

# Memo

**To:** All Customers  
**From:** David Taylor, General Manager  
**Date:** 10/4/2006  
**Re:** Adoption of NAAA Arbitration Policies

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Tri-State Auto Auction, Inc. has adopted  
the National Auto Auction Association  
Arbitration Policies.

**These rules will be effective  
Wednesday October 4<sup>th</sup> 2006**

**Please note: Chrysler Financial has adopted the NAAA Arbitration policies  
along with all Manheim and ADESA Auctions.**

***Tri-State has adopted these rules with minor modifications as  
"NOTED" in bold throughout the rules.***

Please make sure to pick up a copy of the rules today!

# **GENERAL ARBITRATION POLICIES** (adopted by the NAAA April 21, 2006)

1. The Auction makes no representations or guarantees as to the description, equipment, history, warranties, service policy, title status/accuracy or odometer on any vehicle sold or offered for sale. The Auction does not guarantee or get involved in any factory or dealer warranty coverage issues on vehicles sold or offered for sale at the Auction.
2. The sales at the Auction are intended to promote fair and ethical treatment to both the Buyer and Seller. If the Auction determines that the transaction is not fair and ethical to either party, the Seller and Buyer agree that the Auction may cancel the sale, at its sole discretion.
3. **The decision of the Arbitration Department is final and binding on both the Buyer and Seller.** The Auction reserves the right to assess an arbitration fee to the Buyer if an arbitrated claim is deemed to be not valid or too frivolous. Any arbitration must be properly documented in writing and signed by the arbitrator. If the arbitration is valid, the Auction reserves the right to assess an arbitration fee to the Seller if they knowingly omitted an announcement. This fee is in addition to any charges associated with the arbitration procedure; such as check out fees at a specialty shop or transportation costs to and from a garage, etc.
4. The Auction 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 Auction sale as required by the Motor Vehicle Information and Cost Savings Act of 1972 as amended, or other applicable laws. The Auction is not responsible and does not guarantee the accuracy of odometer readings, odometer statements, or damage disclosure statements.
5. Any vehicle sold "AS-IS" is NOT subject to mechanical arbitration.
6. LOT SALES / OUTSIDE SALES
  - a. Any sale in which the Auctioneer does not state the selling price of the vehicle or "sell under the hammer" is considered a "LOT SALE".
  - b. All "LOT SALES" are conditional until the Buyer pays for the vehicle. Up until the time of payment, the sale is not binding on either party.
  - c. Once a "LOT SALE" has been paid for, the vehicle becomes "AS-IS" property of the Buyer. Buyer needs to check "LOT SALE" vehicles very carefully before purchasing, since they are not arbitrable for any reason, including frame/unibody damage. Vehicles sold immediately after crossing the block are still subject to the announced conditions noted on the Auction Block Ticket.
  - d. All vehicles bought or sold on the premises must be processed through the Auction Office. Failure to do so WILL result in suspension of trading privileges at the Auction.
  - e. Sellers may guarantee Lot Sales, but must do so in writing.

7. All vehicles consigned must have a public Vehicle Identification Number (VIN) plate attached to the vehicle. Those vehicles having a reassigned VIN plate by the State in place of the original VIN plate must be announced or will be subject to sale cancellation or Buyer return. The Auction reserves the right to refuse the sale of any vehicle in which the VIN plate appears altered in any way.
8. The Auction reserves the right to review any audio/video documentation for verifying accuracy of the sale.
9. All guaranties as stated by the Seller are those of the Seller only. The Auction does not make any guaranties, expressed or implied. The Auction assumes no responsibility for vehicle record books, service records, warranty vehicles, or history.
10. The Auction does not guarantee information listed in Electronic Data Vehicle Histories (i.e., CarFax, AutoCheck, etc.) and may not arbitrate solely on EDVH data.
11. The Auction does not guarantee any warranty books, plates, or the year of kit vehicles, trailers, motorcycles, watercraft, recreational vehicles, antique, homemade or modified vehicles. All of these vehicles are sold "AS-IS" and have no odometer or frame guarantee. The Auction does not guarantee titles on watercraft.
12. The Auction reserves the right to reject any vehicle that management judges to be unsafe.
13. Engines/Rear End – No arbitration on noises that are inherent or typical to a particular model or manufacturer, unless deemed "excessive" by the arbitrator on non-warranty items.
14. Standard transmissions cannot be arbitrated for manual clutches unless completely inoperative.
15. All mechanical arbitration is the day of sale, unless there is a pending Post Sale Inspection (PSI). Tomorrow is too late. It is the Auction's responsibility to inform the Seller of any pending PSI or arbitration resulting from the sale day.
16. Manufacturer's Warranty: The availability of a manufacturer's warranty shall not affect a Buyer's right to arbitrate a vehicle.
17. The arbitrator will inspect only the defect(s) which are on the arbitration form. Each vehicle is allowed one chance at mechanical arbitration. If price adjustment is made and accepted, vehicle becomes "AS-IS", property of Buyer, and is not subject to any further arbitration for mechanical defects or adjustments. The decision of the arbitrator is final, and binding to both Buyer and Seller.

