

**RIP-OFF NATION:
AUTO DEALERS' SWINDLING OF AMERICA**



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I. SUMMARY

This report takes a hard and detailed look at the unfair tactics automotive dealerships use to manipulate consumers during a new or used vehicle purchase, and at the types of unethical and illegal practices that have become second nature to one of the largest industries in the United States. Sales projections indicate that Americans will purchase more than 16 million *new* vehicles over the next year alone: the fraudulent practices described in this report are likely to affect millions of those buyers.

Duane Overholt, an auto dealer insider with more than 20 years of experience working in several auto dealerships in Florida, believes that fraud has now reached epic proportions in the industry. "I cheated, I stole, I swindled," he admits. "They taught me how to do it, and then I had no choice – except to quit." After winning a wrongful termination suit against Sonic Automotive Group in 2001, Duane has made it his mission to expose the underhanded dealings that allowed him, and continue to allow others, to bilk thousands of dollars from an unwitting vehicle buyer.

While many consumers likely suspect that auto dealerships do not always operate on the up-and-up, the size of the purchase, the flurry of paperwork, and the complicated financial relationships make car buyers particularly vulnerable to the schemes developed by dealerships to squeeze the maximum profit from every sale. Many of the arrangements lack transparency—for example, although buyers have a direct relationship with the lending institutions that finance vehicle purchases through dealerships, most never see the paperwork maintained at the bank, which may describe a different loan than was negotiated in the sale at the dealer.

Little-noticed "extra" charges at every stage of the sale inflate dealer profits at little value to the consumer. These extras add up for dealers, leading to the accumulation of millions, and even perhaps billions, of additional dollars industry-wide. Our research, in Appendix A, indicates that auto dealer fraud is rampant both geographically and in the number of consumers affected, and that these practices may be commonplace among many of the largest auto dealership conglomerates.

Customers in California, Florida and at least 37 other states have been defrauded in what the Minnesota Attorney General's Office calls "industry-wide practices" ranging from inflating the cost of warranties to contract stuffing and racial discrimination. In addition to state law violations, there are numerous federal laws which in any particular case may be violated by dealer action, such as the Fair Credit Reporting Act, the Truth in Lending Act, and numerous consumer protection and tax laws.

Massive consolidation in the auto dealership industry has altered the relationships, and leverage, of the industry, in relation to both financial and lending institutions and vehicle manufacturers. Many of the types of activities revealed in this report also suggest that banks and manufacturers, alongside consumers, are being defrauded. The report additionally raises

questions about the extent of tacit or actual involvement of all three industries in the fraud, as well as facilitation by company lawyers and accountants. While national conglomerates and franchise chains are a relatively new phenomenon, many independent dealerships may also use similar profit-generating techniques to remain competitive in a marketplace awash in ill-gotten gain.

The body of this report attempts to walk through the process and opportunities for ethical and legal breaches from the consumer's point of view. The documents are redacted to remove the names of consumers and dealerships, and the report makes no allegations or claims about the legality of specific transactions or dealership paperwork. Instead, we hope that by outlining the process, and the opportunities that it currently generates for deception, to give law enforcement a blueprint for investigations, and to educate consumers who purchase vehicles.

Graft is not necessary for auto dealers, as an industry, to remain economically viable. The last section of the report suggests legislative remedies that would greatly enhance the transparency and accountability of auto dealerships to consumers and financial institutions. There are doubtless other remedies that would be desirable in addition to those described, and we encourage innovation and thoughtful crafting of consumer remedies in any civil or criminal actions seeking redress on these issues.

II. HOW THE FRAUD OCCURS: ENTICE, DELUDE, AND DOUBLE-CROSS

A. Before the customer enters the dealership...

Step One: Adding to the Manufacturer Suggested Retail Price (MSRP) on a Dealer Addendum Sticker

Pricing terms on vehicles can be very complicated. Below are some common terms:

- **Invoice Price** is the manufacturer's basic charge to the dealer. This is typically higher than the cost listed on the dealer's sticker because dealers receive rebates, allowances, discounts, and incentive awards. Generally, the invoice price includes "freight" (also called "destination and delivery"). Consumers buying a new car based on an invoice price (for example: "at invoice", "\$100 below invoice") that includes freight charges, should make sure freight is not added again to the sales contract.
- **Base Price** is the cost of the vehicle without options, but with standard equipment and factory warranty.
- **Monroney Sticker Price, or Manufacturer Suggested Retail Price (MSRP).** The so-called "Monroney sticker" is required by federal law to be located on the window and shows the base price of that model, including all standard equipment and warranties; manufacturer-installed options and their retail prices; transportation or freight charges; and the total manufacturer's suggested retail price. Under law, this label may be removed

only by the purchaser.¹ (Though illegal, some dealers removed this sticker under the guise of having the vehicle cleaned, so numbers on price cannot be compared.)

- **Dealer Sticker Price**, usually on a supplemental sticker, is the Monroney sticker price (or invoice cost of a vehicle) *plus* the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), dealer preparation, and undercoating or other add-ons. This reflects the dealer's profit over the invoice cost and includes any products or services dealers may add to the vehicle before negotiating a sale.



Before a consumer steps onto a dealership lot, the dealer's sticker prices are likely to show modifications by the dealer to increase profits.

Attachment 1 is a copy of a manufacturer's invoice sent to the dealer. The "Invoice Amount" column reflects a total invoice cost of \$21,030.22. The "Suggested Retail Price" column reflects the MSRP of the vehicle before the manufacturer adds on soft or hard items.

Add-ons are reflected in the dealer's addendum sticker to the original window sticker and are generally marked up to an uncompetitive retail price, even if the cost for the addition is minimal to dealers. Changes may also be added after the window sticker has been printed and negotiated with the customer during the sale. For examples, Attachments 2A and 2B, are both versions of window stickers. Attachment 2A shows an original MSRP of \$16,005 increased to \$17,896 after the addition of remote security systems, paint and fabric guard protection, new wheels, etc. Similarly, the sticker addendum in Attachment 2B shows an original MSRP increased from \$29,270 to \$33,161.15 after addition of leather seats, tires, and a "savings package."

Dealers may add both hard items (stereos, "special" wheels and tires, hitches, detailing accents, etc.) and soft items (warranties, maintenance programs, paint sealant, undercoating, etc.) to a vehicle at this stage. In the past, only hard items were added to addendum stickers, but there is a new trend of adding "soft" items as well.

By minimally increasing the base cost of the vehicle to the dealer, but substantially increasing the retail asking price, add-ins on top of the MSRP increase profits in many ways:

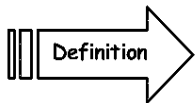
- The hard and soft add-ons to a vehicle can be marked up to full retail or higher, even though the cost of them to the dealer is minimal and profit is consequently high.
- The retail price of add-ons is included in the overall price for the vehicle which a bank will consider financing, yet the add-ons are often products that a bank would not agree to pay for if tacked onto the bank loan agreement/contract during the sale of a vehicle. Therefore, increasing the price for the vehicle allows the dealer a higher bargaining price when negotiating with the bank for a loan. The bank, or other lending body, will advance a consumer a specific percentage of the price of a vehicle based on their credit (*i.e.*,

¹ Average vehicle fuel economy numbers, based upon the Environmental Protection Agency's (EPA) lab-based vehicle fuel economy (miles-per-gallon) tests, are required on all cars and light trucks. This information is usually included on the Monroney label, but will sometimes be found on a separate EPA Fuel Economy Label.

someone with exceptionally good credit will be loaned 120 percent of the MSRP plus the allowed hard add-ons, someone with poor credit will be loaned 85 percent). Because dealers' kickbacks from banks are in part based on a percentage of the overall amount of money that is financed in the sale, increasing the retail price of the vehicle increases a dealer's profits on the financing loan as well.

- Some of products allegedly "added-on" by dealers in fact already are standard equipment from the vehicle, yet the consumer is charged again for them at this point.
- Products added at this step are also ones many consumers would not purchase if given an option.
- "Dealership preparation" entities, most of which are wholly-owned subsidiaries of the dealership, frequently supply these extras, meaning that any "costs" of products added to vehicles by the dealership are actually income for the subsidiary, and may reflect an internal mark-up by the subsidiary as well.
- Commissioned personnel at the dealer receive incentive packages and bonuses from the "dealership preparation" and warranty companies if specific extras are added to a given percentage of all sales contracts sold over a certain period of time (*i.e.*, "maintenance contracts" added to 40% of all purchases). These bonuses and incentives can be very lucrative for personnel, and are also often used in employee evaluations by supervisors.
- Also, as described below, commissioned dealership personnel receive commissions from adding similar hard and soft items during the sale of a vehicle. Adding in extras at this stage means that the dealership need not pay sales managers a commission for these particular sticker "extras" and saves the dealership money.

Increasing the price from the base or MSRP may also allow a dealer to cover the minus equity of a traded-in vehicle.



"Minus equity" is the difference between what a dealer values a possible trade to be worth and what is actually still owed on the vehicle.

Banks will finance consumers with a minus equity situation on a trade-in only if there is no "minus" number on the bank contract, called a "risk document." To cover up the minus number on the "risk document," a dealer may inflate both the retail price and the trade-in value of the vehicle on the sales documents. This in no way affects the actual cash value placed on the trade that continues to have minus equity, yet it appears to do so on the bill of sale, buyers order, or bank "risk" contract.

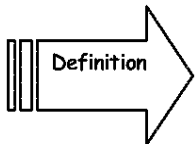
For example, if a dealer knows the customer has a trade-in vehicle worth \$9000, yet the customer owes \$10,000 on the previous vehicle loan (not an uncommon occurrence), the dealer can increase the new vehicle's price by \$1000 (or more) and offer to buy the trade-in for \$10,000 to cover the difference so that the bank will loan the customer the total price of the new vehicle. In this way, the bank does not see the minus equity and thus will finance more of the price of the vehicle.



While consumers think they got more for the trade-in vehicle, in actuality, the numbers have merely been manipulated to fool the bank into financing the sale. If the percentage rate on the new vehicle is higher than the previous vehicle, the consumer will also pay the new compounded interest on the \$1000 added to the MSRP, as well as any sales and state property taxes owed on the higher amount.

The dealer's sticker price typically also does not reflect any manufacturer rebates that are available on a vehicle, and many dealers will not admit to consumers that a rebate exists unless asked specifically about the rebate. If the customer does not know the rebate exists, the dealer may collect it anyway, and collect it as profit. Or, the dealer can manipulate sales documents to reflect the rebate, but pack the contract back up to the total with profitable extras that the consumer never knows they are buying. The dealer also can collect any incentives that are available on the extra products, and the consumer does not know that they could have gotten the vehicle for thousands of dollars less than they paid.

A common add-on product, and one that can be added-on to the addendum sticker, or at a later point in the process, is called "etch." Both Attachment 2A and 2B reflect "etch" was added to the vehicles in question.



"Etch" programs use an acid wash to engrave the Vehicle Identification Number, or VIN, or another unique identifier, on the vehicle windows, supposedly as an anti-theft assurance and recovery device. The physical etching is accompanied by etch insurance, which typically offers a very minimal cash return, such as \$2,500, to consumers whose vehicles are stolen and never returned.

Many companies provide financial incentives to personnel to include such charges in a high percentage of purchases. Etch policies are unregulated and generally can be used as a means to hide profit in the manner described elsewhere in this report. One important clue that etch may be used in this manner: The price of etch on a vehicle varies; in our examples from \$489.46 to \$250.00, for the same service and warranty terms, without any apparent relationship to the price of the vehicle (*see Attachments 3 A, B and C*).

Several other types of deception and profiteering are also rampant regarding etch. Consumers' signatures may be forged on etch forms and many consumers may never learn they have paid for the service, and thus never use it to locate a stolen vehicle or submit a claim. The typical "cost" to dealers of the service and warranty is \$100, although the real cost is hard to determine given the relationship between the dealer preparation subsidiaries and dealerships. Yet "etch" is often marked up to \$500 or even substantially higher. Consumers may also be charged for "etch" in cases where the vehicle marking is never actually done. Consumers should also check to see if vehicles at home have been marked in this manner and check whether the charge is recorded in the sales contract or other documentation.

The sales of "etch"-type products for amounts as high as \$1,000 (as was paid by Florida class action plaintiff Brenda McCarthy) appears particularly outrageous when we consider that federal law regarding VINs requires the same information, and far better theft protection, to be provided by the manufacturers on the dash and in numerous locations throughout the vehicle *free*

of charge to all American vehicle purchasers. Federal regulation, at 49 CFR § 565.4 and .5, provides that the VIN for all vehicles manufactured in, or imported into, the U.S. be “located within the passenger compartment” and “readable...under daylight conditions by an observer having 20/20 vision whose eye-point is located outside the vehicle adjacent to the left windshield pillar.”²

Another federal safeguard, the “Federal Motor Vehicle Theft Prevention Standard,” requires VIN markings in numerous areas to discourage “chop shop” burglary and dismantling of vehicles.³ The government notes that the official purpose of the rule is to “reduce the incidence of motor vehicle thefts by facilitating the tracing and recovery of parts from stolen vehicles,” see 49 CFR Part 5412, and the rule therefore takes a far more thorough approach to the problem than do “etch” programs, which mark only the easily removable windows and windshield of the vehicle.

Another common technique is to push the purchase of extra service, e.g., so-called vehicle “care” or “maintenance,” contracts from the dealer. These contracts are offered by manufacturers, dealers, or independent companies and *may or may not* provide any coverage beyond the manufacturer’s warranty. Consumers should be sure that any service contract provides coverage that is needed and in addition to the warranty, and ascertain the contract’s precise terms and coverage. Many service contracts also provide special conditions for use, or duplicate services, such as oil changes, that are available far more cheaply elsewhere.



The key point is that “etch” and other extras, such as maintenance contracts that promise six oil changes for \$1000, are not really products at all. They are mainly just placeholders for dealers to square the extra profit they have negotiated into the deal with the paperwork on the sale. This explains why comparisons show a wide range in prices for different consumers *on the same product or services*. The additions and extras are shells in a shell game, and little more.

B. While the customer is with the salesperson...

Step Two: Obtaining and Misusing Personal Credit Information

Unethical sales personnel who seek the highest possible profit from a sale may gather information on a consumer’s credit history by pulling their credit report from a credit reporting agency, even without a consumer’s permission. Firsthand whistleblower accounts reveal that a widespread industry practice is to pull credit reports on consumers without the customer’s permission or knowledge by obtaining identifying information (including name, address, phone

² The initial rule requiring VINs was issued by Joan Claybrook, now President of Public Citizen, when she was Administrator of the National Highway Traffic Safety Administration.

³ Rules at 49 CFR § 541.5 require all passenger motor vehicles to be affixed with a non-removable VIN label in each of the following 18 areas: 1) Engine; 2) Transmission; 3) Right front fender; 4) Left front fender; 5) Hood; 6) Right front door; 7) Left front door; 8) Right rear door; 9) Left rear door; 10) Sliding or cargo door(s); 11) Front bumper; 12) Rear bumper; 13) Right rear quarter panel; 14) Left rear quarter panel; 15) Right-side assembly; 16) Left-side assembly; 17) Pickup box and/or cargo box of light-duty trucks; 18) Rear doors, decklid, tailgate or hatchback.

number, date of birth, and sometimes even Social Security Number) from consumers in one of the following ways:

1. Through a consumer's drivers license taken and copied before a test drive;
2. On an appraisal slip for a vehicle given to the dealer as a trade-in;
3. From the notice to acquire a payoff on the remainder of a loan on a trade-in;
4. From documents previously filed with the dealer from a past sale (dealerships usually keep documents from previous sales for up to ten years); or
5. After a customer fills in a work sheet as a prelude to discussing a sale.

Most consumers will provide Social Security Numbers when asked. Even if they do not, a dealer is often able to enter a false general number (such as 111-11-1111), along with other information, to obtain a credit report.



Under the Fair Credit Reporting Act, dealerships are required by law to acquire a customer's written permission to obtain a credit report under most circumstances⁴ but firsthand accounts and court documents show that these signatures are often forged or omitted from forms.

Why do dealerships pull a customer's credit history? The availability of as much information as possible about the financial position of a customer provides dealers with a substantial upper-hand in purchase negotiations. Pulling credit reports allows a dealer to:

1. Learn the customer's credit score (called alternatively "beacon score," "bank rate score" or "bureau score") which allows the dealer, matched with a bank rate sheet, to compute the loan amount that banks will most likely offer to that customer. The bank rate sheets, shown in Attachment 5A and Attachment 5B, provide the "term" (or interest rate and number of months) for the loan that a bank will offer to a consumer based on his or her beacon score and the year of the vehicle s/he is leasing or purchasing. A consumer seeking financing at the dealer, rather than an outside lender, is therefore at a tremendous disadvantage, as they have no knowledge of these rate sheets and thus no idea of the rate and loan amount a bank is likely to offer. Because of this information gap, the dealer can negotiate payment options with the upper hand.
2. See the consumer's previous auto loans and the terms of those loans (*i.e.*, \$350 for 60 months). Dealers often use these numbers as a baseline on which to add additional money and months to begin payment negotiations.
3. Access the balances of a consumer's credit cards. Knowing how much credit a consumer has available gives the dealer an upper hand when negotiating down payment. If, for example, a consumer balks at a high down payment, a dealer who knows that the consumer has \$2000 open on a credit card can suggest that the

⁴ According to Fair Credit Reporting Act § 604, [15 U.S.C. § 1681b] and a letter from the FTC to the Texas Auto Dealers Association (included as Attachment 4), dealers may only acquire a credit report without permission under narrowly defined conditions:

Only in those circumstances where it is clear both to the consumer and to the dealer that the consumer is actually initiating the purchase or lease of a specific vehicle and, in addition, the dealer has a legitimate business need for consumer report information may the dealer obtain a report without written permission.

consumer use the credit card to secure their sale. This allows a dealer to ask for a larger down payment, as well.

It is important to remember that dealerships do not have the authority to offer loans or to act as bank agents. In fact, the fine print on the back side of sales contracts frequently indicates that the sale is conditioned upon approval of the loan or financing agreement by the *lender*, indicating, as in our example, that transactions including a finance or lease are “conditioned upon approval of Purchaser’s retail installment sale contract or lease by a financial source.” See Attachment 6.

Even though many dealers discuss loans, claiming to act as the agent of the customer and asserting that they will negotiate with the bank for the lowest payment and rate, they usually do so in a manner that maximizes their profit, not the consumer’s benefit. This position may enhance a dealer’s authority with buyers.



It is important for consumers to be aware *that the only factor a dealer can legitimately negotiate during the sale of a vehicle is the retail price of the vehicle and any items added on during the sales process.*

Step Three: Exploiting Special Relationships with Banking Institutions

Today’s market has allowed for special relationships between major lenders and dealerships. Dealers send a high volume of business to large banks, particularly those with whom they have lending relationships, and some of these banks, in turn, may offer the dealer a cut of the financing and offer loans to risky customers who might otherwise be denied loans. According to the June 11, 2003, deposition of Lyssa Carter, Financing and Insurance Regional Director for Sonic Automotive, these lending relationships came about due to a symbiotic give-and-take, in which the banks would agree to accept customers with less favorable credit in exchange for a steady stream of business from dealerships. (See Attachment 7.)



