AAG Compliance Manual

For F&I, NPPI & Marketing Disclosure

Effective Date: 6-1-14 **Doc #: AAG 001**

Contents

Section I. Culture of compliance……………………………………………………………………….2

Section II. Marketing…………………………………………………………………………………………..4

Section III. Working with Customers…………………………………………………………………….7

Section IV. Documenting Transactions………………………………………………………………..8

Section V. Protection and Use of Customer Information……………………………………..10

Section VI. Regulation Z & M……………………………………………………………………………….12

Appendix 1(Dealer Participation Certification Form).………………………………………….16

Appendix 2(Dealer Participation Rate Change Form)…….………………………………………17

Appendix 3(Compliance checklist for advertising requirements)……………………..………18

Acknowledgement of: AAG Compliance Manual For F&I, NPPI & Marketing Disclosure………………….22

Section I. Culture of compliance

Anderson Auto Group (AAG) is taking a team approach to creating a Culture of compliance, the following people/roles will be regularly working together to review/write policy, create/control forms, develop training & ensure training is done in a timely manner, develop auditing process, conduct audits & share related industry news:

- Market Area Leaders – Tony Franklin, Nate Fredricks, Jason Zoellner
- Day to Day Finance Operations & Accountability – Store Finance Managers & Alison Kopplin (F&I Administrator).
- Day to Day Store Operations & Accountability - Dept. Managers from all stores.
- Business Licenses Obtaining & Maintaining - Andrea Trouba (Corp. Controller) & Bill Sipe (St. Joseph Controller).
- Company Policy Review/Updating, Employee On-Boarding, Hiring & Performance Accountability - Ben Northrop (People Resource Coordinator).
- Digital Marketing Disclosure - Chad Sabatka (Digital Marketing Director).
- Email & Social Media Marketing Disclosure – Dan Sayer (eCommerce Director)
- Print Marketing Disclosure – Store Dept. Managers.
- Electronic Data Security - Dave Williams (IT Director).
- Co-Facilitators of the "Culture of Compliance Team" - Jenny Oelke CFO & Mike Million QEP Support.

0n an annual basis all employees will receive compliance training and updates. A pdf copy of compliance manual & related Check-sheets will be maintained on AAG Connect. Employees will be required to review the written company manual, then print & sign the acknowledgement on the last page, turn the Acknowledgement Page into People Resources. Complete related awareness training on AAG Connect; note an electronic signature will be provided within AAG Connect to document the awareness training. Additionally, Finance Managers will be required to complete training from a approved 3rd Party Vendor such as Ford Credit, NADA University, or Reahard and Associates, review & approval via COO & or CFO. Certificates of completion of annual training will be kept on file in People Resources. Review of the company compliance manual will be a mandatory step in the on-boarding process for all associates and the related checklists/worksheet will also be a mandatory step in the on-boarding process for new members of the sales and finance teams. In the event there are modifications to current regulations, more frequent trainings will be held.

Also, F&I Industry compliance topics regarding updates and changes will be posted on AAG Connect. F&I Mangers will review posted topics regularly & update Sales Managers during weekly Sales Manager meetings with their Market Area Leader/General Manager.

Resources such as The F&I Legal Desk Book published by the Association of Finance and Insurance Professionals (AFIP) will also be made available each member of the Culture of Compliance Team as a resource to review regulations.

The QEP Support, with at least one other Culture of Compliance Team member will audit internal compliance on a random basis to assure that all procedures and policies are being followed and checklists are being used.

Evidence of compliance with the Truth in Lending Act (TILA) and Regulation Z will be maintained for no less than two years after the date disclosures are required to be made or action is required to be taken. All finance contracts are scanned for storage in Square 9 when a transaction is entered into the DMS.

Customer complaints regarding F&I issues will be documented on the developed "F&I Customer Concern Form" and will be handled by a Finance Manager. If not resolved the Market Area Leader/GM will become involved. All concern forms will be stored in Square 9 scanning software system and communicated to the COO, CFO & QEP Support.

Section II. Marketing

Each department manager will be responsible for advertising compliance in their respective departments.

The manager must conform to the following stated policy: the manager must review print, TV, radio, internet, mail and social media content for compliance. Our developed advertising checklist (Appendix 3) must be used to assure compliance with Local, State and Federal advertising requirements and rules.

