be considered structural damage.

### 2. Recommended Disclosures

- a) **Structural Damage** - Damage to the structure or a specific structural component of the vehicle. Often referred to as frame damage, although it also applies to Unibody and Unibody on Frame structures in addition to Conventional Frame.
- b) **Certified Structural Repairs/Replacement** - Repairs to a specifically identified structural component of a vehicle that has been certified to be within the Used Vehicle Measurement Standard (UVMS).

### 3. Seller Disclosure Requirements

Sellers must disclose structural damage, alterations, repairs or replacements (certified or non-certified) as outlined in this policy prior to selling a vehicle at auction regardless of sales channel or light condition (except As-Is RED light where meets minimum sale price, see main Arbitration policy for light definitions). Disclosures are required for the following:

- a) Any/all existing permanent (*nonrepairable* aka kinked or broken) structural damage as defined in this policy
- b) Improper and/or substandard prior repairs (not meeting OEM repair guidelines)
- c) Repairs not certified to be within the UVMS Improper alterations to the structure Lengthened or Shortened structure

- d) Altered suspension that requires the structure to be modified from its OEM form. This requirement is not applicable for vehicles that are obviously raised or lowered. The method used for altering the suspension will not be arbitrated unless the auction in its sole discretion determines that the vehicle is unsafe to operate.
- e) After-market accessories installed or removed to the structure.
- f) Towing packages installed (or removed) where new holes are drilled, OEM holes are enlarged, or if the towing package is welded or brazed to the structure or are not visible on  $\frac{3}{4}$  and 1-ton vehicles. Any  $\frac{1}{2}$  ton vehicles are required to be disclosed regardless.
- g) Multiple access holes (regardless of size) or singular access holes greater than  $\frac{5}{8}$ ". Access holes between  $\frac{1}{4}$ " and  $\frac{5}{8}$ " are subject to disclosure based upon location and condition of structural component.
- h) Corrosion of structural components determined by one or more of the following; when the substrate loses its shape, the original bonds near the affected area are loose or no longer in existence, the original thickness of the substrate has been reduced by more than 25%, the affected area can no longer possess its absorption or deflection properties or at Auction discretion.
- i) Structural tear damage (i.e. transport tie down) if more than 1" in length (measured from tear start/stop points)
- j) Damage due to improper jacking or lifting that permanently deforms structural components outlined in this policy.
- k) Damage due to contact with parking abutments and/or road debris that permanently deforms structural components outlined in this policy.
- l) Roof bows/braces that have been modified, have existing damage or removed. A replaced roof skin is not a required disclosure in terms of the Structural Damage Policy.
- m) The C pillar/quarter or Cab panel may or may not be a structural component(s) as per the vehicle manufacturer.

#### **4. Arbitration Rules for Structural Damage**

- a) A vehicle may be arbitrated if it has undisclosed existing damage or repairs, which should have been disclosed under this policy, even though the vehicle is within the UVMS. If structural damage is properly disclosed, the vehicle may only be arbitrated for improper repair of the designated area, existing damage or repairs to other areas of the vehicle not disclosed, or for failure to be within the UVMS.
- b) In the event that structural alteration is disclosed on a vehicle, the vehicle may only be arbitrated for damage or repairs to structural components other than those disclosed or in the event of improper alteration.
- c) Damaged or replaced core supports or rear body panels do not require a structural disclosure under this policy.
- d) Damage to the aprons, rail floor pan assembly, inner wheelhouse (upper or lower), D pillar (if equipped) or other ancillary structural components on a unitized structure in the area where the radiator core support or rear body panel attaches will require a disclosure if permanent damage exists.
- e) Brazed exhaust hangers are not a required disclosure under this policy.
- f) Facilitating auction will, at its discretion, have a vehicle measured according to the UVMS at a facility of its choice. Prior to sending the vehicle for measurement, the auction reserves the right to complete a visual