When banks and dealerships have special lending relationships, the banks may set up deals with the dealership through which they will pay the dealership a percentage of the income from financing the consumer’s loan. This is typically accomplished by increasing the original percentage rate of the loan sold to customer (the “buy rate” for the dealership) by a few points (usually between 2 and 5 percentage points, costing the consumer thousands of dollars) from what the bank would regularly offer (the “sell rate” from the dealer to the consumer) and paying the dealership the difference. All of this occurs before the loan is sold and before the percentage on the loan is told to the consumer.

As shown in Attachments 5A and 5B, both financial institutions have deals with a dealership conglomerate to inflate the original buy rate by 3 points (this is called, in the forms, the “reserve cap”). For example, in Attachment 5A, if a customer had a 650 credit score (in the 640-679 range) and was purchasing a 1998 vehicle on a 66 month lease, the bank guideline would generally be to sell the loan to the customer at 10.80 percent. However, the sheet

indicates that the lender will sell the loan at a “reserve cap” of up to 3 points higher (for a total interest rate of 13.80 percent). The extra three percentage points go directly to the dealer.

In contrast, if the loan is sold to the consumer at the actual buy rate, the dealer will be paid 1 percent of the total amount financed by the bank, costing the bank 1 percent on the loan. So, using the example above, the consumer would be charged 10.80 percent to finance their loan: 1 percent to be paid to the dealer and 9.8 percent paid to the bank. While this is a win for the consumer, it is a loser for both the dealer and the bank. Because of this dynamic, the real buy rate is generally not the rate offered to vehicle purchasers. Consumers seeking financing outside the dealership, on the other hand, are typically awarded a financing rate that is equal to, or even better than, the buy rate.

But financing through a dealership is a different story—and dealerships have a strong incentive to push sales with financing through them. Some financial institutions offer specific incentives to both corporate headquarters and dealerships for financing a bulk of their contracts. These arrangements can be set out on a percentage basis, as incentives for “pools” of managers or sales representatives, or on a per-contract basis over a given period of time. The payment per contract can also be directed to the corporate headquarters of a conglomerate, rather than the region or franchise level, and in turn be incorporated into incentive or other management programs administered at the corporate level.

And the auto manufacturer’s lending programs may also be manipulated by dealers to benefit the dealerships and lending source to the detriment of the customer. Often, manufacturers’ loan incentive programs are offered in advertisements as including *either* a low interest rate *or* a rebate. The low interest rate is the bait, and the rebate is the switch. The rebates distract consumers, who take the cash and accept the higher interest rate, allowing the manufacturers’ lending programs to sell loans at a significantly higher rate than the consumer would find elsewhere.



In other situations, dealers may not even inform consumers that a special interest rate from the manufacturer is available, because providing that interest rate, rather than the rebate, will not permit the dealer to make any money on the financing “reserve” from the lender.

Step Four: Manipulating Customers During the Sales Process to Pay More Than Originally Agreed

Generally, by the time a customer actually sits down with a sales person at a dealership to discuss their purchase, the sales person already knows the customer’s credit information and what the bank is likely to offer as a financing rate. This gives the dealer a leg up in negotiations. While, as noted above, a dealer cannot offer specific terms of a loan, the sales personnel often attempts to negotiate conditions of a loan with a customer at this stage in the process.

The Sales Worksheet

Attachment 8, a sales worksheet, is the first document a consumer and a dealer will work on together. As shown, the purchase price for this vehicle is set at \$14,900, which was probably the number on the window sticker and any addendum sticker that the customer has already seen. This is the only number that the dealer can legitimately negotiate. As shown in this document, however, dealers can begin at this stage in the process to talk to the consumer about monthly payments and loan conditions, here \$360 (between \$360 and \$369) for 57 months.



The monthly payment negotiated at this stage is generally much higher than a consumer is willing to pay for a vehicle and is typically used as the “peak” amount suggested by the dealer in the negotiating process. Also note that the customer has not signed the worksheet at Attachment 8. Under law, customers cannot be asked to sign forms agreeing to bank terms that are not generated by a bank.

The worksheet also provides information about “options and features” negotiated during the sales process. These are either hard or soft add-ons that the consumer may agree to purchase. Worksheets such as the one shown as Attachment 8 are becoming more and more obsolete and in their place dealers are using “menu selling.”

Attachment 9 is an example of the menu-style worksheets salespeople may use with customers to shorten the worksheet process, and which can be used to hide the costs of specific additions. None of the additions listed in the attached menu is associated with a specific price. Instead, each package is negotiated, and accepted or rejected, based on specific loan terms (that is, loan terms that the dealer cannot assure).

The menu worksheet shows a sale of a vehicle at an initial price of \$20,200, with options that will increase the amount the consumer will pay over the life of a 72-month loan to nearly \$30,000 (with interest), increasing the total cost of owning the vehicle by 50 percent. (The total payment, including compounded interest, from the monthly payments for 72 months at a 5.9 interest rate, was added by us in text boxes on the worksheet.) It is virtually impossible, given a menu without prices and without a compound interest rates calculator, for consumers to assess how much they are being asked to pay for specific items within these packages of products, or even to understand how much they will actually pay for their vehicle.

For example, given merely the information that a “Basic” package costs \$22.40 a month more than the base payment (of \$341.36 for 72 months), a consumer unarmed with a compound interest rate calculator cannot easily determine that this package will in fact cost almost \$1500 more over the time of the loan or that the \$73.83 a month more for the “Preferred” package, with interest, will end up costing the consumer a total of \$4656, including interest, on top of the price of the base vehicle and options.

The Purchase Order

During a vehicle purchase, the next stage of the process is typically filling out the handwritten buyer's order (*See Attachment 10*). This is generally the first time a consumer signs a contract that includes any agreement on the selling price of the vehicle. The buyer's order often includes add-ons from negotiations on the vehicle sale. The selling price of the vehicle on the buyer's order should match the selling price of the vehicle on the worksheet and on the window sticker (plus or minus explicit add-ons agreed to and described in the documents). Yet often these numbers do not match.



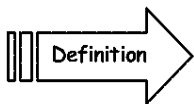
Unless the purchaser explicitly agrees that additional products or services may be added to the vehicle later in the sales process, the retail price listed on the buyer's order should be the total sum of what the consumer owes (excluding interest on the loan, if applicable).

It is also important to note that the buyer's order includes the amount a dealer pays a consumer on a trade-in vehicle. As noted above, lenders will offer a specific percentage of the MSRP of a vehicle to a consumer based on his/her credit rating score (as well as the age of the vehicle). As detailed above, a dealer wishing to sell a vehicle to customers who will not be offered the full MSRP by the bank because of a poor credit rating may inflate both the payment for the trade-in and the retail price of the vehicle to increase the amount of money the bank will lend without decreasing the dealer's profit.

Comparing the "used car" allowance noted on the buyer's order to the dealer's accounting documents that show the amount paid on the trade-in vehicle will reveal these discrepancies, if they exist. If dealers fail to claim the true cost incurred to purchase a trade-in vehicle on corporate tax forms (using the inflated price on tax forms although that is not what the consumer in fact paid given the accompanying increase in the buying price for the trade-in), they may end up claiming a higher tax deduction than should be claimed.

The Transmittal Sheet

The transmittal sheet, as shown in *Attachments 11 A, B and C*, contains information about the sales negotiation, as filled out by the salesperson and given to the Finance and Insurance (F&I) manager, who then uses the information to finalize the deal. The transmittal sheet shows the payment rate and terms, the cost of the vehicle to the manufacturer, the retail cost of the vehicle to the consumer, the gross profit to the dealership, etc.

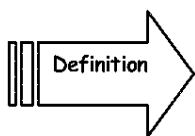


The "gross" is the profit at the particular loan terms offered preemptively by the dealer to the customer, which may be different from the actual profit if the bank does not agree to the specific loan terms.

Often the payment quoted on the transmittal sheet is above the payment that would be necessary, given the terms of the lease and the sales price of the vehicle, to actually pay for the vehicle, including interest. This math, which is likely too complicated for most customers to do

on the spot, can be done immediately by putting the numbers on the transmittal sheet into a balance sheet for compounded interest payments.

Look at the "Notes" section on Attachments 11B and 11C. The dealer's handwritten notes on transmittal sheet (Attachment 11B) indicate that the deal provides \$7.00 "in room to work" and quotes the terms of the loan (the financing rate offered by the manufacturer's financing arm, monthly payments and term of the loan). This "room to work" is the dollar amount per month above what is actually needed to pay for the vehicle under the terms of the loan, including interest. While this consumer's vehicle could be paid back, according to the sales manager who filled out this form, at \$372 a month, the consumer has evidently agreed in negotiations, most likely unwittingly, to pay \$379. Thus, \$7 of the \$379 a month is extra – yielding a \$504 over-payment in total. On Attachment 11C, this over-payment is \$40 a month.



The money that consumers pay above what it would take to pay off the agreed-to sales price of their vehicle is called "leg" by dealers. *Dealers can play fast and loose with the numbers because most consumers negotiate the amount of the monthly payment that they can afford, and not the price of the vehicle.*



Leg, as negotiated by the sales department of a dealership, may then be used by the F&I manager to use to cover additions to the sales contract. The hard and soft add-ons inserted into the contract following the sales portion of the deal are rarely seen by the consumer and the retail cost for them is unregulated, giving an unscrupulous dealer the "legroom" to further fleece customers.

C. Once the Finance Department has the paperwork...

Step Five: The F&I department adds "back-end" products into the sale, increasing profits at consumer expense

The finance department of an auto dealership is generally permitted, and may even be asked, by banks to add so-called "back-end" products into a sales contract at this stage of the process. Bank rate sheets are included as Attachments 5A and 5B. Both of these sheets, sent by financial institutions, spell out a specific back-end allowance that F&I managers may add to a contract covered by the bank. On Attachment 5A, the limit is \$2500; Attachment 5B sets a schedule based on the unpaid cash balance and credit rating score. The rate sheets also explain which types of "back-end" products are allowed and disallowed by a particular lending institution.



Back-end products are supposed to be warranty and insurance products added by the F&I manager within the bounds of the bank's guidelines and must by law be disclosed to the consumer. However, by manipulating the forms and using available "leg" in a sales deal to cover it up, dealerships are able to add in back-end products that are beyond both the bank's guidelines and customer knowledge. Customers often do not know that these back-end products exist, and thus may never claim any warranty, or use a maintenance or other service contract, for which they have actually paid.

For example, a dealership may wish to add a \$2500 warranty (or other add-on) package (note that the package may cost them only 1/5 or less of that amount) to a sales contract, to maximize the bank's allowance for back-end products. If the "leg" on a current deal is \$37 a month, the dealer can easily sell the warranty products at an additional \$5 per month. From the consumer's perspective, they are purchasing a warranty package for a mere \$300 (\$5 per month for a 60 month loan, excluding interest). In reality, because the "leg" conceals the real additional cost of the product to the consumer, they are paying \$42 per month, or about \$2,520, plus interest at the percentage rate applicable to the deal.

It may even appear to the consumer that they are out-smarting the dealer by paying \$300 for a package that is listed on their bank contract as costing \$2500. It also may appear to someone comparing the actual cost of the package with the listed price that the dealer took a loss of \$200 on the sale. If a dealer ends up with unused "leg" or "leg" above the amount that can be folded into additional products approved by the bank, a dealer may actually claim to a buyer that they have gotten the consumer a better deal or lower interest rate, although it was the consumer's extra money all along.

"Leg" also may allow dealers to appear to offer costly warranty products to consumers for "free." In the deal above, the F&I manager could easily offer a "free" warranty package worth \$2000 (that only costs the dealer, for example, \$200). The manager could then enter \$2000 worth of warranty products on the bank contract to inflate the vehicle's sale price. Because a \$37 leg over the life of a 60-month loan would yield \$2220 (excluding interest), the dealer is actually earning \$2020 in profit. By adding the \$2000 warranty onto the bank contract, the dealer can earn extra profit in a manner acceptable under the bank's policies, through "leg" that consumers are unaware that they are paying. Such a maneuver assures that the bank contract reflects some value, on paper at least, for the over-payment already worked into the consumer's agreed-upon monthly payment as "leg."

The F&I department could also potentially add a warranty product of a \$2000 value to the customer's contract, which would be integrated into the bank's forms, that customers never see and thus never can use to make claims. During both the sales and the finance process, sometimes consumers are asked to sign blank or generic contracts so that an F&I manager can later falsify a contract that will appear acceptable to the bank and warranty company.

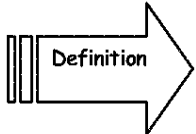
In other cases, the warranty may duplicate the warranty that already comes from the manufacturer on the vehicle. A customer repair under one warranty can be charged to manufacturer's warranty, from which the dealer may collect a reimbursement from the manufacturer and ignore the second warranty altogether.

Many warranty companies maintain close relationships with dealerships. Some warranty companies are actually owned by the same corporate entity that has an ownership stake in the dealership. Others use warranty companies as administrators for warranties that the dealership actually owns, still others split ownership and profit relationships regarding the warranties in various ways. Because the profits of the warranty companies are based on the number of warranty claims made against the policies, this provides a built-in incentive to keep overall claim rates low.



Just as increases above the MSRP benefit dealers by increasing the price of the overall loan, which in turn increases the size of the percentage commission given back to dealerships, incentives to add in back-end products acceptable to banks produce a win-win for dealers and financial institutions at the expense of consumers.

One of the most useful documents for tracking changes made by the F&I manager to a consumer's contract is the "washout" sheet (Attachment 12A, B, C, D, E and F).



A "washout sheet" is the internal receipt generated by the F&I department following the contract signing process that shows the terms of the loan, the cost of additional items added to the price of the vehicle and the profit made on each portion of the deal, including the financing. It also shows corrections made by hand after data is entered by the F&I department into the computer.

Washout sheets are the key to understanding the specific add-ons that dealers pack into sales deals and the profit they are making on these items as well as their relationship with financial institutions. Washout sheets show the different financing rates made available to specific customers and what percentage of the interest will go to the dealer instead of the financing institution.

The six washout sheets included in Attachment 12 also show the high and unregulated profits dealers can make from warranties, gap insurance and etch:

Finance rates: The finance charge sold to the consumer from Washout sheet A for the loan was 14.90 percent, yet the bank is only taking 12.90 percent, leaving 2 percent of the 78-month loan for the dealer. Washout Sheet E shows a sale where the finance rate was bumped 4.01 percent from a bank's offer of 10.99 to the rate that the consumer was sold (the "sell rate" was 15.00 percent.). Sometimes, the dealer receives only a minimal percentage of the reserve cap, as shown in Washout C (0.50 percent). While Washout Sheet B appears to show no percentage at all, the dealership has likely still retained the flat rate payment of 1% on the loan, as explained above.

Warranties: The warranties (excluding explicit etch and gap policies, described below) written for these five deals range in cost to the consumer of \$1300 (Washout D) to \$659 (Washout B). The profit margin for these warranty policies does not vary directly with cost to the dealer and ranges from \$200 to \$766 (Washouts E and D). One major issue, and one that is rarely addressed by dealers in product conversations with consumers, is exclusions from the warranty coverage, or redundancies between warranties and the manufacturer's standard warranty policy.

Gap Insurance: Gap insurance is written to cover, in the event of a theft or total loss, the balance between the cash value of the vehicle and the amount of the loan. Washout sheets A, D and E each show the purchase of a gap policy. Washout A shows a gap policy being sold for \$500 that costs the dealer \$150 while Washout D shows a gap policy sold for only \$390 that cost the dealer \$190 (a \$150 profit difference). Both

policies were written for used vehicles—but the cheaper policy was written for a vehicle with a longer loan time (7 months) and a higher selling price (\$4320). Note that most gap insurance policies cover only the MSRP, and not any add-ons contained in the dealer price for the vehicle, which can be substantial in price.

Etch: Etch, as described above, is a physical etching on a vehicle combined with a total loss warranty worth \$2,500. As shown in Washouts, A, B and C, etch can “cost” the dealer a small amount (such as \$75) and can be sold for a hefty, and unregulated, profit. Take the example of Washout C, a sale where the dealership was making only 0.5 percent on the financing. The etch policy was sold for \$750, even though it only cost the dealership \$100. This \$650 profit accounts for more than one-third of the gross profit for the entire sale.

The final document that must come out of the F&I department on a sale is called the buyer’s order. Examine the Washout Sheet 12 F and the two versions of a buyer’s order (Attachments 13A and B) – all generated for the same sale. The selling price for the deal, according to the washout sheet, is \$11041.76, which is reflected on the first buyer’s order. However, the second buyer’s order does not match – the cost of the vehicle has been increased to \$11500. It appears probable, though still uncertain, that this second buyer’s order was forged by the dealer after the buyer left the dealership in order to submit a buyer’s order that matched the final financing request to the bank or approval by the bank.

The costs of warranties can also be altered during this process. In a deposition (*see Attachment 14*), a dealership agent explained that warranties could have different prices depending on whether the price was written on a form given to the consumer, the bank or the warranty company. As related in the deposition, the warranty was sold to the consumer for \$1,199, and that price was reported to the warranty company, yet the bank was told the warranty cost \$1,594. Some warranty prices are capped under insurance law, but the banks typically do not check to see whether the warranty meets the legal and bank rate requirements for that warranty product.



Consumers should also be aware that many dealer warranty products may be at risk of default by warranty companies that are unlicensed to do business, or otherwise financially insufficient to cover claims, and that dealers, while selling the warranties, are unlikely to cover the warranty or reimburse the warranty in the case of a default by the warranty company.

Not only is it possible to add additional warranties or other back-end items at this stage or to manipulate their costs, it is also possible to change the terms of warranties. One customer claimed, in an affidavit filed in a lawsuit (*see Attachment 15*), that while he signed a 50,000, 48-month contract, he was given a 35,000 mile, 36-month warranty. When the customer became aware of the discrepancy, he paid a visit to the dealership, where his affidavit claims he was “shown a warranty application form that contained a forgery of [his] signature.”

Many sales transactions in auto dealerships occur outside of a bank’s normal hours. This can be a benefit to dealers, particularly those who want to offer customers “on-the-spot” delivery,

because they can ask the consumer to sign generic or blank forms offering to “take care” of filling out the rest and dealing with the bank after the consumer leaves, with their new vehicle. This can also occur when the banks are open, but an excuse is offered to encourage the customer to leave with the vehicle pending loan approval.



In the trade, this is often called a “right of rescission.” Abusive terms written in the fine print permit dealers to alter the terms of the contract, including the number of payments and interest rate, without the customer’s further consent, if the customer receives “spot deliver” of the vehicle by driving it off the lot prior to receiving final approval from the bank. Consumers should avoid spot delivery and should never sign a writ of rescission-type clause or contract.

The F&I manager may also ask the consumer to sign a generic bank contract that spells out a basic term for a purchase (*see Attachment 16*), claiming that they can shop the sale around to different banks to get the consumer the best deal. This generic contract for the same order discussed above, indicates a higher sale price than the final buyer’s order (according to the contract, the total cash price for this deal was \$12,620.79).