The dealership's policy on contests, raffles, and sweepstakes must adhere to the following FTC and State rules:

Although the terms are used interchangeably, a contest is, strictly speaking, a game of skill, such as an essay contest, a trivia game, a sales volume award or an athletic competition, where the outcome is determined by some factor other than chance. In contrast, a sweepstakes typically involves a random drawing and the winner is selected by chance. Both contests and sweepstakes are subject to a myriad of federal laws and regulations, trademark and copyright laws, and the Federal Deceptive Mail Prevention and Enforcement Act of 1999 concerning misleading and fraudulent sweepstakes and contests offerings. Further, the FTC's authority to regulate unfair or deceptive trade practices extends to games of skill and chance. Finally, there are applicable laws from the 50 states, which vary considerably and can be quite onerous. Generally, however, there are four basic legal requirements for contests and sweepstakes:

- The promotion must not be an unlawful lottery. A supposed contest is an unlawful lottery when all three of the following elements are present: (i) a prize is awarded to the winner(s), (ii) the selection of a winner(s) is random or by chance, and (iii) entrants must pay or provide consideration for entry. Almost all sweepstakes include the first two elements (prize and random drawing). The presence or absence of consideration paid by participants for entry typically determines the legality of the promotion. Certain states have determined that the requirement of any type of consideration by entrants that would be sufficient to support a contract renders the promotion unlawful. This is the minority view maintained by only a few states. The majority view is that the requirements for participation must represent true value or necessitate significant effort to constitute "consideration." Games of skill avoid the second element (chance) and may require payment or other consideration without running afoul of state anti-lottery laws. Games that combine chance and skill (such as poker) exist in a regulatory gray area.

- The overall promotion must be fair, non-biased and non-confusing. The sponsor must actually award the prize described, the winner cannot be pre-selected or chosen because of an affiliation with the sponsor, and all advertisements and representations must be accurate and not misleading in any way.

- Certain disclosures must be made in the official rules, advertising and promotions. While these disclosures vary by state, all material terms and conditions must typically be set forth in the "Official Sweepstake Rules" which may be presented in print or online. The statement "No Purchase Necessary" should accompany each and every description of the promotion, as well as a statement that a purchase will not increase the chances of winning. The disclosures should also include the prize description, the approximate retail value of each prize, a clear statement of the payment schedule of any prize, the number of prizes awarded, the odds of winning (typically stated as " the odds of winning depend upon the number of valid entries received"), the start and end dates for entry, what is required for entry, the method or means for entry, eligibility requirements for entry, dates for claiming and using the prize, how and when the winner will be selected and notified, where the drawing will be conducted, the identity of the sweepstakes sponsor, and all other restrictions, limitations, and requirements of the promotion.

  Games of skill also require disclosure of the number of rounds involved, the criteria for winning, the qualifications of the judges, and the costs for entry into each round. Many games of skill provide that, in the event of a tie, the winner will be selected by drawing lots. Such a provision turns the promotion into a game of chance rather than skill and no consideration can then be required for entry.

  When travel is awarded, the disclosures should specify whether airfare, meals, lodging, ground transportation, taxes, resort fees, etc. are included, and any excluded properties, available restrictions, and/or blackout dates. That said the restrictions should not be so onerous as to make it overly burdensome for the winner to redeem the prize. Promoting "prizes" that would require significant expenditure by the putative winner (such as a free airline ticket conditioned upon booking a specified number of nights at a specific hotel) should be avoided if possible.

- Before advertising and conducting contests and sweepstakes, you are required to verify with the State you will be advertising in as to whether or not the promotions and supporting materials must be registered under the laws of those states. Some states registration of such a promotion requires payment of a fee and submission of the contest rules and advertising, and may necessitate posting of a bond in the state. Approval by the GM or COO in absence of GM is required in writing clearly stating State requirements have been verified & will be followed. The approval from the GM along with a copy of the promotion must be kept together in a file at the store.

The dealership outsources telemarketing, phone text messaging, solicitation via telephone/text, e mail, etc. to E lead CRM. Therefore, the dealership has on file a Contract with E lead & our internal policy/forms regarding these areas. They will be maintained by our Digital Marketing Director.

The dealership does no advertising via fax and therefore has no written policy regarding this area.

The dealership does no soliciting via pre-screened/pre-approved lists obtained from credit bureaus and therefore has no written policy regarding this area.

Section III. Working with Customers

AAG is fully committed to complying with federal, state & local laws that are designed to protect its customers. This includes ensuring that all qualifying credit applicants have equal access to credit and are treated in a manner that is fair and professional. Engaging in any form of unlawful credit discrimination will not be tolerated by AAG.

The dealership retains an employee handbook. This handbook contains a section on prohibition on discrimination in any form, including procedures for reporting suspected violations (ECOA).

In order for the dealership to obtain a credit bureau report, an individual (potential customer) must sign a credit application giving the dealership permission to obtain the report or they can fill out a digital version provided by RouteOne by going to a link on our AAG web-site. As the deal moves forward we also require a signed privacy policy notice (Gramm-Leach-Bliley Act) and verification of identity (USA Patriot Act) via RouteOne or Dealertrack Technologies. Additional documentation may be required if the name and address on the credit application are not identical to that on the individual's driver's license. Additional verification types include Government Issued Picture ID such as a Passport and one other form of ID. Copies of these signed documents will be put in the deal jacket and are retained in Square 9 after the deal is posted in the DMS.