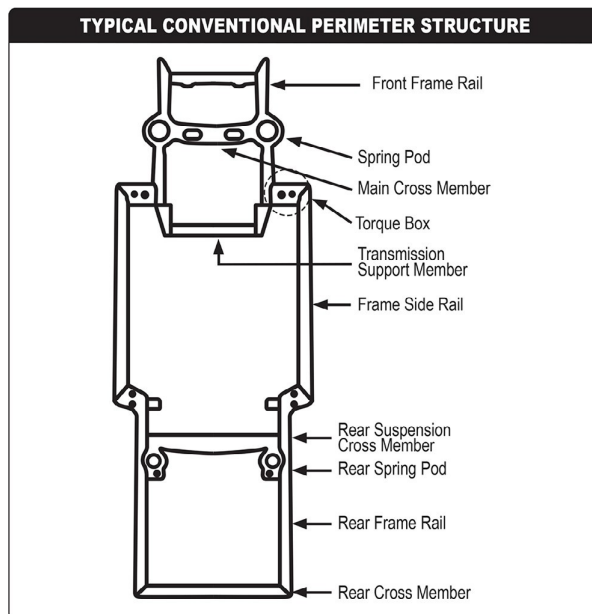
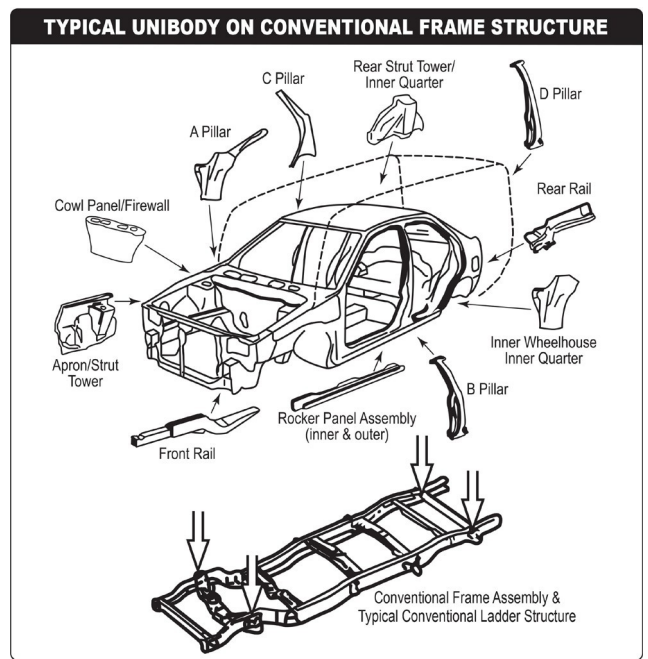
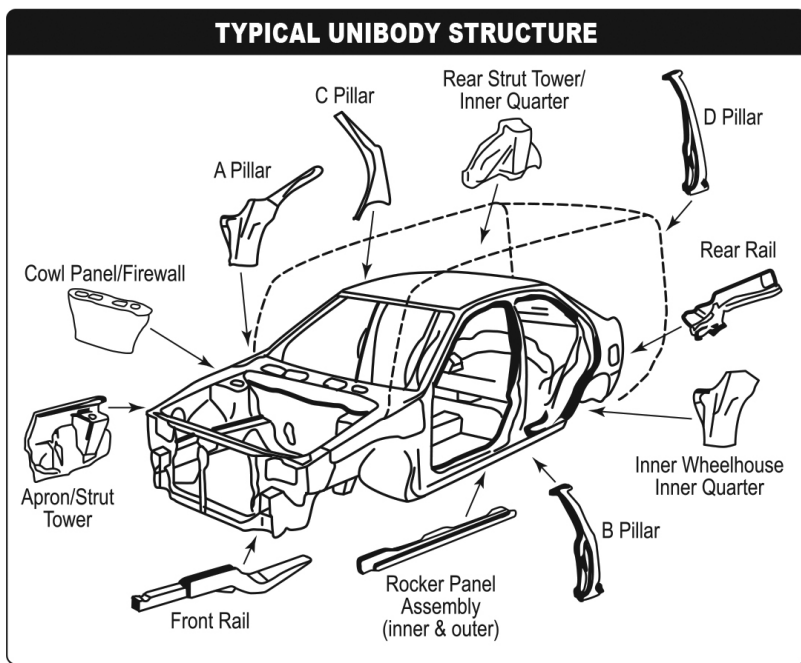


verification of the physical condition of the vehicle to determine that it should be measured. If the measuring facility determines that the vehicle is within the UVMS, the buyer of the vehicle will be responsible for the charges paid to the facility. Likewise, if the measuring facility determines that the vehicle is not within the UVMS, the seller will be responsible for the charges paid to the facility.