Attachments 17A and B are examples of documents that dealerships may have consumers sign without filling out the meaningful information on the forms. They are an application for a certificate of title and an auto insurance agreement. The signatures on these forms “certify” that they are signed “under penalty of perjury” by a customer who understands and verifies the information contained within the form, yet, obviously, consumers cannot verify facts on forms they do not actually sign.

Another major problem arises if, in the flurry of forms, consumers unknowingly or without understanding sign binding agreements to resolve any disputes in arbitration, rather than in the courts. Such clauses, also called “dispute resolution” clauses, are attempts to force consumers into industry-dominated arbitration mechanisms and to strip the meager protections offered under the consumer protection and other laws. By signing the contract, the consumer is agreeing to binding arbitration to settle any future dispute and also waiving the right to sue or appeal— even if the dealership committed fraud. Arbitration can also be very costly to consumers, who must pay at least ½ the cost. Arbitration settlements are also secret, generating no public records of wrongdoing and no precedent for use by other wronged consumers.



Consumers should walk away from any dealership that requires purchasers to sign away their legal rights as part of a mandatory arbitration or dispute resolution agreement.

Even the auto dealers do not really think that mandatory binding arbitration is fair – at least when it comes to protecting their own interests against the manufacturers. Auto dealers actually lobbied for a federal law passed in November 2002 that prevents automobile and truck manufacturers from requiring the use of mandatory binding arbitration to resolve franchise disputes with dealers.⁵

⁵ More information about the harms of mandatory arbitration clauses can be found at www.autoissues.org and www.citizen.org.

D. After the consumer leaves the dealership...

Step Seven: The F&I department responds to the bank's answer on the loan...

After the customer leaves the dealership, the F&I department sends the necessary forms to the bank to secure financing for the consumer. While this transmission used to require a signed application statement, dealerships now have relationships with lenders that allow them to submit the information electronically or via fax, speeding up the process.

The banks then send a "response sheet" back to the dealer giving the F&I department the conditions under which the bank will finance the loan (*see Attachment 18*). Note that in the attachment, the bank has conditionally allowed this financing deal only if it is for a loan under its specific terms and includes only one add-on. If, during the original bank contract, the dealer had specified two add-ons or different terms than granted for the loan, the dealer would now have to write a new contract to fix the discrepancy.

Banks also send back lists of conditional approvals for loans, like those included as Attachment 19. For example, the notations on the first case on Attachment 19 state "Need RO for \$2,122." With such a request, the bank is asking the dealer to provide documentation that shows that an "RO" or "repair order" has been done that will add a \$2,122 value to the vehicle to adjust the retail price of the vehicle, up to the amount that the bank's contract is supposed to cover. So-called "repair orders" are really just requests by the bank to raise the price on the vehicle and can be achieved by adding on either soft or hard add-ons. The repair order itself, Attachment 20, is unsigned by the customer. Dealerships also may claim to conduct the repair order without either alerting the customer or ever doing the work.



The consumer sees none of these transactions, and in many cases, is never told of the additional bank specifications or potential increases in the amount of the loan. Consumers should be given access to any changes in the financing or sales contracts that occur after taking possession of the vehicle, and should double-check that the terms of the loan and the number of payments have not been altered from the initial agreement. "Balloon" payments, which impose a final payment of a substantial amount over the monthly payments, may also not be disclosed.

III. SOLUTIONS AND SUGGESTED REMEDIES

A. Federal, state and local authorities should aggressively enforce all available consumer protection and criminal laws.

State Attorneys General and other state and local law enforcement authorities should vigorously enforce consumer protection laws and investigate suspected fraudulent activity by auto dealers. Given the range of cases nationwide, it appears that only the tip of the iceberg has been revealed. Given the deceitful methods used by unscrupulous dealers to defraud customers, it is imperative that law enforcement authorities take swift action to protect consumers and seek civil redress and criminal convictions before valuable evidence is destroyed.

B. Legislative actions at the state and federal level should increase auto dealer disclosure and transparency, including, at a minimum, the following:

1. Mandating that all financial and dealership documents (including handwritten, computer-generated, and printed) be contained in a single file and available to the consumer at the lender and dealership on request;
2. Requiring dealer employees to inform consumers that they do not represent the consumer, but represent the dealer and the dealer's interests;
3. Requiring that the lender's "buy rate" be posted for consumers to view at the dealership;
4. Requiring that purchase payroll records, including original pay stubs or other authenticable documents that show proof of income, be attached to bank loan papers when submitted to the lender, to avoid overestimates of income or falsification of income at dealer request by consumers;
5. Prohibiting, in all spot deliveries, "rights of rescission," the contractual conditions that allow dealers to change the material terms of a contract with the buyer after it is signed;
6. With any option to purchase additional products like extended warranties and service contracts, consumers must be shown both the pre-option sale price and amount of monthly payments, with interest, *and* the total price in sum including options and monthly payments including additional charges for extras, with interest, to allow consumers a true and clear comparison of figures;
7. Requiring that any "balloon" payments as the final payment on a loan be specifically disclosed to the consumer and a written notice of such disclosure be signed by both the consumer and dealer's agent;
8. Requiring that dealers procure a state license to sell warranties and insurance products, and that a condition of licensure be the purchase of insurance coverage to cover a dealership's total liabilities if a warranty company defaults; and
9. Forbidding mandatory arbitration clauses in vehicle purchase or other consumer contracts.

C. Consumer information efforts should be expanded.

While "buyer beware" programs are profoundly inadequate in the face of rampant and systematic fraud, certain steps taken by informed consumers can provide limited safeguards against deceptive dealer practices.

According to Duane Overholt, in advice from The Primer, a guide to auto purchases that is available at www.stopautofraud.com and Remar Sutton, President of The Consumer Task Force For Automotive Issues (at www.autoissues.org), some important tips for prospective car buyers include:

- **Find outside financing first, before entering a dealership.** Financial groups like credit unions generally provide the lowest auto loan price for which consumers qualify, and outside financing reduces the paperwork shuffle at the time of purchase that can conceal fraud. Do not deal with any lending institutions (including credit unions) offered through the dealership.
- **Do not give the dealership written permission to pull your credit information or your personal information (such as Social Security Number)** until you are ready to negotiate the sale of a vehicle.
- **Avoid any dealer that requires signature on a mandatory arbitration or “dispute resolution” clause or agreement.** By signing the contract, the consumer agrees to binding arbitration to settle any future dispute and also waives the right to sue or appeal—even if the dealership committed fraud.
- **Be willing to walk away.** Resist the pressure to buy—and slow down and read the fine print! Ask lots of questions about what is contained in the price and the limitations and exclusions of any services or products. Negotiate away extras and add-ons.
- **Stay away from “spot” deliveries.** Dealers can exploit on-the-spot vehicle purchases through writs of rescission inserted into the purchase contract, allowing a consumer to drive the vehicle off the lot — then changing the material terms of the contract later when, for example, the deal is refused by the lender.
- **Remember that extended warranties can be cancelled, even after the fact.** Written notification of cancellation of extended warranties results under law in a pro-rate refund on the remainder of the cost of the warranty.
- **Remember the price of the new car is not where the dealer makes money.** Dealers may sell their vehicles at “zero profit” — and then make thousands on what they squeeze into the contracts, with or without consumer knowledge. It is important to stay alert to extras, bonuses and alleged freebies. Nothing is free.

Attachment 1

INVOICE

PORT OF ENTRY	INVOICE DATE 1997	INVOICE NUMBER
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PAID FOR BY

SOLD TO

REGION CODE

VEHICLE IDENTIFICATION NUMBER

DEALER CODE

IGNITION KEY NUMBER:

SHIP TO DEALER:

VEHICLE DESCRIPTION	SUGGESTED RETAIL PRICE	INVOICE AMOUNT
R87 COLOR: SARONNO RED 13S TRIM : TAN 2.0L DOHC 16V TURBO 4-CYL W/FUEL INJ 4-SPEED OVERDRIVE ELC AUTO TRANS.	22,020.00	19,154.00
FM FLOOR MATS KE KEYLESS ENTRY SYSTEM DESTINATION & DELIVERY	49.00 136.00 420.00	32.00 89.00 420.00
SALES PROMOTION FUND DEALER ADVERTISING ASSN. * HOLDBACK (HB) * DEALER FLOORING ASSISTANCE (DFA)	.00 .00 .00 .00	100.00 574.82 440.40 220.20
<p>IN ADDITION TO ANY REPAIRS NOTED BELOW, PLEASE CHECK THE FOR ANY OTHER WARRANTY HISTORY, PORT REPAIRS AND/OR MODIFICATIONS PRIOR TO RETAILING THIS VEHICLE. THESE REPAIRS CAN BE ACCESSED THROUGH THE WARRANTY SYSTEM'S 'H51' MENU OPTION. THIS SCREEN IS COMMONLY REFERRED TO AS THE 'SUPER SCREEN'.</p>		
<p>THIS INVOICE MAY NOT REFLECT COST IN VIEW OF FUTURE REBA INCENTIVES. SOME OR ALL OF ASSOCIATION FEE MAY BE REBA FOR ITS OWN ADVERTISING AND PROMOTIONAL PURPOSES.</p>		

INVOICE TOTAL

TOTAL

\$ 22,625.00

\$ 21,030.20

Attachment 2A

MODEL/YEAR:

SUGGESTED RETAIL PRICE \$15,480.00

EQUIPMENT

MISSIONS 0.00

TOTAL FROM MANUFACTURER'S LABEL \$16,005.00

DISTRIBUTOR'S INSTALLED OPTIONS

AT	ASH TRAY	79.00
DP	DISTRIBUTOR	0.00
	CERTIFIED TECHNICIAN 46 POINT	
	VIDEO QUALITY INSPECTION, DIGI	
	PICTURE ASSET PROGRAM	
PV	CARPET MATS/TRUCK MAT	186.00
OS	REMOTE SECURITY SYSTEM	359.00
SA	ACCENT STRIPE	78.00
WD	ALLOY WHEELS	569.00
	(REPLACES 4 FACTORY INSTALLED	
	WHEELS LISTED)	
XT	GUARD PROTECTION GROUP	619.00
	INTERIOR PAINT SEALANT	
	GUARD SEALANT CLEANER	
	INTERIOR FABRIC PROTECTOR	
	UNDERCOATING/SOUND SHIELD	
	GLASS FISH WRETT DETERRENT	

120 miles

REG AND HANDLING FEE 529.00

\$ 16,005.00

WARRANTY PROVIDES 36 MONTH/36,000 MILE
3 YEAR/60,000 MILE POWERTRAIN
BODY PANEL CORROSION PERFORATION
GUIDE FOR DETAILS.

It may be available for this vehicle.

36 Month/36,000 Mile Limited Warranty
On All Installed Options
For Inquiries, Call

TOTAL DISTRIBUTOR'S INSTALLED OPTIONS \$1,890.00

DESTINATION FUEL SURCHARGE 1.15

TOTAL \$17,896.15



C022

Attachment 2B

TOTAL FROM MANUFACTURER'S LABEL \$29,270.00

DISTRIBUTOR'S INSTALLED OPTIONS

FP5	CERTIFIED TECHNICIAN 46 POINT FINAL QUALITY INSPECTION, PICTURE ASSET PROGRAM	0.00
LA6	PERFORATED LEATHER FACED SEATS	1429.00
TU6	4-RAISED WHITE LETTER 16" TIRE (REPLACES 4 FACTORY TIRES)	545.00
XJ1	SAVINGS PACKAGE - 1	1916.00
	REAR WINDOW DEFLECTOR	
	ROOF RACK, REMOTE SECURITY SYST	
	DROP HITCH-RBC/WIRING HARNESS	
	WALNUT BURL WOOD DASH & ACCENT	
	COLOR-KEYED RUNNING BOARDS,	
	EXTERIOR PAINT SEALANT	
	GUARD SEALANT CLEANER	
	INTERIOR FABRIC PROTECTOR	
	UNDERCOATING/SOUND DEADENING	
	GLASS BITE THEFT DETERRENT	
	SUGGESTED RETAIL\$2,716	
	LESS DISCOUNT.....\$ 800	
	NEW MSRP.....\$1,916	

24 Month/36,000 Mile Limited Warranty
On All _____, Installed Options
For Inquires, Call _____

TOTAL DISTRIBUTOR'S INSTALLED OPTIONS \$3,890.00
DESTINATION FUEL SURCHARGE 1.15
TOTAL \$33,161.15

ETCH

Attachment 3A

WARRANTY REGISTRATION

CUSTOMER Last Name		First Name	Middle Initial
Street Address		City	State Zip Code
Home Phone #	Bus. Phone #		
VEHICLE Make	Model	Year	Vehicle Identification Number
Vehicle Purchase Price \$	Amount Financed \$	New Vehicle <input type="checkbox"/>	Used Vehicle * <input checked="" type="checkbox"/>
11500.00	13587.89		
Auto Security System Selling Price \$	Alpha Numeric Code		
489.46			
DEALER Name	Dealer Phone #		
Street Address	City	State	Zip Code

I (Customer) whose signature appears below, acknowledge that the information contained above is, to the best of my knowledge, true. I have read the front and back of this Warranty in its entirety and I understand and agree to all of the provisions herein.

_____/98
Customer's Signature Warranty Purchase/Effective Date Dealer's Authorized Representative Signature

WARRANTY BENEFITS

In the event the Auto Security System installed on the Vehicle specified in this Warranty fails to prevent the Vehicle from being stolen and such failure results in Total Loss, as defined herein, The Company hereby warrants to pay the Customer the benefits set forth below and in accordance with the terms and conditions listed on the reverse side:

\$2,500 Benefit paid directly to the Customer

With respect to Used Vehicles, this coverage is further restricted to a Warranty payment not exceeding 50% of the Vehicle's Actual Cash Value at the Date of Loss.

SEE IMPORTANT TERMS AND CONDITIONS ON REVERSE SIDE.

DECLINATION OF SECURITY SYSTEM REGISTRATION

- I do not choose to register my Vehicle under the Auto Security System. I understand that by not accepting the registration, and in the event my Vehicle is stolen and declared a Total Loss, as defined herein, I am not entitled to any of the Warranty benefits provided.

_____/98
Customer's Signature Date Dealer's Authorized Representative Signature

ETCH

Attachment 3B

WARRANTY REGISTRATION

CUSTOMER Last Name _____ First Name _____ Middle Initial _____

Street Address _____ City _____ State _____ Zip Code _____

Home Phone # _____ Bus Phone # _____

VEHICLE Make _____ Model _____ Year _____ Vehicle Identification Number _____

Vehicle Purchase Price \$ _____ Amount Financed \$ _____ New Vehicle Used Vehicle

13175.00

15496.89

1995

Auto Security System Selling Price \$ _____ Alpha Numeric Code _____

25000

DEALER Name _____ Dealer Phone # _____

Street Address _____ City _____ State _____ Zip Code _____

I (Customer) whose signature appears below, acknowledge that the information contained above is, to the best of my knowledge, true. I have read the front and back of this Warranty in its entirety and I understand and agree to all of the provisions herein.

Customer's Signature _____

Warranty Purchase/Effective Date _____

98

Dealer's Authorized Representative Signature _____

WARRANTY BENEFITS

In the event the Auto Security System installed on the Vehicle specified in this Warranty fails to prevent the Vehicle from being stolen and such failure results in Total Loss, as defined herein, The Company hereby warrants to pay the Customer the benefits set forth below and in accordance with the terms and conditions listed on the reverse side:

\$2,500 Benefit paid directly to the Customer

With respect to Used Vehicles, this coverage is further restricted to a Warranty payment not exceeding 50% of the Vehicle's Actual Cash Value at the Date of Loss.

SEE IMPORTANT TERMS AND CONDITIONS ON REVERSE SIDE.

DECLINATION OF SECURITY SYSTEM REGISTRATION

I do not choose to register my Vehicle under the Auto Security System. I understand that by not accepting the registration, and in the event my Vehicle is stolen and declared a Total Loss, as defined herein, I am not entitled to any of the Warranty benefits provided.

Customer's Signature _____

Date _____

98

Dealer's Authorized Representative Signature _____

ETCH

Attachment 3C

WARRANTY REGISTRATION

CUSTOMER Last Name _____ First Name _____ Middle Initial _____
Street Address _____ City _____ State _____ Zip Code _____
Home Phone # _____ Bus. Phone # _____

VEHICLE Make _____ Model _____ Year 1991 Vehicle Identification Number _____
Vehicle Purchase Price \$ 6950.00 Amount Financed \$ 6897.44 New Vehicle Used Vehicle
Auto Security System Selling Price \$ 370.00 Alpha Numeric Code _____

DEALER Name _____ Dealer Phone # _____
Street Address _____ City _____ State _____ Zip Code _____

I (Customer) whose signature appears below, acknowledge that the information contained above is, to the best of my knowledge, true. I have read the front and back of this Warranty in its entirety and I understand and agree to all of the provisions herein.

_____/98
Customer's Signature Warranty Purchase/Effective Date Dealer's Authorized Representative Signature

WARRANTY BENEFITS

In the event the Auto Security System installed on the Vehicle specified in this Warranty fails to prevent the Vehicle from being stolen and such failure results in Total Loss, as defined herein, The Company hereby warrants to pay the Customer the benefits set forth below and in accordance with the terms and conditions listed on the reverse side:

\$2,500 Benefit paid directly to the Customer

With respect to Used Vehicles, this coverage is further restricted to a Warranty payment not exceeding 50% of the Vehicle's Actual Cash Value at the Date of Loss.

SEE IMPORTANT TERMS AND CONDITIONS ON REVERSE SIDE.

DECLINATION OF SECURITY SYSTEM REGISTRATION

I do not choose to register my Vehicle under the Auto Security System. I understand that by not accepting the registration, and in the event my Vehicle is stolen and declared a Total Loss, as defined herein, I am not entitled to any of the Warranty benefits provided.

_____/98
Customer's Signature Date Dealer's Authorized Representative Signature

Attachment 4

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

David Medine
Associate Director
Division of Credit Practices

Direct Dial: 202-326-3224
Fax : 202-326-2558
E-mail: dmedine@ftc.gov

February 11, 1998

Karen Coffey, Chief Counsel
Texas Automobile Dealers Assn.
1108 Lavaca -- P. O. Box 1028
Austin, Texas 78767-1028

Re: *Section 604 of the Fair Credit Reporting Act*

Dear Ms. Coffey:

This responds to your letter dated August 29, 1997, asking the views of the Commission staff on a number of issues concerning application of the amended Fair Credit Reporting Act ("FCRA"), including (1) the propriety of an auto dealership obtaining a consumer report from a consumer reporting agency ("CRA") on an individual who visits the showroom, (2) the disclosure required to be provided to a job applicant or current employee before a consumer report may be obtained by the employer, and (3) the items required to be provided to the consumer before adverse action may be taken by the employer based on the report.

1. Section 604(a)(3)(F) permits CRAs to provide consumer reports to any party who has a "legitimate business need for the information in connection with a business transaction that is initiated by the consumer." You ask whether this provision allows a dealer to obtain a consumer report on a person who "comes to an automobile dealership and requests information" from a salesman about one or more automobiles. In our view it does not, because a request for general information about products and prices offered does not involve a business transaction initiated by the consumer.