Adverse Action Notice (FCRA/ECOA): we submit all applicants to a lender who in-turn sends the customer the Adverse Action Notice if they turn them down or we send them to our Credit Connection Manager for further review & processing. If the Credit Connection Manager decides they do not qualify for credit he/she will issue an Adverse Action Notice will be issued to the customer.

AAG has a Standard Dealer Participation Rate Form which is required to be filled out on every deal & kept in the Deal Jacket. AAG has a Standard Dealer Participation Rate of 2%, this rate may be reduced if one of the following criteria exists, the Dealer Participation Certification Form (Appendix 1) includes a section covering this criteria. Again this form must be filled out correctly for every deal, signed & included in the Deal Jacket which will be scanned into Square 9:

- Dealer Participation limited by finance source.
- Customer stated monthly payment constraint of $X.XX per month.
- Customer stated competing offer by __________________ (name) of ______%.
- Customer qualified for Dealership Promotional Campaign:____________________________.
- Customer qualified for subvened interest rate of _______% from_________________ (name).
- Customer qualified for Dealership Employee Incentive Program – see AAG Employee Handbook for details.
- Customer purchased a vehicle that satisfies the Dealership's predetermined inventory reduction criteria of any vehicle with a Lot age of 60 days or greater.

The AAG Dealer Participation Rate may only be changed by filling out the Dealer Participation Rate Change Form. The Dealer Participation Rate Change Form (Appendix 2) can only be initiated by the AAG CFO & approved by the COO or Owner. All Dealer Participation Rate Change Forms will be scanned into Square 9 after Rate has been updated in Section III and in Appendix 1.

Section IV. Documenting Transactions

The dealership's F&I & Sales department's use the following checklists: Finance Checklist, Sales Checklist & Deal Jacket Checklist addressing compliance aspects of the F&I & Sales transaction.

Each Posted Deal Jacket will contain all three Checklists completed & signed. The transaction will be entered into in the DMS when completed. The deal (hard copies) will then be scanned into Square 9 for electronic storage & the hard copies will be disposed of utilizing our Shredding Solutions Bins located in each store.

An OFAC check will be done on each person who wants to purchase a vehicle. If a potential "match" is indicated the dealership will contact the OFAC by phone at 800-540-6322 before the transaction is "blocked". If it is deemed "blocked", the customer will be given an Adverse Action Notice stating the transaction has been blocked by the OFAC. The dealership will then file a written report with the OFAC within 10 business days & the hard copies will be disposed of utilizing our Shredding Solutions Bins located in each store. For all completed Deals a print out or print-screen of the OFAC will be kept in the Deal Jacket & Scanned into Square 9 with the rest of the deal.

The finance and service department managers will notify the accounting department of any "cash" transaction(s) totaling over $10,000 within a 24hr time frame by the same customer. These transactions will be documented on the IRS/FinCEN 8300. U.S. currency, foreign currency, a cashier's check, a money order, a bank draft or a traveler's check will be considered "cash". All rules and policies set forth by the IRS will be followed. Form 8300 will be filed with the IRS no later than the 15th day after the "cash" is received. A written or electronic statement will be given to each person named on the 8300 form before January 31st of the year following the calendar year in which the "cash" is received. A copy of each Form 8300 will be kept in the Deal Jacket for sales and will be scanned into Square 9 with the rest of the Deal Jacket after the deal has been posted in DealerTrack. A copy of each Form 8300 from a Fixed Asset Dept. will be scanned into Square 9 with the related RO designated for to each store for that purpose. Annually the CFO will audit these logs by comparing to reports run from the DMS which summarize all cash transactions in excess of $10,000.

In the event a transaction is negotiated in a language other than English, the documents are provided in English; however an employee who is fluent in that language is available to assist the salesperson and finance manager in walking the customer through the required steps of the transaction. In the event an employee is unavailable, Google Translator is utilized to translate forms.

All FTC Used Car Rule policy handed down by the Federal Trade Commission will be followed. The dealership follows the definitions of "vehicle", "used vehicle", "dealer" and "consumer" as set forth in the rule. An exact "Buyer's Guide Format" will be used as set forth in the rule showing all vehicle, warranty information plus dealer name and address. The dealership will place a Buyers Guide window form on a vehicle in a conspicuous manner. The language on the used car Buyers Guide window form will match the language on the used car contract of sale/purchase contract if not the Buyers Guide window form language will override any contrary provisions in the contract of sale/purchase contract.

The dealership will obtain a credit bureau report on a consumer who agrees to potential financing. At this time a Credit Score Disclosure Notice will be provided to the consumer. Another copy will be retained by the dealership. The Credit Score Disclosure Notice will be obtained from Route One and/or Dealer Track and both sources contain timing for regular updates.