# SALE-LIGHT SYSTEM

1. The NAAA has a standardized light system to describe the condition and/or announcements related to the vehicle being sold. The light system is defined as:

- a. **Green Light – “Ride & Drive”:** The green light signals that this vehicle is guaranteed under the conditions outlined in the Sale Day, Seven Day and As-Is Arbitration section, except for specific announcements made prior to the sale.
- b. **White Light – “Auction Guarantee or Seller Guarantee” (if applicable):** The white light signals that this vehicle is guaranteed under the conditions outlined in the Sale Day, Seven Day and As-Is Arbitration section. Seller guarantees the lower engine (block, rod, crank); the transmission: automatic, manual-clutch, rear-end or final drive: CV Joint, hub bearing, axle.  
**NOT ARBITRABLE under Auction Guarantee:**
  - Engine: Lifters, Cam Bearing, Oil Leaks, or Oil Smoke
  - Head or Head Gaskets
  - Rear End: U Joints, Wheel Bearings, Grease Leaks, CV Boots
  - Front Wheel Drive: Back Lash
  - Air Conditioning

**NOTE: At the present time Tri-State Auto Auction, Inc. does not use a “White Light” (as described above) as part of their sale-light system and does not permit the use of this type “Auction Guarantee or Seller Guarantee”.**

- c. **Yellow Light – “Announcements”:** This light is an indication to the Buyer that the Auctioneer or Selling Representative has made announcements that qualify the condition and limit arbitration of this vehicle.
- d. **Red Light – “As-Is”:** Vehicles selling under the red light will only qualify for arbitration under the rules outlined in the Sale Day, Seven Day and As-Is Arbitration section.
- f. **Blue Light – “Title Attached/Title Unavailable/Title Absent”:** This light is used to announce that the title is not present at the time of sale. For Auction rules regarding titles, please refer to the Title Arbitration Policy section. If T/A is not announced, a vehicle could be arbitrated for misrepresentation.

**NOTE: At the present time Tri-State Auto Auction, Inc. uses a White Light for “Title Attached/Title Unavailable/Title Absent” announcements. This is temporary and will be changed to a blue light to conform to the NAAA Arbitration Light System.**

2. The Seller understands that the sale lights are a binding representation of vehicle condition, and is therefore responsible for ensuring that their vehicles sell under the correct light in the lane.
3. The Buyer is responsible for listening to announcements related to the vehicle, made by the auctioneer or Selling Representative, prior to the start of the sale for each vehicle. The Buyer is also responsible to observe and understand the sale lights (Green, White, Yellow, Red and Blue), which identify various sale conditions for the vehicle.

# SELLER RESPONSIBILITIES

1. Seller will be held responsible for the accuracy of any representations (verbal or written) made by Seller or Auctioneer at the time of sale - independent of vehicle "light" designation or guarantee offered. This includes year, model, mileage, announced conditions, and the corresponding lights under which the vehicle is being sold.
2. Mileage announcements are not required on vehicles 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 statement made by the Seller and all known odometer discrepancies are grounds for arbitration.