More generally, you ask "when is the beginning of a business transaction" initiated by the consumer? In responding to this question, it is important to note that Section 604(a)(3)(F) limits this "business need" permissible purpose to transactions (i) that are "initiated" by the consumer and (ii) where the seller has a "legitimate business need" for the information. The staff's view is that an automobile dealer may obtain a report only in those circumstances in which the consumer clearly understands that he or she is initiating the purchase or lease of a vehicle and the seller has a legitimate business need for the consumer report information in order to complete the transaction.

For example, a consumer who asks a dealer questions about prices and financing is not necessarily indicating an intent to purchase or lease a vehicle from that particular dealer. Nor does the dealer have a "legitimate" business need for a

consumer report in this situation. The consumer may simply be comparison shopping. In such a situation, the dealer must obtain written permission from the consumer before obtaining a consumer report. If the dealer would like to see a consumer's credit report before answering general questions about the availability of financing, this must be explained to the consumer and written permission must be obtained. In the same way, a request to "test drive" a vehicle does not indicate an intent to initiate the purchase or lease of the vehicle. Accordingly, if a consumer asks to test drive a vehicle, the dealer must obtain written permission from the consumer before obtaining a report.

Only in those circumstances where it is clear both to the consumer and to the dealer that the consumer is actually initiating the purchase or lease of a specific vehicle and, in addition, the dealer has a legitimate business need for consumer report information may the dealer obtain a report without written permission. In this regard, we note that obtaining information for negotiation purposes does not constitute a "legitimate" business need. The dealer must have a specific need for the information directly related to the completion of the transaction. For example, a dealer may obtain a report, if one is necessary, in order to arrange financing requested by the consumer.⁽¹⁾ The dealer may also obtain a report to check a consumer's creditworthiness when the consumer presents a personal check to pay for the vehicle. By contrast, a permissible purpose would not arise if a consumer intends to pay by cash.

2. Section 604(b)(2)(A) requires consumer report users, before procuring a report for employment purposes, to make a written disclosure to the consumer "in a document that consists solely of the disclosure" that a consumer report may be obtained for employment purposes. You ask whether a party that has secured an employee's authorization for the report in an employment application must also make the disclosure in a separate document. The answer is yes, because Section 604(b)(2)(A) specifically states that the document containing the required disclosure may not include other items.

You also ask what information may appear on the document and if "the FTC is suggesting that the document be of a certain size." It is our view that Congress intended that the disclosure not be encumbered with extraneous information. However, some additional information, such as a brief description of the nature of the consumer reports covered by the disclosure, may be included if the information does not confuse the consumer or detract from the mandated disclosure. We suggest no size requirement for the disclosure; a document that meets the "clear and conspicuous" standard set by the FCRA will be acceptable.

3. Finally, you ask two questions relating to Section 604(b)(3), which requires an employer "before taking any adverse action" based on a consumer report, to provide the consumer with a copy of the report and the summary of consumer FCRA rights prescribed by the Commission. First, you ask if a CRA is responsible for sending the required summary to employers. The answer is yes, because Section 604(b)(1)(B) imposes this duty on CRAs that provide reports for employment purposes. Second, you ask if there is any specific amount of time that

must elapse from the time the required items are provided to the consumer and the employer's adverse employment action. The law is silent as to how long the employer must wait after making the Section 604(b)(3) pre-adverse action disclosure before actually taking adverse action; it states only that the specified items be provided before the adverse action is taken. Employers may wish to consult with their counsel in order to develop procedures that are appropriate, keeping in mind the clear purpose of the provision to allow consumers to discuss the report with employers before adverse action is taken.

The opinions set forth in this informal staff letter are not binding on the Commission.

Yours truly,

David Medine

1. The dealer's "permissible purpose" here is provided by Section 604(a)(3)(A), which permits the use of consumer reports in connection with a credit transaction involving the consumer.

Attachment 5A

Effective With Applications Received _____, 1999
Supersedes rate sheet dated _____, 1999

Fast Lane Buy Rates

	<u>Credit Bureau</u>	<u>Term</u>	<u>00 / 99</u>	<u>98</u>	<u>97 / 96</u>	<u>95 / 94</u>
Fast Lane I	700+	60	7.09%	7.50%	7.75%	8.75%
		66	7.80%	8.05%	8.55%	N/A
		72	8.60%	8.85%	N/A	N/A
Fast Lane II	690 to 699	60	7.75%	8.00%	9.00%	9.49%
		66	8.55%	8.80%	9.80%	N/A
		72	9.35%	9.85%	N/A	N/A

(Subject to Fast Lane program parameters)

Retail Buy Rates

<u>Year Model</u>	<u>Max Terms</u>	<u>720+</u>	<u>680-719</u>	<u>640-679</u>	<u>620-639</u>
2000 / 1999	60	7.29%	7.95%	9.50%	11.75%
	66	8.25%	8.85%	10.30%	12.80%
	72*	9.05%	9.90%	11.35%	13.85%
1998	60	7.70%	8.40%	10.00%	12.00%
	66	8.50%	9.35%	10.80%	13.05%
	72*	9.30%	10.15%	11.60%	14.10%
1997	60	8.20%	8.80%	10.75%	13.00%
	66*	9.00%	10.35%	11.55%	13.80%
1996	60	8.45%	9.30%	11.00%	13.25%
	66*	9.25%	10.60%	11.80%	14.05%
1995 / 1994	48	9.19%	9.49%	11.50%	13.50%
	60*	10.29%	10.60%	12.33%	14.55%

Minimum Invoice or Wholesale Value For Terms: 60/66* >\$12,500, 72* months >\$15,000

Reserve Cap: Customer rate capped at 3 points.

Contracts at Buy Rates: Dealer will be paid a reserve of 1% of the total amount financed.

Backend: Eligible products include Service Contracts (Warranties), Credit Life, A&H Insurance. GAP is only allowed in approved states. Check with your local Sales Rep for information on your particular state. When allowed, The GAP cost cannot exceed \$425. Without prior credit buyer approval, Backend Products should not exceed \$2,500.

Bureau Scores: Buy Rates determined by Bureau Risk Score. (Equifax Beacon Score = GA, NC, SC, TX).
 (TN = Transunion Emperica)

Mileage: Maximum vehicle mileage of 75,000 without prior lender approval.

Application Fax

National Accounts East Region Credit Center
 Credit Office
 Discounting Fax

Business Hours

Monday-Friday 9:00 - 8:00
 Saturday 9:00 - 7:00

All times Eastern Standard Time

Attachment 5B

Effective with Applications Dated _____, 1998

Market Area Dictates Credit Bureau Score

1999-1998*

Terms	> 720	719-680	679-620
80	6.50	6.75	9.00
66	6.75	7.00	9.50
72	7.00	7.50	10.00
78	7.50	8.25	

*Add .25% For Used Vehicles

1997-1996

Terms	> 720	719-680	679-620
60	6.75	7.00	9.25
66	7.00	7.75	9.50
72	7.50	8.50	10.50
78	8.00	9.50	

1995-1994*

Terms	> 720	719-680	679-620
48	7.50	8.50	10.25
54	8.00	9.00	11.50
60	8.50	9.75	

*Add .50% For 1993 Models

BACKEND PRODUCTS:

Without prior lender approval should not exceed the greater of:

- 15% of unpaid cash balance or \$2,000 if bureau score is >680.
- 10% of the unpaid cash balance or \$1,500 if bureau score is <680.

CONTRACTS AT RETENTION:

1% reserve of amount financed.

RESERVE:

- Customer rate capped at 3 points.
- All reserve calculations capped at 72 months.

MILEAGE: Maximum vehicle mileage of 75,000 without prior approval.

BUY RATES DETERMINED BY BUREAU RISK SCORES, AS DESIGNATED BY STATE:

CB/EQUIFAX BEACON: FL, GA, NC, SC, TX

TRANSUNION EMERICA: TN

"Spot-It": Refer to your state specific program.

VSI: \$28 fee required on all contracts in the following states: FL, GA, NC, SC

Please include VIN, mileage (used) and invoice amount (new) on applications at time of submission.

1-800 TOLL FREE NUMBERS

Application Fax _____
Payoff Line _____

BUYING CENTER

Credit Office _____
Discounting Fax _____

BUSINESS HOURS

Monday - Friday 9:00 - 9:00
Saturday 10:00 - 7:00

FL, GA, NC, SC, TN, TX

It is further understood and agreed that the order on the reverse side hereof is subject to the following terms and conditions:

Attachment 6

1. **New Vehicle Sales** - If the manufacturer/distributor changes the suggested retail price of equipment or ordered vehicle, Dealer may change the price accordingly. If price is increased by Dealer, Purchaser may, if dissatisfied therewith, cancel this order in which event if a used motor vehicle has been traded in as part of the consideration for such new motor vehicle, such used motor vehicle shall be returned to Dealer upon payment of a reasonable charge for storage, repairs and reconditioning (if any) or, if such used motor vehicle is returned to Dealer, Dealer shall be returned to Purchaser. If the manufacturer/distributor expense incurred in storing, insuring, conditioning or substantially modifies the ordered vehicle design/equipment or does not manufacture or distribute an ordered vehicle, this agreement is voidable by either party upon ten (10) days written notice. Dealer shall only be obligated to return deposit without interest, trade-in vehicle or the cash price of the trade-in vehicle as set forth above at Dealer's discretion.
2. **Trade-In Vehicles** - If the used motor vehicle which has been traded in as part of the consideration for the motor vehicle ordered hereunder is not to be delivered to Dealer until delivery of such motor vehicle, the used motor vehicle may be reappraised at that time by Dealer and such reappraised value shall determine the allowance made for such used motor vehicle. Trade-in vehicle shall be delivered in same condition as appraised with same equipment. Purchaser guarantees to deliver title free and clear of liens or encumbrances within five (5) days of signing this agreement, if pay-off on Purchaser's trade-in is more than estimated herein. Purchaser shall immediately pay said difference and, if lower, Dealer will return said amount. If a trade-in, title or equipment is not delivered as agreed, Dealer may cancel this purchase order and upon demand receive from purchaser payment of a pay-off on trade-in and/or seek remedies as set forth in Paragraph 3 herein. At dealer's discretion, Purchaser assumes risk of loss to trade-in vehicle until title reassigned.
3. **Default - New & Used Vehicle** - In the event of default, which includes, but is not limited to (1) Purchaser's check is returned without payment; (2) promissory note not timely paid; (3) trade-in vehicle not delivered to dealer; (4) trade-in title not delivered unencumbered; (5) failure to cooperate and sign documents; and/or (6) failure or refusal of Purchaser to accept delivery of the motor vehicle ordered hereunder. Dealer shall be entitled, at its discretion, to the choice of remedies in this Agreement, which may be used separately or together, including (1) cancel purchase order; (2) repossess vehicle without notice; (3) rescind the sales transaction; (4) seek collection for amounts due; and/or (5) retain as liquidated damages any cash down payment made by Purchaser, and in the event a used motor vehicle has been traded in as a part of the consideration for the motor vehicle ordered hereunder, to sell such used motor vehicle and reimburse himself out of the proceeds of such sale for any actual damages suffered by Dealer as a result of such default. Dealer shall be entitled to recover from Purchaser for an event of default costs for repossession/collection, reasonable interest plus reasonable attorney's fees. Any waiver of all or part of a remedy is not a continuing waiver.
4. **Dealer's Right To Terminate Agreement - New & Used Vehicles** - Dealer may cancel this Agreement if: (1) Purchaser's credit application is not approved by financing source and/or approved on terms acceptable to Dealer; (2) on event of default as defined above; (3) any statement or representation by Purchaser is not accurate or truthful; or (4) Dealer cannot deliver vehicle for any reason set forth in Paragraph 1. Dealer's only obligation or liability shall be as stated in Paragraph 1.
5. **Conditions Beyond Dealer's Control** - Dealer shall not be liable for failure to deliver or delay in delivering the motor vehicle covered by this order where such failure or delay is due, in whole or part, to any cause beyond the control or without the fault or negligence of dealer.
6. **Taxes** - Unless otherwise expressly provided, the Total Purchase Price for the ordered vehicle specified on the reverse side hereof does not include any taxes imposed by any governmental authority with respect to such vehicle prior to or at the time of delivery of such vehicle to the Purchaser, the Purchaser assumes and agrees to pay any and all such taxes, and any and all other taxes except income taxes, imposed on or incidental to the transaction covered by this order, regardless of who may have the primary tax liability.
7. **Documents** - Purchaser agrees to cooperate and execute all documents required by Dealer to complete the sale/lease of a vehicle. Default provisions of paragraph 3 apply for failure. In the event the Buyer's Order must be retyped or changed, purchaser agrees to execute a new Buyer's Order so long as there is not a material change in the terms agreed upon.
8. **Warranty Limitations** - *DEALER HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, EXCEPT IF DEALER PROVIDES A WRITTEN WARRANTY OR AT TIME OF SALE OR WITHIN 90 DAYS THEREAFTER ENTERS INTO A SERVICE CONTRACT, IN WHICH CASE ANY IMPLIED WARRANTIES SHALL BE LIMITED TO THE DURATION OF SAID WRITTEN WARRANTY OR SERVICE CONTRACT. PURCHASER SHALL NOT BE ENTITLED UNDER ANY CIRCUMSTANCES TO RECOVER FROM DEALER ANY CONSEQUENTIAL DAMAGES, DAMAGES TO PROPERTY, DAMAGES FOR LOSS OF USE, LOSS OF TIME, LOSS OF PROFITS OR INCOME OR ANY OTHER INCIDENTAL DAMAGES. THE DEALER NEITHER ASSUMES NOR AUTHORIZES ANY OTHER PERSON TO ASSUME FOR IT ANY LIABILITY IN CONNECTION WITH THE SALE OF SUCH VEHICLE. THIS DISCLAIMER IN NO WAY AFFECTS THE TERMS OF THE MANUFACTURER'S WARRANTY, FOR NEW AND USED VEHICLES TO WHICH ANY MANUFACTURER'S WARRANTY APPLIES. SAID WARRANTIES ARE THE MANUFACTURER'S WARRANTIES ONLY AND NOT THE DEALER'S.*
9. **Cash Transaction** - In the case of a cash transaction, title to the ordered vehicle shall not pass to the Purchaser until the Dealer shall have received, in cash, the full amount of the Unpaid Balance. However, the Dealer may, at its discretion, pass title to the ordered vehicle prior to receipt of the full amount of the Unpaid Balance. The passing of title prior to receipt of the full cash amount of Unpaid Balance shall not relieve Purchaser's obligation to pay, in full, the Unpaid Balance as shown on the reverse side hereof. In the event that the transaction covered by the order is not a cash transaction, Purchaser agrees to execute, before or at the time of delivery of the ordered vehicle, such conditional sales contracts and other instruments as may be required by Dealer.
10. **Financing or Leasing** - If Purchaser is financing this transaction or leasing the vehicle, the transaction is conditioned upon approval of Purchaser's retail installment sale contract or lease by a financial source on terms acceptable to the Dealer. If the retail installment sale contract or lease is not approved, Purchaser or Dealer may cancel this sale and any downpayment and/or trade-in Purchaser submitted will be returned to Purchaser, provided that any vehicle delivered by the Dealer pursuant to this agreement is returned to the Dealer in the same condition as delivered to Purchaser, normal wear and tear excepted, within twenty-four hours of written or oral notice to Purchaser of the credit denial.

Attachment 7

**CONDENSED TRANSCRIPT AND INDEX
DEPOSITION OF LYSSA CARTER
TAKEN 6/11/03
Re: McCarthy, et al. vs. Sonic, et al.
Pages 1 through 42**

Prepared by
Bay Area Reporting, Inc.
SunTrust Financial Centre, Suite 2320
401 East Jackson Street
Tampa, Florida 33602
Phone: (813) 229-7207
Fax: (813) 229-8498

1 A. Yes.
 2 Q. That increase?
 3 A. Uh-huh. (Indicating affirmatively)
 4 MR. SICKLES: What exhibit is that?
 5 MR. WEAKLAND: This is Exhibit 23.
 6 Q. (By Mr. Weakland) Which went I believe from 25
 7 percent to 80 percent?
 8 A. Yes.
 9 Q. I had asked you last time about who the
 10 preferred lenders were and if you knew some of them.
 11 A. I can't.
 12 Q. You can't recall who they are?
 13 A. No. But there was a preferred lending list.
 14 Q. All right. I haven't seen it. Where did
 15 that-- Who generated that list?
 16 A. That would have been from corporate.
 17 Q. About how many lenders were on that list?
 18 A. Maybe 10 or so. I can't recall exactly.
 19 Q. Okay. And I think I asked you before, but I'm
 20 not sure you answered the question. What makes a lender a
 21 preferred lender?
 22 A. We wanted to have a group of businesses--
 23 instead of spreading out so thin, we wanted to have a group
 24 of business where we sent a lot of our business to. And in
 25 turn, they would buy a little-- they would buy customers

1 Q. Do you know if he's still there?
 2 A. I don't know.
 3 Q. Do you know if Scott Fink has any involvement
 4 with Sonic today?
 5 A. I don't know.
 6 Q. When you spoke with him about Clearwater Toyota
 7 and Clearwater Mitsubishi, what was his title at that
 8 point?
 9 A. I think he was dealer operator of those two
 10 stores.
 11 Q. He's also listed here in Exhibit 12 as Vice
 12 President of Internet Marketing; is that correct?
 13 A. Yes.
 14 Q. Do you know what he did as Vice President of
 15 Internet Marketing?
 16 A. He set up having our internets all integrated,
 17 having all our stores and dealerships all integrated.
 18 Q. Okay.
 19 MR. WEAKLAND: Can we take two minutes?
 20 MR. SICKLES: Okay.
 21 (Whereupon, a recess was taken)
 22 MR. WEAKLAND: Just a couple things.
 23 Q. (By Mr. Weakland) Do you have a home computer
 24 or did you have a home computer at the time you worked with
 25 Sonic?

1 that maybe were a little less desirable. Because if we
 2 were sending a lot more business, they were going to help
 3 us buy customers that aren't A1 paper. So the object was
 4 to have a smaller group of lenders more on a national basis
 5 for all of our dealerships, instead of each dealership
 6 having so many different lenders.
 7 Q. Okay. Does preferred mean a lower interest
 8 rate for customers?
 9 A. Some of the lenders said that they gave us a
 10 special rate for giving them so much business, but I
 11 couldn't tell you who now or what it was.
 12 Q. Would preferred lenders give Sonic a greater
 13 spread for the finance reserve, do you know?
 14 A. I don't know that.
 15 Q. Okay. Who in the corporation would have the
 16 most information about preferred lenders?
 17 A. At the time, the preferred lending director was
 18 Peter D'Angelo. And he was the head of all preferred
 19 lending.
 20 Q. Is he on the organization chart, do you know?
 21 A. It depends what year that organizational chart
 22 is.
 23 Q. I'm looking at Exhibit 12 now. I think it goes
 24 like this. (Indicating)
 25 A. Right here. (Indicating)

1 A. I have a home computer, but I'd have to find
 2 out when I purchased that home computer, if I've had it
 3 prior to or after.
 4 Q. Did you ever prepare a document for Sonic on
 5 your home computer and then copy it to your laptop?
 6 A. I don't know. I could find out. I can look in
 7 my computer and see, but I doubt it. All of the documents
 8 that I had stored would have been on my work computer, but
 9 if I-- I might have made a quick memo or something on my
 10 computer, but I don't recall.
 11 Q. Okay.
 12 A. Right offhand.
 13 Q. Okay. If you could look for that.
 14 A. Okay.
 15 Q. And one follow-up question. We talked about
 16 the special rates at zero percent financing at Clearwater
 17 Mitsubishi. Did the F&I people there at Clearwater
 18 Mitsubishi sell more after market product when those
 19 special rates came into place?
 20 A. See, I'd have to see a report. I think the
 21 reason that they were-- it was having a negative impact
 22 because they were having trouble selling after market
 23 products with that zero percent rate.
 24 Q. Why would they have trouble selling the after
 25 market products?