The dealership will provide a co-signer notice to a co-maker if the co-maker is required for financing.

Section V. Protection and Use of Customer Information

The dealership limits its sharing of Non-Public Personal information, here-in-after called NPPI, with affiliates and/or non-affiliated third parties. The extent of information sharing is stated on AAG's privacy notice.

The dealership will provide a privacy notice explaining its handling of NPPI to each consumer/customer who purchases/leases a vehicle from AAG. The privacy notice provides an AAG Phone number for the customer to call to opt-out of information sharing. The privacy notice will be kept in the deal jacket & after the deal is posted will scanned into Square 9 with the rest of the deal.

The dealership does not share any NPPI with its suppliers, however in the event that policy should change; any information sharing is required to be done in accordance with the Graham-Leach-Bliley Act Privacy Rules.

The Identity Theft Team will be in charge of the dealership's Red Flag/Identity Theft Prevention Program.

The AAG Directional Team will meet annually (or during the interim if necessary to review the sufficiency of the corporation's Red Flag / Identity Theft Prevention Program.

In order to safeguard and protect customers' NPPI, all customer information on paper is to be kept in locked file drawers or in a locked office when not in control of an appropriate AAG associate. Any electronic information is controlled by allowing access to only authorized personnel.

Dave Williams, IT Director, is in charge of the dealership information security program.

To ensure security and confidentiality of NPPI, no customer data is left unattended on any desk. All Work stations/PC's will be set to auto lock after 90 seconds of inactivity to protect NPPI. All files or rooms where files are stored containing NPPI are locked, restricted to employees only, and available only on a need-to-know basis. This protects against unauthorized use of customers' NPPI.

Upon learning of an unauthorized breach of customer NPPI, the parties involved will report all information to the CFO and or COO plus the QEP Support. This group will then question any individual involved in the breach and report the matter to the proper authorities.

Dave Williams, or a designated individual, monitors password protection and systems security on a daily basis. User ID's & Passwords are to be unique to each employee. Employee's may not share their ID's or Passwords with anyone. If you are experiencing log-in problems simply contact the Administrator for assistance.

When an employee leaves the company access to systems is removed in a timely manner for that employee. This includes, but is not limited to: Route one, Dealer Track, Elead, Square 9, and company e-mail.

The dealership retains all NPPI related documents in Square 9. These files are not disposed of after a set time period, as all information is stored on AAG's servers. This Complies with applicable regulations and business needs under the "Document Retention Program".

The company complies with the "Disposal Rule" with the following policy: All customer NPPI paper documents are shredded or pulverized when scanned into Square 9. In an effort to exercise due diligence, the company contracts with a bonded and licensed disposal company to have this done.

To comply with "FACTA" the dealership credit card receipts: (a) contain only the last 4 Numbers of the credit card, and (b) do not contain the expiration date.

Section VI. Regulation Z & M

Retail Installment Sale Contracts

1. Does the Installment Sale Contract contain the following disclosures?

- The creditor's identity.
- The "amount financed," along with a brief description of the term, such as "amount of credit provided to you or on your behalf," calculated as directed by Reg. Z.
- Either an "itemization of the amount financed" or a statement that the consumer has the right to one, with a space for the customer to indicate whether he or she wants one (most retail installment sale contracts include an itemization of the amount financed). The itemization must show amounts paid to the consumer, amounts credited to the consumer's account with the creditor, and amounts paid to others by the creditor on the consumer's behalf, identifying those persons.
- The "finance charge," using that term, with a brief description such as, "the dollar amount the credit will cost you."
- The "annual percentage rate," using that term, with a description such as, "the cost of your credit as a yearly rate."
- The consumer's payment schedule, including the number, amounts, and timing of payments required to repay the obligation.
- The "total of payments," using that term, with a description such as "the amount you will have paid when you have made all scheduled payments."
- The "total sale price," with a description such as "the total cost of your purchase on credit, including your downpayment of $XXXX.XX. Note that the downpayment may not be a negative amount. If there is no cash downpayment and the customer owes more on the tradein than the amount of the trade-in allowance (so-called "negative equity"), the downpayment must be shown as zero, and the amount of negative equity must be disclosed in the "itemization of amount financed" section. If a customer with negative equity also has a cash downpayment, you have a choice of showing the cash as a cash downpayment or applying the cash to reduce or eliminate the negative equity (referred to as "netting").
- A prepayment statement. When the contract includes a finance charge computed from time to time by applying a rate to the unpaid principal balance (an interest-bearing contract, sometimes called a "simple interest" contract), the disclosures must contain a statement indicating whether there will be a penalty if the contract is prepaid in full. When the finance charge is calculated in some other manner (such as, for example, using a "precomputed" calculation), the disclosures must contain a statement indicating whether the customer is entitled to a rebate of any finance charge if the contract is prepaid in full.
- Any dollar or percentage charge that may be imposed before the maturity of the contract due to a late payment, other than a deferral or extension charge.
- The fact that the dealer has or will acquire a security interest in the vehicle being sold or in other property by item or type.
- The disclosures required to exclude the cost of insurance and debt cancellation contracts from the finance charge and to exclude from the finance charge certain fees prescribed by law, to exclude certain security interest charges from the finance charge.