- g) Visual evidence supersedes any/all mechanical or electronic measurements.
- h) For measurements according to the UVMS, the following guidelines will apply:
  - i. The vehicle structure must measure to a total tolerance of no more than +/- 8 millimeters (mm) of published specification of length, width and height at control points that capture the front (2), center (4) and rear (2) sections of the vehicle.
  - ii. Symmetrically (comparative measure from side to side and point to point based on point measurement), the length, width and height must measure to a difference of no more than 6 mm. Upper body measurements (tram gauge) by themselves will not be adequate.
- i) Buyer must arbitrate any/all structural misrepresentations as outlined in this policy within published timelines (outlined in the main Arbitration Policy Guidelines) from date of purchase (purchase day counts as Day One).
- j) The buyer must contact and follow the arbitration process of the auction where the vehicle was purchased including the auction's direction for return of the vehicle and the timeframe allowed for the vehicle to be returned.
- k) In the event of improperly disclosed structural damage by the seller, the buyer will be entitled to reimbursement in accordance with the main Arbitration Policy.

Structural Component		Structural Damage Disclosure Requirement	
		Unibody	Unibody on Conventional Frame
1.	Frame Rails (including Front, Center & Rear Rails)	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	
2.	Spring Pod, Torque Box or Stabilizer Mount	N/A	Existing Permanent Damage, Removed, Modified, Repaired or Replaced
3.	Cross Members (Except Bolt-On)	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	
4.	Apron Assembly	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	N/A
5.	Strut Tower Assembly	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	N/A
6.	Cowl Panel/Firewall	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	N/A
7.	Support Pillars (Includes A, B, C*, D)	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	
8.	Roof Braces/Bows	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	
9.	Rocker Panel (Outer)	Replacement Only	N/A
10.	Rocker Panel (Inner)	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	N/A
11.	Floor/Trunk Panels	Tears 1" or More, Existing Damage, Removed, Modified, Repaired or Replaced Panels	
12.	Quarter* or Cab* Panel	Replacement Only	
13.	Inner Quarter Panel Assembly (Includes Inner Wheelhouse Panel, Rear Strut Tower, and Wheelhouse Extension Lower)	Existing Permanent Damage, Removed, Modified, Repaired or Replaced	N/A

*\* Only Applies to Components Deemed Structural Per the Vehicles Manufacturer*



## **XI. FLOOD, PUDDLE OR STREAM POLICY**

Vehicles are frequently exposed to moisture during their ordinary operation, maintenance, and reconditioning. Occasionally, such exposure may leave residual marks or indicators similar to those left by exposure or immersion of the vehicle in floodwater. In determining what conditions require disclosure or in arbitrating vehicles for flood exposure/damage it is critical that the total condition of the vehicle be considered including VIN data history.

### **1. Disclosure Not Required**

No disclosure is required nor is arbitration allowed for the following types of water exposure, provided that none of the components outlined below are damaged:

- a) Rain, snow or sleet due to open windows, doors or tops or leaking seals.
- b) Car wash or rinse water.
- c) Carpet or upholstery shampooing or cleaning.
- d) Stream, pond, puddle or floodwater that does not rise above the rocker panel or otherwise enter the passenger compartment.
- e) Stream, pond, puddle or floodwater that enters the luggage compartment, but does not damage any electrical components (such as lighting or wiring harness) or does not enter the passenger compartment.

### **2. Disclosure Required**

Disclosure is required and arbitration shall be allowed under the following conditions:

- a) The title has been correctly branded indicating flood history of the vehicle.
- b) Any of the following components have been damaged due to stream, pond, puddle or floodwater immersion/ingress:
  - i. Front or rear internal lighting or wiring harnesses
  - ii. Engine and its major components
  - iii. Transmission and differential
  - iv. Dash instrument panel and wiring
  - v. Passenger seat cushions
  - vi. Power seat functions or window motor
  - vii. Major sound system components

### **3. Required Disclosure**

The required disclosure is **“Flood Damage.”** This declaration must be made whenever existing or prior flood damage is found and must be sold under **“Flood Damage”** for all sale lights. However, it is recommended for these units to be sold on a red light.

## **XII. WHITE LIGHT – POWERTRAIN POLICY**

Vehicles represented as "White Light" by the seller are subject to arbitration only for malfunction of the primary power train components. In addition, vehicles must be road worthy and function well enough for all covered components to be road tested and the vehicle safely test driven. Specific considerations include:

- a) "White Light – Powertrain" vehicles are fully subject to arbitration under the "Structural Damage" policy and all non-mechanical considerations (see Arbitration Matrix for specifics)
- b) Arbitration under the "White Light" policy is subject a \$600 per singular defect threshold
- c) Covered components are engine, transmission, transfer case and differentials

For the purpose of this policy "road worthy" includes, but is not limited to:

- a) operational brakes to complete test drive
- b) electrical system that may require jump start but will then operate without further intervention
- c) suspension, steering, hubs, wheel bearings, and axles that function well enough to test drive the vehicle (these components are not covered, and any arbitration would be based on extreme / infrequent circumstances)

Note: Systems not covered include but are not limited to all accessory equipment (windows, locks, sunroofs, convertible tops, radios, nav systems, HVAC, etc...)