WORK SHEET

SALESMAN _____ MANAGER _____ DATE 98

NAME _____ DOB _____ S.S. # _____ RES. PHONE _____

SPOUSE _____ DOB _____ S.S. # _____ RES. PHONE _____

ADDRESS _____ CITY _____ STATE _____ ZIP _____

1. D.L. # _____ 2. D.L. # _____

NEW USED DEMO COLOR Red BODY TYPE _____ MILEAGE 16477

YR 98 MAKE _____ MODEL _____ VIN # _____

TRADE IN

YR. _____ MAKE _____ BODY _____

SERIAL # _____

MODEL _____ P/OFF _____

MILEAGE _____ TAG #/ST _____

Dealer's Additions - or - Deletions:
 Additions and Deletions must be on the A & R Sheet!!!

When the deal is in agreement on terms
 I will own now!

X _____

OPTIONS & FEATURES

AUTO
A/C
Am Fr Cash

PURCHASE PRICE	<u>14,900</u>
DEALER PREP	<u>50</u>
SALE PRICE	<u>14,850</u>
1 TRADE AMT	
2 TRADE AMT	<u>11,500</u>
DIFFERENCE	
FEE'S	+ 279.00
SUB TOTAL	<u>11,779</u>
TAX	<u>765.64</u>
TOTAL	<u>12,544.64</u>
TAG/DOC/TITLE	<u>200</u>
1 PAY-OFF	+ <u>200</u>
2 PAY-OFF	+
DOWN PAYMENT	<u>1000</u>
TOTAL AMOUNT	<u>11,744</u>

MONTHLY INVESTMENT

88 Will 151 deliver
 When Terms Agree
3 mos
360
x 57

1/3 CASH DOWN PAYMENT

500 Down
88
x TAG
TAG

CUSTOMER APPROVAL X _____
 X _____

Attachment 9

NEW VEHICLE OPTIONS

Guest Name: _____

SALES PRICE: 20000

Balance: _____

CASH DOWN: 2000 Rebate

Rate: 5.9%

TRADE ALLOW: 0

BASE PAYMENT
PAYMENTS OF 318.39 GAP ONLY

60 72 341.36

\$22,656*

Preferred

Comprehensive Mechanical And Electrical Breakdown Coverage On Parts And Labor For 84 months or 100,000 miles

- RENTAL CAR COVERAGE
- TRAVEL BREAKDOWN COVERAGE
- TOWING COVERAGE

Road Hazard Tire/Wheel Coverage

- 3 YRS./UNLIMITED MILEAGE
- COVERS ANY ROAD HAZARD ON ROAD SURFACE PLUS DEBRIS
- COVERS REPAIR OR REPLACEMENT UP TO ALL 4 TIRES AND WHEELS

Total Loss Protection

- IF THEFT OR TOTAL LOSS, PAYS DIFFERENCE BETWEEN ACTUAL CASH VALUE AND THE LOAN BALANCE

Credit Life Insurance

- COVERAGE CAN PROVIDE CLEAR TITLE TO BENEFICIARY UPON INSURED'S DEATH

Disability Insurance

- COVERAGE CAN PROVIDE FOR MONTHLY PAYMENT WHEN ILL OR INJURED

Etch

- THEFT DETERRENT SYSTEM

42 payments of \$ 415.91
payments of \$ _____

Guest: _____
\$27,312*

Value

Comprehensive Mechanical And Electrical Breakdown Coverage On Parts And Labor For 72 months or 100,000 miles

- RENTAL CAR COVERAGE
- TRAVEL BREAKDOWN COVERAGE
- TOWING COVERAGE

Road Hazard Tire/Wheel Coverage

- 3 YRS./UNLIMITED MILEAGE
- COVERS ANY ROAD HAZARD ON ROAD SURFACE PLUS DEBRIS
- COVERS REPAIR OR REPLACEMENT UP TO ALL 4 TIRES AND WHEELS

Total Loss Protection

- IF THEFT OR TOTAL LOSS, PAYS DIFFERENCE BETWEEN ACTUAL CASH VALUE AND THE LOAN BALANCE

~~Credit Life Insurance~~
~~COVERAGE CAN PROVIDE CLEAR TITLE TO BENEFICIARY UPON INSURED'S DEATH~~
OR
Disability Insurance

- COVERAGE CAN PROVIDE FOR MONTHLY PAYMENT WHEN ILL OR INJURED

Etch

- THEFT DETERRENT SYSTEM

72 payments of \$ 390.33
payments of \$ _____

Guest: _____
\$25,755*

Basic

Comprehensive Mechanical And Electrical Breakdown Coverage On Parts And Labor For 72 months or 72,000 miles

- RENTAL CAR COVERAGE
- TRAVEL BREAKDOWN COVERAGE
- TOWING COVERAGE

includes turbo
Road Hazard Tire/Wheel Coverage

- 3 YRS./UNLIMITED MILEAGE
- COVERS ANY ROAD HAZARD ON ROAD SURFACE PLUS DEBRIS
- COVERS REPAIR OR REPLACEMENT UP TO ALL 4 TIRES AND WHEELS

Total Loss Protection

- IF THEFT OR TOTAL LOSS, PAYS DIFFERENCE BETWEEN ACTUAL CASH VALUE AND THE LOAN BALANCE

~~Credit Life Insurance~~

72 payments of \$ 363.76
payments of \$ _____

Guest: _____
\$24,138*

Economy

Comprehensive Mechanical And Electrical Breakdown Coverage On Parts And Labor For 60 months or 75,000 miles

- RENTAL CAR COVERAGE
- TRAVEL BREAKDOWN COVERAGE
- TOWING COVERAGE

Road Hazard Tire/Wheel Coverage

- 3 YRS./UNLIMITED MILEAGE
- COVERS ANY ROAD HAZARD ON ROAD SURFACE PLUS DEBRIS
- COVERS REPAIR OR REPLACEMENT UP TO ALL 4 TIRES AND WHEELS

Total Loss Protection

- IF THEFT OR TOTAL LOSS, PAYS DIFFERENCE BETWEEN ACTUAL CASH VALUE AND THE LOAN BALANCE

72 payments of \$ 344.67
payments of \$ _____

Guest: _____
\$22,976*

* The cost to the consumer for paying these loan terms, with compounded interest

SOURCE

Attachment 10 AUTOGROUP

OK TO BILL
BY _____
Deposit to be refunded if offer is not accepted by official of the company.

STOCK NO.

DATE

SALESPERSON



EMP. NO.

PURCHASER'S NAME		ADDRESS	
CITY	STATE	ZIP	BUS PHONE HOME PHONE
PLEASE ENTER MY OFFER FOR ONE		NEW <input checked="" type="checkbox"/>	USED <input type="checkbox"/>
YEAR	MAKE	MODEL OR SERIES	BODY TYPE
02			Deuter
M.V.I. OR SERIAL NO.		ODOMETER MILEAGE	DATE OF BIRTH LAST PLATE NO. - YR. - STATE
FACTORY M.S.R.P. TOTAL			15,250 ✓
TOTAL INCLUDING ACCESSORIES			15,250 ✓
LESS USED CAR ALLOWANCE			3,500 ✓
CASH DIFFERENCE			12,350 ✓
OPTIONAL EXTR			249.00
DELIVERY FEES <small>This charge represents the costs & profit to the seller/dealer for items such as inspecting, cleaning and adjusting new & used vehicle & preparing documents related to the sale.</small>			498.00
FLA. LAW: LEAD-ACID BATTERY FEE			1.50
FLA. LAW: TIRE DISPOSAL FEE (NEW CAR ONLY)			5.00
ELECTRONIC FILING			16.00
AMOUNT TAXABLE			12,870.50
PLUS SALES TAX			822.23
PLUS TAG, TITLE & FEES			99.00
PLUS AMOUNT OWED ON TRADE-IN			0.00
CASH BALANCE DUE			13,791.00
Date:	By:	PARTIAL PAYMENT	
Date:	By:	CASH ON DELIVERY	
UNPAID BALANCE OF CASH PRICE			6,291.00
For and in consideration of the sum of \$ _____ which you have this day credited to my account, I do hereby bargain, sell and deliver unto you one _____ automobile, Model _____ Motor No. _____			
I warrant title to said automobile to be in my name and that same is free from all debts except \$ _____ due _____			
which amount you do assume; that I have good right to sell and deliver the above automobile, and that title and possession thereto I will warrant against the claims of all parties whatsoever, except as above specified.			
It is agreed and understood that no warranties of any kind or character, either expressed or implied, are made by you of and concerning the car to be delivered to me, other than the usual dealer's warranties.			
In the event you cannot make delivery within thirty days of this date, I understand that my car is subject for reappraisal.			
In the event of increase in price by manufacturer before delivery I agree to pay the difference in price.			
No other agreement, promise, or understanding of any kind pertaining to this purchase will be recognized except a conditional sale contract in writing executed by the undersigned as purchaser thereunder.			
On a cash transaction this offer is not valid unless signed and accepted by Dealer. On a credit transaction the purchaser(s) offer is not accepted and the transaction is not consummated until (a) approved in writing by Dealer and a responsible Bank or Finance Company and (b) all disclosures required by the Federal Consumer Credit Protection Act (Truth in Lending Act) have been given and (c) purchaser(s) and Dealer have signed an installment Sale Contract.			
Delivery fees charge represents cost and profit to the seller/dealer for items such as inspecting, cleaning and adjusting new and used vehicles and preparing documents related to the sale.			
Buyer's Signature		Accepted (Dealer)	

ON A CREDIT SALE ADDITIONAL CHARGES WILL BE MADE BY THE FINANCE INSTITUTIONS

DAP DLP RETAIL OSL PAL OTHER

STK # _____
MSRP _____
ALLON/RESIDUAL _____
MILES _____
DATE _____ 15th _____
MONTHS _____ 60 _____
PAYMENT _____ 290's _____
_____ 9485 _____
COST _____
DDS _____
NET COST _____ 9485 _____

NAME _____
PRICE _____ 11,500 _____
TRADE _____ \$ _____
P/O _____ \$ _____
ACV _____ \$ _____
DEL FEE _____ \$279.00 _____
CASH _____ 1000 _____
REBATE _____
TAG _____ 200 _____
STARTS _____

PERCENTIVE _____

GROSS 2294

- WORKSHEET
- CREDIT APPLICATION
- P/O AUTHORIZATION
- AGREEMENT TO PROVIDE INSURANCE
- INSURANCE AFFIDAVIT
- NEW CAR EMISSION CONTROL
- USED CAR EMISSION CONTROL
- CERTIFICATION OF POLLUTION-PRIVATE
- CERTIFICATION OF POLLUTION-DEALER
- FLA DRIVER'S LICENSE
- REBATE FORM
- AUTOMOBILE LOANER AGREEMENT

- TOYOTA TRANSFER
- INSURANCE CARD
- ADDITIONS AND REMOVALS
- LEASE VEHICLE DISCLOSURE
- DELIVERY SURVEY
- BUYER'S GUIDE
- CREDIT STIPULATIONS PROOF OF:
 - INCOME
 - RESIDENCE
 - HOUSING COST
 - TELEPHONE SERVICE
 - SIX REFERENCES

MANAGERS APPROV _____
DATE _____

Attachment 11B

VEHICLE SALE INFORMATION SHEET

SALESMAN 1 # NAME
 SALESMAN 2 # NAME
 CUSTOMER SALESMGR # NAME
 MODEL # STOCK # & I MGR # NAME

M.S.R.P. \$ 17,155 (ATTACH FACTORY INVOICE)
 HARD ADD'S \$ _____ (THESE MUST OK W/LENDER)
 TOTAL MSRP \$ _____ (USED FOR RESIDUAL CALCULATION)
 ACV \$ 11,300
 PAYOFF \$ 15,048⁵⁰
 COST \$ 16,085 (INVOICE TOTAL + ADD'S)

1463
398

1861

	18	24	30	36	42	48	60
TERM	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS
RESIDUAL	_____	_____	_____	_____	_____	_____	_____
RATE	_____	_____	_____	_____	_____	_____	_____
LEASE COMMISSION - SALESPERSON % _____ F & I _____ BUMP \$ _____ FLAT \$ _____							

=====

SPECIAL INSTRUCTIONS FOR F & I AND ACCOUNTING

REBATE \$ _____ DEALER PART. \$ _____ (GET FORMS SIGNED)
 DUE BILL \$ _____ DESCRIBE ADD'S _____
 EST GROSS \$ 1861 DEALER CASH \$ _____
 AFTERMARKET - YES _____ NO _____ HOW TO BE PAID FOR: IN DEAL _____ COD _____
 SALE AMOUNT \$ _____ COST \$ _____ DESC. _____

=====

NOTES: _____
 _____ 8.5% 319 x 72
Spot AT _____ 9.00 IN Room to
 _____ work -

SALES MANAGER: DATE

Attachment 11C

VEHICLE SALE INFORMATION SHEET

SALESMAN 1 # _____ NAME _____

SALESMAN 2 # _____ NAME _____

CUSTOMER # _____ SALES MGR # _____ NAME _____

MODEL # _____ STOCK # _____ F & I MGR # _____ NAME _____

M.S.R.P. \$ _____ (ATTACH FACTORY INVOICE)

HARD ADD'S \$ _____ (THESE MUST OK W/LENDER)

TOTAL MSRP \$ 11859 (USED FOR RESIDUAL CALCULATION)

ACV \$ 0

PAYOFF \$ _____

COST \$ 11403 (INVOICE TOTAL + ADD'S)

~~450~~
~~+298~~
748

	1	18	24	30	36	42	48	60
TERM		MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS	MONTHS
RESIDUAL		_____	_____	_____	_____	_____	_____	_____
RATE		_____	_____	_____	_____	_____	_____	_____

LEASE COMMISSION -- SALESPERSON % _____ F & I _____ BUMP \$ _____ FLAT \$ _____

SPECIAL INSTRUCTIONS FOR F & I AND ACCOUNTING

REBATE \$ 500 rebate DEALER PART. \$ _____ (GET FORMS SIGNED)

DUE BILL \$ _____ DESCRIBE ADD'S _____

EST GROSS \$ 748 DEALER CASH \$ _____

AFTERMARKET - YES _____ NO NO HOW TO BE PAID FOR: IN DEAL _____ COD _____

SALE AMOUNT \$ _____ COST \$ _____ DESC. _____

NOTES: Quoted 275 - per memo
40 - Payment buy.

SALES MANAGER: _____ DATE _____

BUYER:

CO-BUYER:

Attachment 12A

~~NO LISTING~~
SOLD VEHICLE

TRADE ONE

TRADE TWO

U
1995

Done

Done

PAYOFF NONE

WASH OUT

FINANCE SOURCE:

[Empty box for Finance Source]

CONTRACT DATE: [] '99
TERM: 78
1ST PYMT DUE: []
CONTRACT MATURITY: []

ITEM:	SELL:	COST:	RESERVE:	TOTALS:
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	500.00	150.00		
WARRANTY	<i>1078</i> 2000.00	549.00		
CARE	<i>902</i> NONE	<i>776</i> NONE		
ACCESSORY	NONE	NONE		
SILENCER I	NONE	NONE		
ETCH	400.00	75.00		
SILENCER III	NONE	NONE		
ADDITIONAL INCOME	NONE			
FINANCE CHARGE	12513.52	1155.63		
	14.90	12.90		
DEL. CHGS & FEES	415.00			
CONTRACT IN TRANSIT:	21974.05			
		TOTAL RESERVES:	<i>2960</i>	

TOTAL INSURANCE: NONE
 350.00
~~1451.00~~ *5190*
 NONE
 NONE *626* **(4)**
 NONE
 325.00
 NONE
 TOTAL AFTERSALE: 1776.00
 RESERVE: 1110.00
 415.00
 3302.00

SELLING PRICE 19500.00
COST 13419.67 SECONDARY FEE NONE

TRADE ALLOWANCE 1: 12500.00
 TRADE ALLOWANCE 2: NONE
 A.C.V. TRADE 1: 8500.00
 A.C.V. TRADE 2: NONE
 FACT. INCENTIVE: NONE
 PROFIT ON SALE: 2080.33
TOTAL GROSS PROFIT ON SALE: 5382.33

SALESMAN ONE:
SALESMAN TWO:
F&I MANAGER:
SLS MANAGER:

COMMENTS:

STK #: _____

DEAL RECAP & WASHOUT

DL. #: _____

BUYER: _____

CO-BUYER: _____

Attachment 12B

SOLD VEHICLE

TRADE ONE

TRADE TWO

NEW
98



Done

PAYOFF NONE

PAYOFF NONE

FINANCE SOURCE: _____

WASHOUT

CONTRACT DATE: _____/98
TERM: 48
1ST PYMT DUE:
CONTRACT MATURITY:

ITEM:	SELL:	COST:	RESERVE:	TOTALS:
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	NONE	NONE	NONE	
WARRANTY	659 1200.00	309 309.00	1491.00	
PROLOCK	1141.00	700	350	841.00
ACCESSORY	NONE	NONE	NONE	
SILENCER I	NONE	NONE	NONE	
SILENCER II	NONE	NONE	NONE	
SILENCER III	553	100	453.00	
ADDITIONAL INCOME	NONE			
FINANCE CHARGE	3781.19	1313.90		
DEL. CHGS & FEES	6.17	6.17		
CONTRACT IN TRANSIT:	21405.12			
SELLING PRICE	18000.00	18447		
COST	16828.47			
TRADE ALLOWANCE 1:	1047.00			
TRADE ALLOWANCE 2:	NONE			
A.C.V. TRADE 1 :	NONE			
A.C.V. TRADE 2 :	NONE			
FACT. INCENTIVE :	NONE			
PROFIT ON SALE :				1124.53
TOTAL GROSS PROFIT ON SALE :				2985.53

TOTAL AFTERSELL: 1491.00
RESERVE: 370.00
1644.00
1861.00

SALESMAN ONE: _____
SALESMAN TWO: _____
F&I MANAGER : _____
SLS MANAGER : _____

COMMENTS: _____

STK #:

DEAL RECAP & WASHOUT

DL. #:

BUYER: _____

CO-BUYER: _____

Attachment 12C

SOLD VEHICLE

TRADE ONE

TRADE TWO

N
1999

DAP

PAYOFF NONE

PAYOFF NONE

FINANCE SOURCE: _____

W A S H O U T

CONTRACT DATE: 98
TERM: 48
1ST PYMT DUE: _____
CONTRACT MATURITY: _____

<u>ITEM:</u>	<u>SELL:</u>	<u>COST:</u>	<u>RESERVE:</u>	<u>TOTALS:</u>
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	NONE	NONE	TOTAL INSURANCE: NONE	
WARRANTY	NONE	NONE	NONE	
CARE	NONE	NONE	NONE	
ACCESSORY	NONE	NONE	NONE	
SILENCER I	NONE	NONE	NONE	
ETCH	750.00	100.00	650.00	
SILENCER III	NONE	NONE	NONE	
ADDITIONAL INCOME	NONE		TOTAL AFTERSALE: 650.00	
FINANCE CHARGE	5124.50	1313.90	RESERVE: 250.00	
	8.27	7.77		
DEL. CHGS & FEES	370.00			370.00
CONTRACT IN TRANSIT:	20958.27	TOTAL RESERVES:	900.00	1270.00

SELLING PRICE 18978.00
COST 18521.00 SECONDARY FEE NONE

TRADE ALLOWANCE 1: NONE
 TRADE ALLOWANCE 2: NONE
 A.C.V. TRADE 1: NONE
 A.C.V. TRADE 2: NONE
 FACT. INCENTIVE: NONE
 PROFIT ON SALE: 457.00
TOTAL GROSS PROFIT ON SALE: 1272.00

SALESMAN ONE:
SALESMAN TWO:
F&I MANAGER:
SLS MANAGER:

COMMENTS: _____

457
370
127

STK #:

DEAL RECAP & WASHOUT

DL. #:

BUYER:

CO-BUYER:

Attachment 12D

SOLD VEHICLE

TRADE ONE

TRADE TWO

U
97

4A3AX35G1VE059640

PAYOFF NONE

WASHOUT

FINANCE SOURCE:

[Empty box for Finance Source]

CONTRACT DATE: /99
TERM: 84
1ST PYMT DUE:
CONTRACT MATURITY:

ITEM:	SELL:	COST:	RESERVE:	TOTALS:
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	390.00	190.00	200.00	TOTAL INSURANCE: NONE
WARRANTY	1300.00	524.00	776.00	
PROLOCK	NONE	NONE	NONE	
ACCESSORY	NONE	NONE	NONE	
SILENCER I	NONE	NONE	NONE	
SILENCER II	NONE	NONE	NONE	
SILENCER III	NONE	NONE	NONE	
ADDITIONAL INCOME	NONE			TOTAL AETERSELL: 776.00
FINANCE CHARGE	13685.02	10637.78	RESERVE: 2226.82	
	13.75	11.00		
DEL. CHGS & FEES	354.00			354.00
			TOTAL RESERVES:	3356.82
CONTRACT IN TRANSIT:	23762.53			

GAP
W/CC+2

3202.82

SELLING PRICE 23820.00
COST 16910.63 SECONDARY FEE NONE

TRADE ALLOWANCE 1: 12000.00
TRADE ALLOWANCE 2: NONE
A.C.V. TRADE 1 : 5500.00
A.C.V. TRADE 2 : NONE
FACT. INCENTIVE : NONE
PROFIT ON SALE :

TOTAL GROSS PROFIT ON SALE : 409.37
3766.19

SALESMAN ONE:
SALESMAN TWO:
F&I MANAGER :
SLS MANAGER :

COMMENTS:

STK #: _____

DEAL RECAP & WASHOUT

DL. #: _____

BUYER: _____

CO-BUYER:

Attachment 12E

SOLD VEHICLE

TRADE ONE

TRADE TWO

USED
92

PAYOFF NONE

PAYOFF NONE

WASHOUT

FINANCE SOURCE: _____

CONTRACT DATE: '97

TERM: 54

1ST PYMT DUE:

CONTRACT MATURITY:

ITEM:	SELL:	COST:	RESERVE:	TOTALS:
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	520.00	190.00	TOTAL INSURANCE: NONE	
WARRANTY	875.00	675.00	NONE 330.00	
PROLOCK	NONE	NONE	200.00	
ACCESSORY	NONE	NONE	NONE	
SILENCER I	NONE	NONE	NONE	
SILENCER II	NONE	NONE	NONE	
SILENCER III	NONE	NONE	NONE	
ADDITIONAL INCOME	NONE		TOTAL AFTERSALE: 200.00	
FINANCE CHARGE	3494.26	2494.18	RESERVE: 750.06	
	15.00	10.99		
DEL. CHGS & FEES	495.00			495.00
		TOTAL RESERVES:	1280	1445.06
CONTRACT IN TRANSIT:	9136.54			

SELLING PRICE 6900.00
 COST 5290.00 SECONDARY FEE NONE

TRADE ALLOWANCE 1: NONE
 TRADE ALLOWANCE 2: NONE
 A.C.V. TRADE 1 : NONE
 A.C.V. TRADE 2 : NONE
 FACT. INCENTIVE : NONE
 PROFIT ON SALE :

TOTAL GROSS PROFIT ON SALE :

1610.00
~~3055.06~~

3385.06

SALESMAN ONE:
 SALESMAN TWO:
 F&I MANAGER :
 SLS MANAGER :

COMMENTS: _____

STK #:

DEAL RECAP & WASHOUT

DL. #:

BUYER:

CO-BUYER: Attachment 12F

SOLD VEHICLE

TRADE ONE

TRADE TWO

U
1998

PAYOFF NONE

PAYOFF NONE

W A S H O U T

FINANCE SOURCE:

CONTRACT DATE:
TERM: 60
1ST PYMT DUE:
CONTRACT MATURITY:

<u>ITEM:</u>	<u>SELL:</u>	<u>COST:</u>	<u>RESERVE:</u>	<u>TOTALS:</u>
CREDIT LIFE	NONE	NONE	NONE	
A&H/DISABILITY	NONE	NONE	NONE	
GAP	NONE	NONE	TOTAL INSURANCE: NONE	
WARRANTY	1503.46 1014	664.00	900.76 350	
CARE	NONE	NONE	NONE	
ACCESSORY	NONE	NONE	NONE	
SILENCER I	NONE	NONE	NONE	
ETCH	NONE 489.46	100.00	100.00 389.46	
SILENCER III	NONE	NONE	NONE	
ADDITIONAL INCOME	NONE		TOTAL AFTERSALE: 739.46	
FINANCE CHARGE	5423.94	4709.94	RESERVE: 499.80	
	14.50	12.75		
DEL. CHGS & FEES	495.00			495.00
CONTRACT IN TRANSIT:	13129.26		TOTAL RESERVES: 1239.26	1734.26

SELLING PRICE 11041.76
COST 9485.00 SECONDARY FEE NONE

TRADE ALLOWANCE 1: NONE
 TRADE ALLOWANCE 2: NONE
 A.C.V. TRADE 1: NONE
 A.C.V. TRADE 2: NONE
 FACT. INCENTIVE: NONE
 PROFIT ON SALE: 1556.76
 TOTAL GROSS PROFIT ON SALE: 3291.02

SALESMAN ONE:
SALESMAN TWO:
F&I MANAGER:
SLS MANAGER:

COMMENTS: _____

9085
9445

Attachment 13A

DEAL #
RETAIL ORDER FOR A MOTOR VEHICLE

SALESMAN _____
SALESMAN _____

DATE _____

CO. PURCHASER _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

RES PHONE _____

BUS PHONE _____

PLEASE ENTER MY ORDER FOR THE FOLLOWING: NEW USED YEAR 1998 MAKE _____

MODEL SERIES _____ BODY TYPE _____ COLOR _____ TRIM _____ VIN NO. _____

TO BE DELIVERED ON OR ABOUT _____ / 19 MILEAGE 16477 STOCK NO. _____

	LIST PRICE	\$
BATTERY FEE	11041.76	
ELECTRONIC FILING	1.50	
	16.00	
		N/A
		N/A
		N/A
		N/A

THE RETAIL DELIVERY FEES REPRESENTS COSTS AND PROFITS TO THE SELLER/DEALER FOR ITEMS SUCH AS INSPECTING, CLEANING AND ADJUSTING NEW AND USED VEHICLES AND PREPARING DOCUMENTS RELATED TO THE SALE.

1. USED CARE TRADE-IN ODOMETER

MAKE	MODEL	TYPE
YEAR	ACV	SERIAL NO
19	LIC NO	STOCK NO

LIENHOLDER _____

2. USED CARE TRADE-IN ODOMETER

MAKE	MODEL	TYPE
YEAR	ACV	SERIAL NO
19	LIC NO	STOCK NO

LIENHOLDER _____

CASH SALE PRICE OF DESCRIBED MOTOR VEHICLE INCLUDING ACCESSORIES*		11059.26
-	TRADE #1 ALLOWANCE	N/A
-	TRADE #2 ALLOWANCE	N/A
=	CASH DIFFERENCE	11059.26
+	DELIVERY/DOCUMENT FEES	279.00
=	AMOUNT TAXABLE/STATE	11338.26
+	STATE SALES TAX	730.30
+	TAG/REG. TRANSFER FEES	202.00
+	FEDERAL EXCISE TAX	N/A
+	BALANCE OWED/TRADE #1	N/A
+	BALANCE OWED/TRADE #2	N/A
=	TOTAL CASH BALANCE	12270.56
-	TOTAL DOWN PAYMENT	750.00
=	CASH BALANCE DUE	11520.56

TRADE #1

I understand that I am liable and will pay on demand, any higher difference due on the payoff of my traded-in car. If payoff is lower than quoted, the difference will be applied to the contract.

CUSTOMER SIGNATURE X _____

TRADE #2

I understand that I am liable and will pay on demand, any higher difference due on the payoff of my traded-in car. If payoff is lower than quoted, the difference will be applied to the contract.

CUSTOMER SIGNATURE X _____

CONTRACTUAL DISCLOSURE STATEMENT: (APPLIES TO USED VEHICLE SALES ONLY)

The information you see on the window of this vehicle is part of this contract. Information on the window form overrides any contrary provision in the contract of sale. Purchaser agrees that this Order includes all of the terms and conditions on both the face and reverse side hereof, that this Order cancels and supersedes any prior agreement as of the date hereof comprises the complete and exclusive statement of the terms of the agreement relating to the subject matters covered hereby and that THIS ORDER SHALL BECOME BINDING UNTIL ACCEPTED BY DEALER OR HIS AUTHORIZED REPRESENTATIVE. Purchaser by his execution of the Order acknowledges that he has read its terms and conditions and has received a true copy of this Order.

PURCHASER'S APPROVAL _____ (DATE) _____

APPROVED BY: _____ Business Mg

PURCHASER'S APPROVAL _____ (DATE) _____

ACCEPTED BY: _____ Sales Mg

THIS ORDER IS NOT VALID UNLESS SIGNED AND ACCEPTED

Attachment 13B

RETAIL ORDER FOR A MOTOR VEHICLE

SALESMAN _____

SALESMAN _____

DATE			03
CO-PURCHASER			DOB

ADDRESS	RES PHONE
CITY STATE ZIP	BUS PHONE

PLEASE ENTER MY ORDER FOR THE FOLLOWING: NEW USED YEAR **1998** MAKE _____

MODEL OR SERIES	BODY TYPE	COLOR	TRIM	VIN NO.
-----------------	-----------	-------	------	---------

TO BE DELIVERED IN OR ABOUT	/ 19	MILEAGE	16477	STOCK NO.	
					11500.00
					LIST PRICE \$
BATTERY FEE					1.50
ELECTRONIC FILING					15.00
					N/A
					N/A
					N/A
					N/A

THE RETAIL DELIVERY FEES REPRESENTS COSTS AND PROFITS TO THE SELLER/DEALER FOR ITEMS SUCH AS INSPECTING, CLEANING AND ADJUSTING NEW AND USED VEHICLES AND PREPARING DOCUMENTS RELATED TO THE SALE.

CASH SALE PRICE OF DESCRIBED MOTOR VEHICLE INCLUDING ACCESSORIES*	11517.50
- TRADE #1 ALLOWANCE	N/A
- TRADE #2 ALLOWANCE	N/A
= CASH DIFFERENCE	11517.50
+ DELIVERY/DOCUMENT FEES	279.00
= AMOUNT TAXABLE/STATE	11796.50
+ STATE SALES TAX	757.79
+ TAG/REG. TRANSFER FEES	282.00
+ FEDERAL EXCISE TAX	N/A
+ BALANCE OWED/TRADE #1	N/A
+ BALANCE OWED/TRADE #2	N/A
= TOTAL CASH BALANCE	12756.29
- TOTAL DOWN PAYMENT	500.00
+ WARRANTY + TAX	1284.00
= CASH BALANCE DUE	13540.29

USED CARE TRADE-IN		ODOMETER
MAKE	MODEL	TYPE
YEAR	ACV	SERIAL NO
	LIC NO	STOCK NO
LNHOLDER		

USED CARE TRADE-IN		ODOMETER
MAKE	MODEL	TYPE
YEAR	ACV	SERIAL NO
19	LIC NO	STOCK NO
LNHOLDER		

TRADE #1
I understand that I am liable and will pay on demand, any higher difference due on the payoff of my traded-in car. If payoff is lower than quoted, the difference will be applied to the contract.
CUSTOMER SIGNATURE X _____

TRADE #2
I understand that I am liable and will pay on demand, any higher difference due on the payoff of my traded-in car. If payoff is lower than quoted, the difference will be applied to the contract.
CUSTOMER SIGNATURE X _____

CONTRACTUAL DISCLOSURE STATEMENT: (APPLIES TO USED VEHICLE SALES ONLY)

The information you see on the window of this vehicle is part of this contract. Information on the window form overrides any contrary provision in the contract of sale. Purchaser agrees that this Order includes all of the terms and conditions on both the face and reverse side hereof, that this Order cancels and supersedes any prior agreement and of the date hereof comprises the complete and exclusive statement of the terms of the agreement relating to the subject matters covered hereby and that THIS ORDER SHALL NOT COME BINDING UNTIL ACCEPTED BY DEALER OR HIS AUTHORIZED REPRESENTATIVE. Purchaser by his execution of the Order acknowledges that he has read its terms and conditions and has received a true copy of this Order.

PURCHASER'S APPROVAL _____	(DATE)
PURCHASER'S APPROVAL _____	(DATE)

APPROVED BY: _____	Business Mgr.
ACCEPTED BY: _____	Sales Mgr.

THIS ORDER IS NOT VALID UNLESS SIGNED AND ACCEPTED BY: _____

DUANE M. OVERHOLT,

Plaintiff,

vs.

CASE NO. : 99-2416-Civ-T-23

SONIC AUTOMOTIVE - 21699
U.S. HWY. 19 N., INC.,
d/b/a CLEARWATER MITSUBISHI,

Defendant.

DEPOSITION OF:

RICHARD BRISKE

TAKEN:

Pursuant to Notice by
Counsel for Plaintiff.

DATE:

September 13, 2000

TIME:

9:10 - 9:55 a.m.

PLACE:

BAY AREA REPORTING, INC.
401 East Jackson Street
Suite 2320
Tampa, Florida

REPORTED BY:

DEBBIE E. ASKINS
Court Reporter
Notary Public

ORIGINAL



BAY AREA REPORTING, INC.

SUNTRUST FINANCIAL CENTRE • TAMPA, FLORIDA 33602
401 EAST JACKSON STREET • (813) 229-7207
SUITE 2320 • FAX (813) 229-8498

A. It would be a different price. I'm not sure it could be lower, but. . .

Q. Well, why would it be a different price?

A. Well, I mean, if the customer-- for example, this one here, it looks to me like the customer was charged \$1,594 on his contract and the warranty actually cost 1,199.

Q. Now, the cost to the customer was 1,199, right?

A. Right.

Q. Okay. The cost of the warranty stays the same, whether the-- I mean, the cost of the warranty, what the dealer pays for the warranty is the same. It doesn't matter whether you're sending the form to the bank or to the warranty company; is that right?

A. Correct. It's based on the kind of car it is.

Q. Okay. So in the Zapata deal, which is Exhibit 1, is it your testimony that the bank would be told that the warranty cost \$1,594?

A. Without seeing the warranty form, I'm assuming, but yes.

Q. And the warranty company would be told that the warranty cost \$1,199?

A. Correct.

Q. And you've seen that throughout your work at Clearwater Mitsubishi?



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401 EAST JACKSON STREET • (813) 229-7207
SUITE 2320 • FAX (813) 229-8100

A. I've seen it, yes.

Q. That's how they have handled it?

A. Yes.

Q. Okay. Do you know who at Clearwater Mitsubishi set it up that way, that the bang would be told one number and the warranty number-- and the warranty company would be told another number?

A. No.

Q. Do you know if Rose knew that's how you were handling it?

A. I'm not sure to tell you truth. She doesn't really see the warranty form or the washout forms.

Q. How about the F&I managers, would they know?

A. Yes.

Q. How about Dave Mulder, would he know?

A. I'm assuming he would.

Q. He supervises the F&I managers?

A. Right.

Q. How about Mike Leonard, would he know?

A. There again, I don't know.

Q. Okay. Did that cause you any problems, the bank was being told one number and the warranty company was being told another number?

A. No. I've never dealt with the retail before. As I understood it, the customer would be charged another



BAY AREA REPORTING, INC.

SUNTRUST FINANCIAL CENTRE
401 EAST JACKSON STREET
SUITE 2320

TAMPA, FLORIDA 33602
(813) 229-7207
FAX (813) 229-8498

Attachment 15

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

DUANE M. OVERHOLT,)	
Plaintiff,)	
)	
v.)	Case No. 99-2416-Civ-T-23F
)	
SONIC AUTOMOTIVE - 21699)	
U.S. HWY. 19 N., INC.,)	
d/b/a Clearwater Mitsubishi,)	
Defendant.)	

AFFIDAVIT OF RENE BRASHOLT

STATE OF FLORIDA)	
)	ss:
COUNTY OF PINELLAS)	

BEFORE ME, the undersigned Notary Public, personally appeared Rene Brasholt, who deposes and says:

1. I am Rene Brasholt, an adult individual residing in Pinellas County, Florida.

2. On December 23, 1998, my wife and I purchased a used 1994 Chevrolet Camaro from Clearwater Mitsubishi. At the time of the sale, I signed a warranty application form with Easy Care, at no. EF866309, for coverage for 48 months or 50,000 miles. (Copy attached hereto as Exhibit "A".)

3. On June 29, 1999, I sought my first repairs to the Camaro at Maher Chevrolet, 2901 34th St. N., St. Petersburg, Florida. When the repair was reported to the warranty company, service manager Mike Olski told me that my car actually

had a 36-month/35,000-mile warranty.

4. A true and correct copy of the Maher Chevrolet invoice from my first repair of the Camaro, dated June 29, 1999, is attached hereto as Exhibit "B".