- A statement that the consumer should refer to the appropriate contract document (usually a reference in a retail installment sale contract to "the rest of this document") for information about non-payment, default, the right to accelerate the maturity of the contract, and prepayment penalties and rebates.

2. Are Truth in Lending Act (TILA) disclosures made in the appropriate time frame?

   - TILA disclosures must be made prior to the consummation of the credit sale. They must be provided in a form the buyer can keep. This can be accomplish by handing the buyer a completely filled in, but unexecuted retail installment sale for their review.

<u>Consumer Lease Agreements</u>

1. Does the lease agreement or separate document contain the following required disclosures?

   - A description of the leased property sufficient to identify it to the lessee and the lessor.
   - The "amount due at lease signing or delivery," itemized by type and amount, including any refundable security deposit, advance monthly or other periodic payment, and capitalized cost reduction. In a motor vehicle lease, the lessor must itemize (in a form substantially similar to model forms provided in Reg. M) how the amount due will be paid, by type and amount, including any net trade-in allowance, rebates, non-cash credits, and cash payments.
   - The number, amount, and due dates or periods of payments scheduled under the lease and the total amount of the periodic payments.
   - The total amount of other charges payable to the lessor, again, itemized by type and amount, that are not included in the periodic payments. These other charges include the amount of any liability imposed on the lessee at the end of the lease term, but in an open-end lease the charges don't include the potential difference between the residual value and the realized value of the vehicle.
   - The total of payments, with a description such as, "the amount you will have paid by the end of the lease." The total of payments is the sum of the amount due at lease signing (other than refundable amounts), the total amount of periodic payments (less any part of the periodic payments paid at lease signing), and other charges. If the lease is an open-end lease, this disclosure must be accompanied with a description such as, "You will owe an additional amount if the actual value of the vehicle is less than the residual value."
   - A mathematical progression of how the scheduled periodic payment is computed in a format substantially similar to the model forms provided in Reg. M.
   - The "gross capitalized cost," which must also set forth the "agreed upon value of the vehicle," using the phrase, "the agreed upon value of the vehicle [$XXXX.XX] and any items you pay for over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)." The lessor is required to either provide an itemization of the gross capitalized cost or provide the lessee with a statement informing the lessee that the lessee has the right to obtain such an itemization. If the lessee requests it, an itemization must be provided before consummation of the lease.
   - The capitalized cost reduction (similar to a downpayment), with a description such as "the amount of any net trade-in allowance, rebate, non-cash credit, or cash you pay that reduces the gross capitalized cost."
   - The adjusted capitalized cost, with a description such as "the amount used in calculating your base [periodic] payment."

- The residual value, with a description such as "the value of the vehicle at the end of the lease used in calculating your base [periodic] payment."
- The depreciation and any amortized amounts (essentially the difference between the adjusted capitalized cost and the residual value) with a description such as "the amount charged for the vehicle's decline in value through normal use and for any other items paid over the lease term."
- The rent charge (the difference between the total of the base periodic payments over the lease term minus the depreciation and any amortized amounts) with a description such as "the amount charged in addition to the depreciation and any amortized amounts."
- The total of base periodic payments, with a description such as "depreciation and any amortized amounts plus the rent charge."
- The lease payments, with a description such as "the number of payments in your lease."
- The base periodic payment (calculated by dividing the total of the base periodic payments by the number of payment periods in the lease). The base periodic payment is made up of the monthly estimated depreciation and the monthly lease charge.
- An itemization of any other charges that are part of the periodic payment.
- The total periodic payment, which is the sum of the base periodic payment and any other charges that are part of the periodic payment.
- A statement of the conditions under which the lessee or the lessor can terminate the lease before the end of the lease term and the amount, or a description of the method for determining the amount, of any penalty or other charge for early termination, which must be reasonable. A notice substantially similar to the following, warning the lessee of the costs of early termination, must be given: "Early Termination. You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be."
- A statement of whether the lessor or the lessee is responsible for maintaining and servicing the vehicle; a brief description of the responsibility; a statement of the lessor's standards for wear and use, if any, which must be reasonable; and a notice about wear and use substantially similar to, "Excessive Wear and Use. You may be charged for excessive wear and use based on our standards for normal use." The notice must also state the amount or method for determining the amount of any charge for excessive mileage.
- A statement of whether or not the lessee has the option to purchase the vehicle. If the purchase option applies at the end of the lease term, the purchase price must be included. If the purchase option applies to early termination, the lessor must disclose when the option may be exercised, and the purchase price, or the method for determining the purchase price.
- A statement that the lessee should refer to the lease documents for additional information on early termination, purchase options, maintenance responsibilities, warranties, late and default charges, insurance, and any security interests, if applicable.
- A statement of the lessee's liability, if any, at early termination or at the end of the lease term for the difference between the residual value of the vehicle and its realized value.
- If the lessee's liability at early termination or at the end of the lease term is based on the vehicle's realized value, a statement that the lessee may obtain, at the lessee's expense, a professional appraisal by an independent third party (agreed to by the lessor and the lessee) of the value that could be realized upon the sale of the vehicle. The appraisal is final and binding on the parties.
- If the lessee is liable at the end of the lease term for the difference between the vehicle's residual value and its realized value, several disclosures are required. The first is the rent and other charges paid by the lessee and required by the lessor as an incident to the lease transaction, with a description such as, "the total amount of