**Note: Tri-State Auto Auction requires mileage disclosure on all vehicles whether or not exempt by New York State DMV or other State DMV's for titling purposes. (Sellers must make separate announcements for TMU, Over 100k, Over 200k, Odometer in Kilometers, etc).**

3. 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 unannounced conditions not detectable through vehicle inspection (i.e. stolen vehicle, odometer, title discrepancy, frame damage, flood damage, manufacturer buyback, etc). Expense reimbursements will be at the sole discretion of the Auction and will, at times be limited to reasonable and documented expenses and transportation only.
4. The Seller has the responsibility to announce any known state or local DMV fees, taxes or other fees over \$100 due on the vehicle (if required by state).
5. Title Discrepancies must be announced including, salvage, disclosure requirements [if required by state] (i.e. 25%), previous salvage, theft recovery, not actual miles (previously TMU), odometer replacements, flood/fire history and Lemon Law buybacks.
6. All titles submitted must be in the Seller's name. It is the Seller's responsibility to ensure that a sold vehicle's title is **negotiable in the state in which the Auction resides** and that the title is clear of all liens and encumbrances.
7. Seller is responsible for correct VIN numbers on titles and vehicles. All vehicles registered at Auction are subject to inspection by the FBI, State Police, National Auto Theft Bureau, and Local Police Authorities.
8. Seller shall be solely responsible for repurchase of any vehicle sold through the Auction found to be stolen prior to the date of sale.
9. Seller has the responsibility to produce a negotiable/marketable title to Auction within a maximum of **14 calendar days** of the date of sale [sale day is day one (1)], or as specified by state law, on vehicles sold T/A (no title present at time of sale). **See Auction rules in Title Attached Policy.**
10. All 2-wheel drive, multipurpose and utility-type vehicles that have the appearance of being 4-wheel drive\* must be announced. (\*as determined by the Auction)

11. See mandatory Seller Disclosure Requirements on the matrix below:

<b>NAAA Seller Disclosure Requirements or can be arbitrated</b>	<b>Green Light</b>	<b>White Light (if applicable)</b>	<b>Red Light</b>
	<b>R/D</b>	<b>A/G or S/G</b>	<b>As-Is</b>
<b>Drivability Issues</b>			
Frame Damage, altered, or repaired Frame Damage per NAAA Policy	Yes	Yes	Yes
Unibody Damage, altered, or repaired Unibody Damage per NAAA Policy	Yes	Yes	Yes
Transmission problem*	Yes	Yes	No
Upper Engine problem*	Yes	No	No
Lower Engine Problem (Below Heads)	Yes	Yes	No
Sludged Engine	Yes	Yes	No
Cracked or repaired Block	Yes	Yes	No
4X4 system is inoperable*	Yes	Yes	No
ABS problem*	Yes	No	No
SRS-absence of or problems with (airbags)*	Yes	No	No
Emission control equipment missing, modified, or inoperable*	Yes	No	No
Air Conditioning problems on Calendar year models or newer*	Yes	No	No
Electrical Problems*	Yes	No	No
Vehicles without Air Conditioning -calendar year models or newer (not equipped)	Yes	No	No
<b>Historical-Non-Visible Issues</b>			
Taxis, Police Cars, Government vehicles that are Calendar year and up to 4 years old	Yes	Yes	Yes
Flood Damage	Yes	Yes	Yes
Fuel Conversion	Yes	Yes	No
Lemon-Law/Manufacturer's Buyback	Yes	Yes	Yes
Logo or decal misrepresentation	Yes	Yes	Yes
Non-original engine (excludes items replaced under manufacturer warranty)	Yes	Yes	No
Not Actual Miles (previously TMU) or Inoperative odometer	Yes	Yes	Yes
Paintwork (3 panels or more) on Calendar year models and newer	Yes	No	No
Previous Canadian that are Calendar year and up to 4 years old	Yes	Yes	Yes
Salvage or Reconstructed (Including history)	Yes	Yes	Yes
State-issued VIN plates (reassigned public VINs) including kit vehicles	Yes	Yes	Yes
Gray Market Vehicles	Yes	Yes	Yes
Insurance and/or Salvage titles (including history)	Yes	Yes	Yes
Vehicles being sold with a CO, MSO, or repo affidavit title (if required by state law)	Yes	Yes	Yes
Vehicles being sold with no title (Bill of Sale only)	Yes	Yes	Yes
Any state required damage disclosure	Yes	Yes	Yes
<b>Non-Arbitrable Issues</b>			
Glass damage	No	No	No
Hail damage	No	No	No
Tire problems	No	No	No
Upholstery problems	No	No	No
<b>Visible Body Damage</b>	No	No	No
<b>*Must announce defects that are singularly \$400 or more to repair</b>			