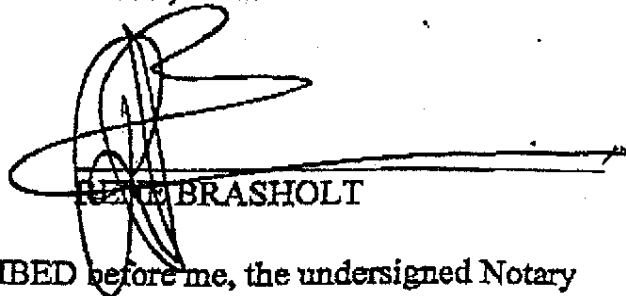
5. After my initial visit to Maher Chevrolet in June 1999, I reported the warranty problem to the warranty company. Later, I received a telephone call from David Mulder of Clearwater Mitsubishi, who asked me to come to the dealership to verify my signature on the warranty contract.

6. In September 1999, I visited Clearwater Mitsubishi. There, I was shown a warranty application form that contained a forgery of my signature. I do not know who forged my signature, nor when the forgery occurred between December 23, 1998, and September 1999.

7. David Mulder told me that the matter involved "fraud", and so I included that term in my letter to him of October 22, 1999. (A copy is attached hereto as Exhibit "C".)

8. I did not have any communication to or from Clearwater Mitsubishi about the warranty problem until late June 1999, at the earliest.

Further affiant sayeth not.


RENE BRASHOLT

SWORN TO AND SUBSCRIBED before me, the undersigned Notary

Public, by Rene Brasholt, who provided a Florida Dr. License
as identification on this 5 day of October, 2000.

Tonja L. Ransinger
Notary Public
My commission expires:



TONJA L. RANSINGER
My Comm Exp. 10/29/2000
Bonded By Service Ins
No. CC697103
 Personally Known Other



Installment Sale Contract — Motor Vehicle

Seller hereby sells, and the Buyer (meaning all undersigned Buyers, jointly and severally) hereby purchases, subject to the terms set forth below and upon the reverse side hereof, the following property (which, together with any and all replacements thereof and additions thereto, is herein called the "property"), delivery and acceptance of which in good order is acknowledged by Buyer, viz.:

Year of Used	Year Model	No. Cyl.	Make Trade Name	Body Type If Truck, Give GVW	Model Number or Series	Manufacturer's Serial No.	Motor No.

Automatic Trans. Power Steering Power Windows High Performance Engine - Cu. In Disp. _____ H.P.
 Speed Trans. Power Brakes Power Seats Air Conditioning

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	Amount Financed The amount of credit provided to you or on your behalf.	Total of Payments The amount you will have paid after you have made all payments as scheduled.	Total Sale Price The total cost of your purchase on credit, including your downpayment of
14.50 %	\$ 6200.15	\$ 13587.89	\$ 19796.04	\$ 500.00 \$ 20296.04

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due
66	299.94	Monthly - Beginning

Insurance: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature
Credit Life		I want credit life insurance. _____ Signature
Credit Disability	N/A	I want credit disability insurance. _____ Signature
Credit Life and Disability	N/A	I want credit life and disability insurance. _____ Signature

You may obtain property insurance from anyone you want that is acceptable to the Seller. If you get the insurance from the Seller you will pay _____ for a term of one year.

Security: You are giving a security interest in the goods or property being purchased.

Late Charge: If a payment is received more than ten (10) days after the due date, you will be charged five (5%) percent of the payment.

Prepayment: If you pay off early, you may be entitled to a refund of part of the finance charge.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

FINANCIALIZATION OF AMOUNT FINANCED	
Cash Price (including any accessories, services, and taxes imposed on the cash sale)	\$ 12620.79
Total Downpayment = Net Trade-In \$ _____ + Cash Downpayment \$ 500.00	\$ 500.00
Your Trade-in is a _____ Year _____ Make _____ Model _____	
Unpaid Balance of Cash Price (1 minus 2)	\$ 12120.79

Other Charges Including Amounts Paid to Others on Your Behalf:	
Cost of Physical Damage Insurance Paid to Insurance Company Covering Damage to the Vehicle (Liability insurance coverage for bodily injury and property damage to others is not included.)	\$ N/A
Cost of Optional Credit Insurance for the Term of this Contract Paid to Insurance Company (Life, Disability, Accident and Health)	\$ N/A
Official Fees Paid to Government Agencies	\$ 1.50
Documentary Stamps	\$ 47.50
Government License and/or Registration Fees (Itemize)	\$ 202.00
Government Certificate of Title Fees	\$ 16.00
Other Charges (Seller must identify who will receive payment and describe purpose)	\$ 1200.00
for SERVICE AGREEMENT	\$ N/A
for _____	\$ _____
Total Other Charges and Amounts Paid to Others on Your Behalf	\$ 1467.10

Security: You are giving a security interest in the goods or property being purchased.
Late Charge: If a payment is received more than ten (10) days after the due date, you will be charged five (5%) percent of the payment.
Prepayment: If you pay off early, you may be entitled to a refund of part of the finance charge.
 See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

FINANCING OF AMOUNT FINANCED

Cash Price (including any accessories, services, and taxes imposed on the cash sale)	\$ 12520.79	
+ Cash Downpayment \$ 500.00	\$ 500.00	
Total Downpayment = Net Trade-In \$ N/A		
Your Trade-In is a	\$ 12120.79	
Year	Make	Model

Unpaid Balance of Cash Price (1 minus 2)

Other Charges Including Amounts Paid to Others on Your Behalf:

1. Cost of Physical Damage Insurance Paid to Insurance Company Covering Damage to the Vehicle (Liability insurance coverage for bodily injury and property damage to others is not included.)	\$ N/A
2. Cost of Optional Credit Insurance for the Term of this Contract Paid to Insurance Company	\$ N/A
Life \$ N/A Disability, Accident and Health \$ N/A	\$ 1.50
3. Official Fees Paid to Government Agencies	\$ 47.60
4. Documentary Stamps	\$ 202.00
5. Government License and/or Registration Fees (TITEN FEE 2.00)	\$ 16.00
6. Government Certificate of Title Fees ELECTRONIC FILING FEE	\$ 1200.00
7. Other Charges (Seller must identify who will receive payment and describe purpose)	\$ N/A
to _____ for SERVICE AGREEMENT	
to _____ for _____	

Total Other Charges and Amounts Paid to Others on Your Behalf \$ 1467.10

Amount Financed - Unpaid Balance (amount of credit you will get) (3 + 4) \$ 13587.89

Buyer agrees to pay the Total of Payments at Seller's office designated below or at such office of any assignee as may be hereafter designated, in accordance with the above payment schedule.

DESCRIPTION OF SECURITY INTEREST: Seller retains an interest in the property described in this contract to secure payment and performance of Buyer's obligation under this contract. Any additional indebtedness represented by amounts which may be expected by Seller (1) in release or discharge of taxes, liens and encumbrances and (2) to procure required physical damage insurance on the property, as provided in this contract, shall also be secured by this security interest. The security interest granted hereby covers replacement of and additions to the property and shall also secure any and all other or future indebtedness and obligations of Buyer to Seller or Seller's assignee of this contract. Seller's security interest authorizes repossession in the event of default.

In the event of a default, in addition to the rights set forth on the reverse side thereof, Seller shall have the right, at any time at its option, to declare the aggregate sum then remaining unpaid hereunder, less unearned interest or finance charges, immediately due and payable without notice or demand. If this contract is, after default, referred to an attorney for collection or enforcement, Buyer(s) agrees to pay an attorney's fee (to be not less than 15% of the amount involved), plus appellate fees, if any, and all other costs, including transportation, repair and storage expenses.

Seller under certain circumstances, (See reverse side) has the right to accelerate. In either event Buyer(s) may be entitled to obtain a partial rebate of the unearned FINANCE CHARGE if any. Such rebate shall be calculated according to the "sum of the digits method" as follows: the amount of such rebate shall represent as great a proportion of the total FINANCE CHARGE (after first deducting an acquisition cost of \$25.00 if motor vehicle is being purchased, or \$15.00 if property other than a motor vehicle is being purchased in this transaction) as the sum of the monthly balances after the month in which prepayment is made, bears to the sum of all the monthly balances under the "Payment Schedule" in this contract. Buyer(s) understands that

ADDITIONAL TERMS AND CONDITIONS set forth on the reverse side hereof, hereby incorporated by reference, constitute a part of this contract. Buyer(s) understands that

Seller intends to assign this contract to _____

NOTICE

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

Buyer understands and agrees that the additional agreements and provisions on the reverse side hereof, hereby incorporated by reference, constitute agreements of the Buyer and a part of this contract.

NOTICE TO BUYER: (A) DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. (B) YOU ARE ENTITLED TO AN EXACT COPY OF THE CONTRACT YOU SIGN, KEEP IT TO PROTECT YOUR LEGAL RIGHTS. BUYER ACKNOWLEDGES THAT A FULLY COMPLETED COPY HEREOF WAS DELIVERED TO AND RECEIVED BY BUYER. THIS 2nd DAY OF DEC 19 98

Buyer Signs _____ (Seal)	_____ (Street) _____ (Town) _____ (State)
Buyer Signs _____ (Title)	_____ (Street) _____ (Town) _____ (State)
Buyer Signs _____ (Seal)	_____ (Street) _____ (Town) _____ (State)
Buyer Signs _____ (Seal)	_____ (Street) _____ (Town) _____ (State)
_____ (If Corp. or Partnership) _____ (Title)	_____ (Witness)

If this box is checked, _____ is signing this agreement only to give Seller a valid security interest and will have no personal responsibility for the Total of Payments designated above.

SEE REVERSE SIDE FOR IMPORTANT TERMS AND AGREEMENTS

ORIGINAL

STATE OF FLORIDA
 DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
 DIVISION OF MOTOR VEHICLES
 Nell Kirkman Building — Tallahassee, FL 32399-0610
APPLICATION FOR CERTIFICATE OF TITLE WITH/WITHOUT REGISTRATION

Attachment 17

APPLICATION TYPE: ORIGINAL TRANSFER DECEASED MOTOR VEHICLE VESSEL

1. OWNER / APPLICANT IDENTIFICATION

OR AND NOTE: When joint ownership, please indicate if "or" or "and" is to be shown on title when issued. If neither box is checked, the title will be issued with "and".

Owner's First Name, Full Middle/Maiden Name, Last Name	Date of Birth	Sex	FL Driver License or FEID Number
Co-Owner's First Name, Full Middle/Maiden Name, Last Name	Date of Birth	Sex	FL Driver License or FEID Number
Lessee's First Name, Full Middle/Maiden Name, Last Name	Date of Birth	Sex	FL Driver License or FEID Number
Owner's Mailing Address	City	State	Zip
Co-Owner's / Lessee's Mailing Address	City	State	Zip
Owner's or Lessee's Street Address in Florida (Mandatory)	City	State	Zip

2. MOTOR VEHICLE, MOBILE HOME OR VESSEL DESCRIPTION

Vehicle / Vessel Identification Number	Make / Manufacturer	Year	Body	Color	Florida Title Number
Previous State of Issue	License Plate or Vessel Registration Number	Weight	Length FT. IN.	BHP/CC	GVW/LOC
					FL Current Date of Issue

3. BRANDS AND USAGE (Check Applicable Boxes)

Vehicle is: Vessel is: SHORT TERM LEASED LONG TERM LEASED REBUILT POLICE VEHICLE PRIVATE USE TAXI CAB FLOOD VEHICLE
 ASSEMBLED FROM PARTS MANUFACTURER'S BUY BACK REPLICA COMBINED KIT CAR GLIDER KIT

4. LIENHOLDER INFORMATION

If no lien, Print "NONE" FEID # or DL # and Sex and Date of Birth Date of Lien Lienholder Name

Lienholder Address	City	State	Zip
--------------------	------	-------	-----

If lienholder authorizes the Department to send motor vehicle or mobile home title to the owner, check box and countersign. _____
 If box above is not checked, title will be mailed to the first lienholder. _____ Signature of Lienholder's Representative

5. TRANSFER TYPE

IF OWNERSHIP HAS TRANSFERRED, HOW WAS VEHICLE, MOBILE HOME, VESSEL ACQUIRED? SALE GIFT REPOSESSION COURT ORDER
 OTHER SPECIFY _____ DATE ACQUIRED ____/____/____ NEW USED

6. VESSEL DESCRIPTION AND USAGE / MISC. OWNER INFORMATION

TYPE <input type="checkbox"/> Open Motorboat <input type="checkbox"/> Cabin Motorboat <input type="checkbox"/> Auxiliary Sailboat <input type="checkbox"/> Inflatable <input type="checkbox"/> Houseboat <input type="checkbox"/> Pontoon <input type="checkbox"/> Airboat <input type="checkbox"/> Sailboat <input type="checkbox"/> Personal Watercraft <input type="checkbox"/> Canoe <input type="checkbox"/> Other _____ <i>Specify</i>	HULL MATERIAL <input type="checkbox"/> Wood <input type="checkbox"/> Fiberglass <input type="checkbox"/> Wood/Fiberglass <input type="checkbox"/> Other _____ <i>Specify</i>	PROPULSION <input type="checkbox"/> Outboard <input type="checkbox"/> Inboard <input type="checkbox"/> Inboard/Outboard <input type="checkbox"/> Other _____ <i>Specify</i>	FUEL <input type="checkbox"/> Gas <input type="checkbox"/> Diesel <input type="checkbox"/> Electric <input type="checkbox"/> Other _____ <i>Specify</i>	DRAFT OF VESSEL (The depth of water a vessel draws) _____ FT. _____ IN. <small>*For all vessels 25 or more in length and all sailboats.</small>
Use of Vessel <input type="checkbox"/> Pleasure <input type="checkbox"/> Dealer/Manuf. <input type="checkbox"/> Exempt <input type="checkbox"/> Government <input type="checkbox"/> Commercial Canoe <input type="checkbox"/> Commercial Fish <input type="checkbox"/> Commercial Hire <input type="checkbox"/> Commercial Sponge <input type="checkbox"/> Commercial Blue Crab <input type="checkbox"/> Commercial Live Bait <input type="checkbox"/> Commercial Mackerel <input type="checkbox"/> Commercial Oyster <input type="checkbox"/> Commercial Charter <input type="checkbox"/> Commercial Stone Crab <input type="checkbox"/> Commercial Shrimp Recip. <input type="checkbox"/> Commercial Shrimp Non-Recip. <input type="checkbox"/> Commercial Spiny Lobster <input type="checkbox"/> Commercial Other	Are you a Florida resident? <input type="checkbox"/> Yes <input type="checkbox"/> No Are you an alien? <input type="checkbox"/> Yes <input type="checkbox"/> No	Owner <input type="checkbox"/> Yes <input type="checkbox"/> No Co-Owner <input type="checkbox"/> Yes <input type="checkbox"/> No	Previous Out-of-State Registration Number: _____	State of Principal Use _____

Previously Federally Documented Vessel, Attach Copy of:
 U.S. Coast Guard Release From Documentation Form; or Copy of Cancelled Documentation Papers

7. MOTOR VEHICLE IDENTIFICATION NUMBER VERIFICATION

THIS SECTION REQUIRES A PHYSICAL INSPECTION AND A VERIFICATION OF THE VEHICLE IDENTIFICATION NUMBER OF THE MOTOR VEHICLE DESCRIBED ON THIS FORM BY A LICENSED DEALER, FLORIDA NOTARY PUBLIC, POLICE OFFICER, OR DIVISION OF MOTOR VEHICLES EMPLOYEE OR TAX COLLECTOR EMPLOYEE. COMPLETE THIS SECTION ON ALL USED MOTOR VEHICLES, INCLUDING TRAILERS, (WITH ABBREVIATION OF "TL" WITH A WEIGHT OF 2,000 POUNDS OR MORE) NOT PREVIOUSLY TITLED IN FLORIDA.

I, the undersigned, certify that I have physically inspected the above described vehicle and find the vehicle identification number to be: _____ (Vehicle Identification Number)

DATE _____ SIGNATURE _____ PRINTED NAME _____

Law Enforcement Officer _____ Badge ID Number _____ DMV/Tax Collector Employee _____ Notary or Stamp _____

Dealer License Number _____ Florida Compliance Examiner / Inspector Badge or ID Number _____

8. ODOMETER DECLARATION

WARNING: Federal and state law requires that you state the mileage in connection with an application for a Certificate of Title. Failure to complete or providing a false statement may result in fines or imprisonment.

I STATE THAT THIS MOTOR VEHICLE'S 5 DIGIT OR 6 DIGIT ODOMETER NOW READS _____ (no Tenth) MILES. DATE READ ____/____/____ AND TO THE BEST OF MY KNOWLEDGE THAT IT REFLECTS THE ACTUAL MILEAGE OF THE VEHICLE DESCRIBED IN THIS DOCUMENT UNLESS ONE OF THE FOLLOWING IS CHECKED.

CAUTION: 1. IN EXCESS OF ITS MECHANICAL LIMITS. I HEREBY CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE, THE ODOMETER READING REFLECTS THE AMOUNT OF MILEAGE IN EXCESS OF ITS MECHANICAL LIMITS.

DO NOT CHECK IF ACTUAL MILEAGE 2. IS NOT THE ACTUAL MILEAGE. I HEREBY CERTIFY THAT THE ODOMETER READING IS NOT THE ACTUAL MILEAGE. WARNING - ODOMETER DISCREPANCY

9. DEALER SALES TAX REPORT

Florida Sales Tax Registration Number	Date of Sale	Dealer License Number	Amount of Tax	Dealer/Agent Signature
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10 SALES TAX INFORMATION

* EVEN TRADE OR TRADE DOWN - STATE THE FACTS OF THE EVEN TRADE OR TRADE DOWN IN THE SPACE PROVIDED BELOW:

**** TRANSFEROR INFORMATION:**

NAME _____
PRINT TRANSFEROR NAME
ADDRESS _____
CITY _____ STATE _____ ZIP _____

NOTE: ANY PRESUMPTION, REGARDING THE TAXABILITY OF AIRCRAFT, BOATS, MOBILE HOMES, MOTOR VEHICLES, OR OTHER VEHICLES OF A CLASS OR TYPE REQUIRED TO BE REGISTERED, LICENSED, TITLED, OR DOCUMENTED IN THIS STATE OR BY THE UNITED STATES GOVERNMENT, ESTABLISHED BY RULE 12A-1.007, F.A.C., MAY BE REBUTTED ONLY BY CLEAR AND CONVINCING EVIDENCE TO THE CONTRARY. DECLARATIONS AFTER THE FACT ARE OF LITTLE VALUE AS EVIDENCE BECAUSE OF THEIR SELF-SERVING NATURE AND WILL BE GIVEN LITTLE WEIGHT.