rent and other charges imposed in connection with your lease [state the amount].” The second is a description of a rebuttable presumption that, at the end of the lease term, the residual value is unreasonable and not in good faith to the extent it exceeds the realized value by more than three base monthly payments (there’s a formula that approximates that amount when payments are other than monthly) and that the lessor cannot collect the excess amount unless the lessor brings a court action and pays the lessee’s reasonable attorney’s fees, or unless the excess of the residual value over the realized value is due to unreasonable or excessive use of the vehicle, in which case, the presumption does not apply. The final disclosure is a statement that the lessor and the lessee are permitted, after the termination of the lease, to make any mutually agreeable final adjustment regarding excess liability.

- If insurance is provided by or paid through the lessor, the types, amounts of coverage, and cost to the lessee must be disclosed.
- If the lessee must obtain the insurance, the types and amounts of coverage have to be disclosed.
- All express warranties and guarantees made by the lessor or the manufacturer regarding the vehicle must be identified.
- The amount, or method of determining the amount, of any penalty or other charge for delinquency, default, or late payments. These charges must be reasonable.
- A description of any security interest (other than a disclosed security deposit) held or to be retained by the lessor, with a clear identification of the property to which the security interest relates.
- If the lessor provides a percentage rate in an advertisement or in documents evidencing the lease transaction, a notice stating, “This percentage may not measure the overall cost of financing this lease.” Use of the terms “annual percentage rate” or “annual lease rate” are prohibited.

2. Are Consumer Leasing Act (CLA) disclosures made in the appropriate time frame?

- CLA disclosures must be made prior to the consummation of the lease. They must be provided in a form the lessee can keep. This can be accomplished by handing the lessee a completely filled in, but unexecuted lease agreement for their review.

Appendix 1

Dealer Participation Certification Form

Buyer(s) Name(s) ___________________________________Date ______________________________

Assignee: Print______________________________Sign_____________________________________

Stock # ______________ VIN ______________________________ Current Odometer ___________

Standard Dealer Participation Rate 2% Final Dealer Participation Rate _____%

If the Final Dealer Participation Rate does not equal the Standard Dealer Participation Rate, check the allowable deviation box below and fill in the corresponding blanks.

☐ Dealer participation limited by finance source – attach supporting documentation.

☐ Customer stated monthly payment constraint of $__________ per month - attach supporting documentation.

☐ Customer stated competing offer by ___________________________ (name) of ______% for _____months – attach any supporting documents the customer has.

☐ Customer qualified for Dealership Promotional Financing Campaign – attach supporting promotional documentation.

☐ Customer qualified for subvened interest rate of __________% from __________________________ (name) – attach supporting documentation.

☐ Customer qualified for Dealership Employee Incentive Program - see AAG Employee Handbook for details:

☐ Customer purchased a vehicle that satisfies the Dealership's predetermined inventory reduction criteria of any vehicle with a Lot age of 60 days or greater. (attach screen print from DealerTrack Inventory Screen showing age or date vehicle was put in inventory)

I certify that the information above is true and correct to the best of my knowledge and that any deviation from the Standard Dealer Participation Rate was made in good faith and in a manner that is consistent with the requirements set forth in Section III of AAG Compliance Manual.

Finance Manager: Date________ Print____________________________ Sign________________________

Appendix 2

Dealer Participation Rate Change Form

Date:______________

Current AAG Dealer Participation Rate:______%

Suggested AAG Dealer Participation Rate:______%

Description for Reason to change AAG Dealer Participation Rate:

____
____
____
____
____
____
____
____
____
____
____
____
____

Submitted by CFO on Date:___________ & CFO Signature:__________________________

Approved by COO on Date:___________ & COO Signature:_________________________

AAG Compliance Manual Updated with new Rate & document returned to CFO for Scanning to Square 9 on Date:___________ & Signature:___________________________

Appendix 3

Compliance checklist for advertising requirements

1. If ad offers a purchase incentive on financing rate, trade-in or special options, does it fully and fairly disclose all material terms?