Required announcements for "White Light" vehicles include:

- a) "White Light – Powertrain" vehicles are fully subject to arbitration under the "Structural Damage" policy and all non-mechanical considerations (see Arbitration Matrix for specifics)
- b) Arbitration under the "White Light" policy is subject a \$600 per singular defect threshold
- c) Covered components are engine, transmission, transfer case and differentials

For the purpose of this policy "road worthy" includes, but is not limited to:

- a) operational brakes to complete test drive
- b) electrical system that may require jump start but will then operate without further intervention
- c) suspension, steering, hubs, wheel bearings, and axles that function well enough to test drive the vehicle (these components are not covered, and any arbitration would be based on extreme / infrequent circumstances)

## ADDENDUM: VEHICLE ACCESSORY ELECTRICAL PROBLEMS

The following items will be covered per matrix timeframe and dollar thresholds:

- Power sliding doors
- Power liftgates
- Power sunroof/shades
- Navigation systems
- Convertible tops
- Power running boards
- Air Ride major component defects (worn shocks will fall under wearable items and thus not covered)
- Advanced Driver Assist Systems

As more vehicles come equipped with Advanced Driver Assist Systems (ADAS) a specialized inspection and/or calibration may be needed during the lifetime of the vehicle. These systems include but not limited to the following:

- Front, rear, and 360 camera systems
- Rear parking sensors
- Blind spot detection
- Lane departure warning
- Adaptive cruise control
- Collision warning
- Lane keep assist
- Backup assist
- Autonomous driving function

These needs fall outside the scope of inspection for the Generic Condition Report due to the nature of both detection and troubleshooting being mechanical. Due to safety concerns, the NAAA Auction Standards Committee recommends any/all ADAS related concerns be investigated by a qualified 3<sup>rd</sup> party (as determined by Auction company representative) outside the auction property. All costs including transportation to and from location, diagnosis and any/all repairs or replacements will be responsible by seller and/or buyer depending on the outcome of the 3<sup>rd</sup> party's diagnosis.

The timelines for Arbitration will fall under the following:

Sales Channel	Green Light Only	White Light Only	Red Light Only
In-Lane	Day of sale by close of business	No Arbitration	No Arbitration
Online	2 days within verified receipt of the vehicle not to exceed 10 days from sale date	No Arbitration	No Arbitration

## **ADDENDUM: OFFER POLICY**

Our goal is to achieve the highest bid price through a competitive bidding process; offers will be considered with this same goal in mind. We prefer to make sales on the block in the live auction environment.

Offers will be accepted on consigned vehicles only after the vehicle has been offered for sale at auction. Offers are always subject to the approval of the seller and additionally are prioritized behind any high bid / offer made on the block at the time the vehicle is offered. Offers can be made subject to the applicable conditions of sale and arbitration policies.

“Block Offers” (high bid held and submitted as an offer) will have priority over other offers. The high bidder on a resulting block offer will have the first opportunity to purchase the vehicle at the price approved by the seller.

“Block Offers” are binding until the close of business on sale day. We believe that sellers are best advised to be present when their vehicles are on the block to approve the sale based on competitive bidding. If a “block offer” is submitted, the buyer is required to purchase the vehicle. Buyers must respond promptly to the approval or counter offer. Failure to promptly complete the purchase will, at the sole discretion of the auction, result in loss of the first right to purchase as described above.

## **ADDENDUM: INHERENT CONDITIONS**

Inherent conditions – not subject to arbitration. Including but not limited to the following:

- Cam Phaser noise (Ford V8 engines)
- Ford 5.0 liter rough idle
- GM HD differential noise
- Subaru piston noise
- GM V8 piston noise
- Seepage (as opposed to leaks). Seepage of any component, generally would not be covered. Leaks covered by arbitration would be severe enough to be leaking to the ground.
- Jeep manual transmission noise
- Chrysler 3.7 “thump”
- Rav4 drive train noise
- Dodge Hemi “knock”

Generally speaking, it is our intent to arbitrate for conditions that require repair or are indicative of a failure / malfunction of some type. The descriptions above are not absolute – i.e. there are “noises” and “knocks” that are not typical and would be subject to arbitration. Our benchmarks are based on the common or typical functioning of the vehicle in question. In the event that there is a disagreement or dispute regarding the severity of a condition, we reserve the right to send the vehicle to an outside shop / 3<sup>rd</sup> party for further diagnoses and determination.