2. If ad contains an offer of discount in relation to our former price, is the former price genuine? Is it the actual price at which we sold (or if not sold, offered in good faith to sell) the product for a reasonable period of time?

3. If the words "list" or "sticker" or similar words are being used, are they only referring to the "manufacturer's suggested retail price"?

4. Is the ad falsely implying that we have a special sponsorship, approval status, affiliation or connection with the manufacturer that is greater or more direct than any other dealer? Examples of such advertising include terms like "factory outlets," "factory authorized sale" and "Manufacturer's Discount Center."

5. If the ad makes underselling claims, is it capable of being substantiated?

6. If the ad includes a price which includes a limited number of cars, does the presentation either state that a limited quantity is available or does it clearly and conspicuously disclose the number of vehicles available unless similar vehicles will be available in a reasonable period of time at the same price?

7. In the ad, does the "full delivered cash price" for a new vehicle include the cost of any dealer installed options or services? Also, if the "full delivered cash price" does not include the cost of tags, taxes and freight, are these exclusions disclosed?

8. Does the ad degrade or stereotype anyone on the basis of sex, race, color and national origin and does it falsely disparage dealer competitors or the automobile business in general?

9. If advertising new vehicles, is the term "invoice" only being used to mean the manufacturer's actual wholesale cost invoice to the dealer? Should we advertise an automobile for sale at "invoice" or if we use the invoice price as a reference in advertising, are we fully disclosing the additional charges?

10. If any material qualifications or limitations regarding an offer are being used in this ad, are they clearly and conspicuously disclosed in a prominent place in the ad?

11. If advertising an automotive lease, is it being done so that it would not be interpreted by a reasonable person to be an advertisement of an automotive "sale"?

12. If a "triggering term" is being used and this a retail finance advertisement, is the amount or percentage of the down payment given, the terms of repayment disclosed, and/or the annual percentage rate indicated, using this term or "APR"? (Reg Z)

    "Triggering terms" for retail finance ads are:

- the amount or percentage of any down payment;
- the number of payments or period of repayment;
- the amount of any payment;
- the amount of any finance charge.

13. If an ad for a consumer lease, does it state that a specific lease of property at specific amounts or terms is available only if the lessor usually and customarily leases or will lease the property at those amounts or terms?

14. Are required disclosures made clearly and conspicuously?

15. Special rules apply to catalog or other multipage advertisement, or an electronic advertisement (such as an ad appearing on an Internet Web site),. If such advertisement gives information in a table or schedule in sufficient detail to permit the reader to determine the required disclosures, it will be considered a single advertisement. The table or schedule must include all appropriate disclosures for a representative scale of amounts up to the level of the more commonly sold higher-priced vehicles offered. If a triggering term appears elsewhere in the catalog or ad, it must clearly direct the consumer to the page or location where the table, chart, or schedule begins. Is this the case with this ad?

16. If a triggering term is being used and this is a lease ad,

    - is it being advertised as a lease?
    - is the total amount due prior to or at consummation or by delivery being disclosed (if delivery occurs after consummation)?
    - is the number, amounts and due dates or periods of scheduled payments under the lease being disclosed?
    - is a statement being made regarding whether or not a security deposit is being required? (Reg M)
    - is a statement being made that an extra charge may be imposed at the end of the lease term where the lessee's liability (if any) is based on the difference between the residual value of the leased property and its realized value at the end of the lease term?
    - "Triggering terms" for lease advertisements are:
        - the amount of any payment;
        - a statement of any capitalized cost reduction or other payment (or that no payment is required) prior to or at consummation or by delivery, if delivery occurs after consummation.

17. If a percentage rate is provided in a lease advertisement, it cannot be more prominent than any of the other required lease disclosures. The terms “annual percentage rate” and “annual lease rate” may not be used.

18. A merchandise tag listing a triggering item may comply with proper disclosure by referring to a sign or display prominently posted in the lessor's place of business that contains a table or schedule of the required disclosures. Is this the case with this ad?

19. If a lease ad is done through television or radio and a triggering item is stated, proper disclosure occurs if the ad states disclosure and: a) it lists a toll-free telephone number along with a reference that such number may be used by consumers to obtain required disclosure information, or b) it directs the consumer to a written advertisement in a publication of general circulation in the community served by the media station, including the name and the date of the publication, with a statement that information regarding disclosure is included in the advertisement. The written advertisement shall be published beginning at least three days before and ending at least ten days after the broadcast. Is this the case with this ad?

20. The toll-free telephone number shall be available for no fewer than ten days, beginning on the date of the broadcast. The lessor shall provide required disclosure information orally, or in writing upon
request.

21. Copies of advertising offers are to be maintained for two years to document compliance with TILA.

22. FTC (Federal Trade Commission) as it relates to .com Disclosures; the below guidelines briefly describes the information businesses should consider as they develop ads for online media to ensure that they comply with the law:

    A. The same consumer protection laws that apply to commercial activities in other media apply online, including activities in the mobile marketplace. The FTC Act's prohibition on "unfair or deceptive acts or practices" encompasses online advertising, marketing, and sales. In addition, many Commission rules and guides are not limited to any particular medium used to disseminate claims or advertising, and therefore, apply to the wide spectrum of online activities.

    B. When practical, advertisers should incorporate relevant limitations and qualifying information into the underlying claim, rather than having a separate disclosure qualifying the claim.

    C. Required disclosures must be clear and conspicuous. In evaluating whether a disclosure is likely to be clear and conspicuous, advertisers should consider its placement in the ad and its proximity to the relevant claim. The closer the disclosure is to the claim to which it relates the better. Additional considerations include: the prominence of the disclosure; whether it is unavoidable; whether other parts of the ad distract attention from the disclosure; whether the disclosure needs to be repeated at different places on a website; whether disclosures in audio messages are presented in an adequate volume and cadence; whether visual disclosures appear for a sufficient duration; and whether the language of the disclosure is understandable to the intended audience.

    D. To make a disclosure clear and conspicuous, advertisers should:
        - Place the disclosure as close as possible to the triggering claim.
        - Take account of the various devices and platforms consumers may use to view advertising and any corresponding disclosure. If an ad is viewable on a particular device or platform, any necessary disclosures should be sufficient to prevent the ad from being misleading when viewed on that device or platform.
        - When a space-constrained ad requires a disclosure, incorporate the disclosure into the ad whenever possible. However, when it is not possible to make a disclosure in a space-constrained

ad, it may, under some circumstances, be acceptable to make the disclosure clearly and conspicuously on the page to which the ad links.

- When using a hyperlink to lead to a disclosure,
  - make the link obvious;
  - label the hyperlink appropriately to convey the importance, nature, and relevance of the information it leads to;
  - use hyperlink styles consistently, so consumers know when a link is available;
  - place the hyperlink as close as possible to the relevant information it qualifies and make it noticeable;
  - take consumers directly to the disclosure on the click-through page;
  - assess the effectiveness of the hyperlink by monitoring click-through rates and other information about consumer use and make changes accordingly.

- Preferably, design advertisements so that "scrolling" is not necessary in order to find a disclosure. When scrolling is necessary, use text or visual cues to encourage consumers to scroll to view the disclosure.
- Keep abreast of empirical research about where consumers do and do not look on a screen.
- Recognize and respond to any technological limitations or unique characteristics of a communication method when making disclosures.
- Display disclosures before consumers make a decision to buy — e.g., before they "add to shopping cart." Also recognize that disclosures may have to be repeated before purchase to ensure that they are adequately presented to consumers.
- Repeat disclosures, as needed, on lengthy websites and in connection with repeated claims. Disclosures may also have to be repeated if consumers have multiple routes through a website.
- If a product or service promoted online is intended to be (or can be) purchased from "brick and mortar" stores or from online retailers other than the advertiser itself, then any disclosure necessary to prevent deception or unfair injury should be presented in the ad itself — that is, before consumers head to a store or some other online retailer.
- Necessary disclosures should not be relegated to "terms of use" and similar contractual agreements.
- Prominently display disclosures so they are noticeable to consumers, and evaluate the size, color, and graphic treatment of the disclosure in relation to other parts of the webpage.
- Review the entire ad to assess whether the disclosure is effective in light of other elements — text, graphics, hyperlinks, or sound — that might distract consumers' attention from the disclosure.
- Use audio disclosures when making audio claims, and present them in a volume and cadence so that consumers can hear and understand them.
- Display visual disclosures for a duration sufficient for consumers to notice, read, and understand them.
- Use plain language and syntax so that consumers understand the disclosures.

E. If a disclosure is necessary to prevent an advertisement from being deceptive, unfair, or otherwise violative of a Commission rule, and it is not possible to make the disclosure clearly and conspicuously, then that ad should not be disseminated. This means that if a particular platform does not provide an opportunity to make clear and conspicuous disclosures, then that platform should not be used to disseminate advertisements that require disclosures.

Acknowledgement of: AAG Compliance Manual For F&I, NPPI & Marketing Disclosure

I, _______________________________ hereby certify that I have received and reviewed a copy of the AAG Compliance Manual For F&I, NPPI & Marketing Disclosure.

____

Print Name

____

Signature

____

Date