11 SALES TAX EXEMPTION CERTIFICATION

THE PURCHASE OF A RECREATIONAL VEHICLE TO BE OFFERED FOR RENT AS LIVING ACCOMMODATIONS DOES NOT QUALIFY FOR EXEMPTION. I CERTIFY THE RECREATIONAL VEHICLE, MOBILE HOME OR VESSEL DESCRIBED HAS BEEN PURCHASED AND IS EXEMPT FROM THE SALES TAX IMPOSED BY CHAPTER 212, FLORIDA STATUTES, BY:

PURCHASER (STATE AGENCIES, COUNTIES ETC.) HOLDS VALID EXEMPTION CERTIFICATE. CONSUMER'S CERTIFICATE OF EXEMPTION NO. _____
 MOTOR VEHICLE MOBILE HOME VESSEL WILL BE USED EXCLUSIVELY FOR RENTAL. SALES TAX REGISTRATION NUMBER _____
I hereby certify that ownership of the motor vehicle, mobile home or vessel described on this application, is not subject to Florida sales and use tax for the following reason: INHERITANCE GIFT
 DIVORCE DECREE TRANSFER BETWEEN HUSBAND AND WIFE *EVEN TRADE OR TRADE DOWN (COMPLETE SECTION 10) ** TRANSFEROR INFORMATION (COMPLETE SECTION 10)
 OTHER (EXPLAIN) _____

12 REPOSSESSION DECLARATION

IF CHECKED, THE FOLLOWING CERTIFICATIONS ARE MADE BY THE APPLICANT:
 I CERTIFY THAT: (1) THIS MOTOR VEHICLE, MOBILE HOME OR VESSEL WAS REPOSSESSED UPON DEFAULT IN THE TERMS OF THE LIEN INSTRUMENT, (2) FOR MOTOR VEHICLES OR MOBILE HOMES, A CERTIFIED COPY OF WHICH IS ATTACHED TO THIS APPLICATION, (3) FOR VESSELS, A PHOTOCOPY OF WHICH IS ATTACHED TO THIS APPLICATION AND (4) THE MOTOR VEHICLE, MOBILE HOME OR VESSEL IS NOW IN MY POSSESSION.
 I CERTIFY THAT THE SALES CONTRACT FOR THE IDENTIFIED MOTOR VEHICLE, MOBILE HOME OR VESSEL WAS PURCHASED ON (DATE) _____ FROM _____

13 NON-USE AND OTHER CERTIFICATIONS

IF CHECKED, THE FOLLOWING CERTIFICATIONS ARE MADE BY THE APPLICANT: THE VEHICLE IDENTIFIED WILL NOT BE OPERATED ON THE STREETS AND HIGHWAYS OF THIS STATE
 I CERTIFY THAT THE CERTIFICATE OF TITLE IS LOST OR DESTROYED. THE VESSEL IDENTIFIED WILL NOT BE OPERATED ON THE WATERS OF THIS STATE.
 OTHER: (EXPLAIN) _____

14 APPLICATION ATTESTMENT AND SIGNATURES

I / WE PHYSICALLY INSPECTED THE ODOMETER AND I / WE FURTHER AGREE TO DEFEND THE TITLE AGAINST ALL CLAIMS.
UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE READ THE FOREGOING DOCUMENT AND THAT THE FACTS STATED IN IT ARE TRUE.
SIGNATURE OF APPLICANT (OWNER) _____ Date _____ SIGNATURE OF APPLICANT (CO-OWNER) _____ Date _____

15 RELEASE OF SPOUSE OR HEIRS INTEREST

The undersigned person(s), state as follows: That _____ of _____ County, Florida died on the _____ day of _____, 19____ testate (with a will) intestate (without a will) and left surviving (him/her) the following beneficiaries:

NAME	RESIDENCE

That at the time of death the decedent was owner of the motor vehicle, mobile home or vessel described in section 2 of this form. That the estate is not indebted, and the assets of the estate, excluding this motor vehicle, mobile home or vessel are sufficient to pay all just claims and that no probate proceedings have been instituted upon the estate. That the undersigned person(s) hereby release all their right, title, interest and claim as heirs of law, legatees, devisee, or otherwise to the aforesaid motor vehicle, mobile home or vessel to: _____ Name of Applicant (Type or Print)

Signatures of surviving spouse, co-owner and/or heirs. More than one form HSMV 82040 may be used for additional signatures.
UNDER PENALTIES OF PERJURY, I DECLARE THAT I HAVE READ THE FOREGOING DOCUMENT AND THAT THE FACTS STATED IN IT ARE TRUE.

RESIDENTS OF FLORIDA AND ALL VESSEL OWNERS SHOULD SUBMIT THIS FORM AND ALL OTHER DOCUMENTATION TO THE LOCAL TAX COLLECTOR'S OFFICE FOR PROCESSING. OUT-OF-STATE MOTOR VEHICLE OR MOBILE HOME APPLICANTS MAY SUBMIT APPLICATION DIRECTLY TO DHSMV, NEIL KIRKMAN BUILDING, TALLAHASSEE, FL 32309-0610.

Attachment 17B

Agreement to Provide Primary Auto Physical Damage Insurance

IMPORTANT NOTICE TO THE NAMED INSURED (same as Buyer):

I hereby agree to delivery to _____, Inc. (Lienholder), within 15 days from the date hereof, an insurance policy which will provide Comprehensive and Collision Insurance with a maximum deductible of \$500.00 in the name of the Named Insured as shown below.

I will have my policy endorsed with "Automobile Loss Payable Endorsement" in favor of the above named Lienholder.

I will deliver this endorsement to _____, Inc. (Lienholder) at:

_____, Inc.

NAMED INSURED:

NAME	FIRST	MIDDLE	LAST
ADDRESS	NUMBER	STREET	CITY STATE ZIP CODE
TEL NO			

VEHICLE INSURED:

YEAR	MAKE	BODY	MODEL	SERIAL NUMBER
------	------	------	-------	---------------

IMPORTANT NOTICE TO BUYER:
 Please forward goldenrod copy of this form to your insurance agent to assist in providing the proper proof of coverage.

REQUEST FOR CONFIRMATION OF INSURANCE

INSURANCE AGENT:

NAME	
NUMBER AND STREET	
CITY, STATE, ZIP CODE	
TELEPHONE NUMBER	

INSURANCE COMPANY:

NAME	
POLICY NUMBER	
EFFECTIVE DATE	FROM TO
COVERAGE	<input type="checkbox"/> COMPREHENSIVE \$ _____ DEDUCTIBLE <input type="checkbox"/> COLLISION \$ _____ DEDUCTIBLE

IMPORTANT NOTICE TO AGENT:
 The individual identified above has informed us that physical damage insurance, also referred to as "Comprehensive and Collision," covering the vehicle described above has been obtained through you.
 If the policy has deductibles in excess of \$500 and/or does not contain the standard loss payee/lienholder endorsement naming _____, Inc. at the address below, we will request that these changes be made. Your records and those of your insurance carrier should reflect _____ interest. Please provide _____ with a copy of the insured's declarations page and forward it to: _____, Inc., Insurance Service

 However, if you have not provided the indicated insurance, please return this letter with a note to that effect in the space identified as "Agent Comments."
 We must also be advised if _____ frequently cancelled or terminated for any other reason.
 AGENT COMMENTS: _____

NAME INSURED _____ ACCOUNT NUMBER _____
 SIGNS _____ DATE _____

DEALER CONFIRMATION:

() AGENCY () INSURANCE COMPANY NAME OF PERSON _____ LOSS PAYEE: () YES () NO

CONFIRMED BY _____ DATE: _____

DEALER/SALESPERSON SIGNS _____ DEALER _____
 _____ PINK & GOLDENROD - CUSTOMER (BUYER: PLEASE FORWARD GOLDENROD COPY TO YOUR INSURANCE AGENT.) GREEN - DEALER

Attachment 18

DEALER DEPARTMENT

DATE: _____
TO: _____
FROM: _____
APPLICANT: _____

ID #: _____

CREDIT DECISION: ***** CONDITIONED *****

COLLATERAL: _____

COMMENTS: PLEASE SEE BELOW:
CONDITION 11000 X 60MONTHS 12.75BR 1 ADD ONLY

WE VERY MUCH APPRECIATE THIS APPLICATION. PLEASE RESPOND TO THE ABOVE COMMENTS AS SOON AS POSSIBLE SO WE MIGHT QUICKLY FINALIZE THIS TRANSACTION. THANK YOU.

SINCERELY,

*** REMINDER ***

***** NOTICE ***** NOTICE ***** NOTICE ***** NOTICE *****
TO ALLOW FASTER TURNAROUND, GIVE INVOICE \$ ON NEW VEHICLES AND MILEAGE WITH FULL DESCRIPTION AND OPTIONS ON ALL USED VEHICLES.

CONFIDENTIAL:
THIS MESSAGE IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHICH IT IS ADDRESSED, AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL, EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAW AND MAY NOT BE DISSEMINATED OR DISTRIBUTED. PLEASE CALL _____ IF YOU HAVE RECEIVED THIS TRANSMISSION IN ERROR.

Dealer Services Department

ATTENTION FINANCE

ATTN:
FUNDING

Date:

Discounter Name:

Phone:

Extension:

Dealer Name:

Page 1 of 1

We have received the following contracts, however, we are unable to FUND them due to the following missing or required items. Please FAX these items along with this form to my attention at or return them to us promptly at the office listed above.

Customer:

Vehicle:

Missing or Required Items:

- 1) NEED RO FOR \$2,122
- 2) NEED PROOF OF NATIONAL PAYOFF

OK

See R.O.
page 3

Customer:

Vehicle:

Missing or Required Items:

4 PAGES

Attachment 20

AUTHORIZATION FOR SERVICES DUE

To provide you with the most convenient service, it is requested that you call our Service Department at [] to make an advance appointment for the item(s) listed below to be taken care of. If parts have been ordered for your vehicle, you will be notified upon their receipt and an appointment will be made at the same time for their installation. Only those items listed on this AUTHORIZATION FOR SERVICES DUE can be performed on your vehicle as they were agreed upon at the time of sale.

DATE ISSUED: []

STOCK # [] SALESPERSON: []

VIN: []

YR: [] MAKE: [] MODEL: [] MILEAGE: []

SOLD TO: [] DATE: []

ADDRESS: [] CITY: []

STATE: [] ZIP: [] PHONE: RES. [] BUS. []

ITEMS AUTHORIZED:

<input type="checkbox"/> NOTHING DUE	TOTAL COST
* Spoiler - CX2	510.00
* Gold MacKame - CG3	299.00
* LEATHER - CA1 MANUFACTURED - KATSKIN INSTALLER - Automotive Design	1398.00

I HEREBY ACCEPT THIS "AUTHORIZATION FOR SERVICES DUE" WITH THE UNDERSTANDING THAT TO BE VALID, IT MUST BE PRESENTED TO THE SERVICE DEPARTMENT WITHIN 30 DAYS.

Customer's Signature [Signature]

Manager's Signature []

[] []

APPENDIX A

Auto-Sales Fraud Litigation Shows Rampant Consumer Abuse

The following cases are diverse in scope and claim, the companies which are accused of wrongdoing, and geographic location, and indicate that fraud and consumer abuse at auto dealerships is likely endemic to the industry. Many of the dealerships accused of wrongdoing are part of large chains and dealership conglomerates.

California:

- Seven former senior managers at Gunderson Chevrolet, which is owned by AutoNation, the largest auto-dealer chain in the nation, were convicted of defrauding their customers.¹ The seven employees who were convicted are:

- 1) finance manager Donald Poteete,
- 2) former general manager Jim Hoban,
- 3) former finance director Michele Davis,
- 4) former finance managers Ronald Crumer and Patrick Fischer,
- 5) former used car manager Randolph Cooper, and
- 6) former general sales manager Hamid Ghanian.²

The indictment alleged the seven committed 111 “overt acts” of defrauding customers by overcharging them for theft-protection packages and subsequent attempts to cover up illegal practices.³ Deputy district attorney in Los Angeles County Jeffrey McGrath handled the case,⁴ in which AutoNation also paid restitution in the amount of \$2.1 million.⁵

- On September 25, 2002, investigators with the Los Angeles County District Attorney’s office served search warrants on Honda of Santa Monica. The dealership, which is one of 187 dealerships in 15 states owned by Sonic Automotive Inc., was previously served with a draft of a class-action lawsuit complaint brought by two former customers on behalf of a potential class of former customers. Sonic executives admit to news reports that some Sonic dealerships had included hidden fees in auto loans, but claimed the allegations described actions of only a few “rogue employees.”⁶

Connecticut:

- Connecticut Attorney General Richard Blumenthal acted with 22 other states around the country to stop a sham in which auto dealerships advertised “No Money Down” but slapped customers with up-front acquisition fees, taxes and other charges that often added up to \$1,000 or more once they went to the dealership. Blumenthal sought to force five major automobile makers to adhere to strict new guidelines when advertising auto leases and collected penalties of nearly \$2 million for the misleading advertisements. The settlement

¹ “Driving Up Car Prices,” *Wall Street Journal*. (Author’s Name and Date of Publication Unavailable. Text on file with Public Citizen.)

² Sullivan, Dennis. “7 AutoNation Store Managers Accused of Fraud,” *Car Dealer Insider*. June 11, 2001.

³ *Id.*

⁴ “Driving Up Car Prices,” *Wall Street Journal*. (Author’s Name and Date of Publication Unavailable. Text on file with Public Citizen.)

⁵ Sullivan, Dennis. “7 AutoNation Store Managers Accused of Fraud,” *Car Dealer Insider*. June 11, 2001.

⁶ Lloyd, Mary Ellen. “Sonic Dealer Searched,” *Dow Jones Newswires*. Oct. 2, 2002.

with the companies required that the actual terms of the leasing agreement in advertisements be displayed in “clear and conspicuous” terms.⁷

- In a connected action, Attorney General Richard Blumenthal and Consumer Protection Commissioner Mark A. Shreffin sued Antonino Pontiac-Buick-GMC Truck for misleading advertisements. Allegations in the suit include advertising vehicles at a certain price when the dealership did not have the vehicles at that price and advertising “No Money Down” when some of the advertised cars required a cash payment or trade-in.⁸

Florida:

- Charges were brought against William Bennett for allegedly defrauding a financing company out of more than \$341,000. William Bennett, owner of several now-defunct Bennett used car dealerships in Pinellas County, Florida, pled guilty to conspiracy and was sentenced to 40 months in prison and three years of supervised release in May 2001. Investigators determined that Bennett altered paperwork to fabricate car deals which never occurred. His former chief financial officer, Donald Bender, was charged in July 2002 with grand theft in connection with the case. Federal authorities prosecuted both men.⁹
- Charles Gibson brought suit against Auto Way Honda in Clearwater, one of AutoNation’s local dealers, alleging the dealer inflated the price of his extended warranty by \$270.¹⁰ Gibson’s attorney, Christa Collins, further alleged that Auto Way Honda inflated the cost of warranties for customers and hid other features in contracts.¹¹ The case, for which attorneys are seeking class-action status on behalf of as many as tens of thousands of Sonic customers,¹² is being tried in Pinellas-Pasco Circuit Court.¹³
- L.C. “Pete” Kimbrell brought suit against Sonic-owned Clearwater Toyota, one of Sonic’s local dealers, alleging that his extended warranty was inflated by \$537. Kimbrell’s attorney, Christa Collins, is seeking class-action status on behalf of as many as tens of thousands of Sonic customers.¹⁴
- Ferman Motor Car Co. settled a class-action consumer-fraud lawsuit and agreed to provide about 1,000 customers with \$400 coupons. Although Ferman did not admit guilt in the settlement, it allegedly imposed extra charges when customers who leased cars attempted to exercise their right to purchase them at a previously determined price. Ferman owns more than 20 dealerships in Florida.¹⁵
- The Florida attorney general’s office investigated Clearwater Toyota and Clearwater Mitsubishi on allegations that the two dealerships illegally overcharged more than 100 customers.¹⁶ As noted on Dateline on Dec. 5, 2003, the case was settled for an attorney’s fees settlement of only \$64,000.

⁷ <http://www.cslib.org/attygenl/mainlinks/tabindex3.htm>, “Auto Leasing Agreements.”

⁸ <http://www.cslib.org/attygenl/mainlinks/tabindex3.htm>, “State Sucs Auto Dealership Over Misleading Advertisements.”

⁹ Tisch, Chris. “Former Auto Dealer Accused of Fraud,” *St. Petersburg Times*. Nov. 8, 2002.

¹⁰ Levesque, William. “Suit Accuses Auto Dealers of Trickery on Warranties,” *St. Petersburg Times*. May 10, 2002.

¹¹ Helgeson, Lance. “F&I Practices Spur Additional Lawsuits Against Dealers,” *Car Dealer Insider*. May 13, 2002.

¹² Helgeson.

¹³ Levesque.

¹⁴ Helgeson.

¹⁵ Albright, Mark. “Tampa Auto Dealer Settles Fraud Suit,” *St. Petersburg Times*. March 27, 2002.

¹⁶ *Id.*

Illinois:

- In November 1998, Charles Allen filed suit against Woodfield Chevrolet, Inc., alleging that the auto dealer “advertised one price and then charged a different price for the same car.” In addition, Allen contended that certain amendments of the Consumer Fraud and Deceptive Business Practices Act were impermissible based on Illinois state constitutional protections against special legislation. While the initial fraud claim was dismissed only because Allen had failed to give Woodfield the statutorily required pre-suit notice, the Illinois Supreme Court affirmed Allen's interpretation of the state constitution, invalidating certain amendments of the Consumer Fraud Act as unconstitutionally favoring dealers.¹⁷

Minnesota:

- The Minnesota Attorney General’s office and the Walser Automotive Group in Minneapolis settled a case alleging concerning what the Attorney General’s office characterized as “industry-wide practices.” The case was based on complaints that stores sold contracts without consent, required service contracts as a condition of sale, and misrepresented the scope of warranty coverage. Provisions in the settlement requires car dealers to tape record all finance and insurance (F&I) transactions, and provide copies of the tapes to state officials upon request and offer a waiver to customers.¹⁸

Oregon:

- Oregon’s largest auto dealership, Thomason Autogroup, and its parent companies settled a host of allegations of wrongdoing with Attorney General Hardy Myers for a sum of \$300,000. Myers said that Thomason had “accrued a multitude of complaints alleging violations of consumer protection laws.” Misrepresentation of sales prices, extended service contracts and financing are some of the many offenses alleged in the investigation. One of Thomason’s most recent scams ran from 1996 to 2000 and affected more than 880 customers who had purchased vehicles from Thomason without being told the cars were on sale. Scammed customers ended up paying hundreds to thousands more each for their vehicles.¹⁹

Pennsylvania:

- Melvin Shaw, who operated used-car dealerships in New Jersey and Pennsylvania and sold cars through the Internet as well, was indicted in September 2003, by a federal grand jury in Philadelphia for purportedly defrauding customers and associates of more than three-quarters of a million dollars over a two-year period. According to the Assistant U.S. Attorney prosecuting the case, over thirty people who gave Shaw money for a car, or a car to sell, received nothing in return.²⁰

¹⁷ “Charles Allen et al., Appellees, v. Woodfield Chevrolet, Inc., Appellant.” Supreme Court of Illinois. Filed Oct. 17, 2003.

¹⁸ Helgeson, Lance. “Deal Sets Precedent for Tougher F&I Enforcement,” *Car Dealer Insider*. May 20, 2002.

¹⁹ “Attorney General Announces \$300,000 Agreement With Oregon’s Largest Auto Dealership,” Department of Justice, State of Oregon Media Release. April 9, 2001.

²⁰ “Briefly...CITY/REGION.” *Philadelphia Daily News* 26 Sept. 2003.

Tennessee:

- In spring 2003, Nissan Motor Acceptance Corp. agreed to pay two African American plaintiffs, Betty and Robert Cason, up to \$25,000 each and to offer financing at the buy rate to 625,000 approved minority consumers over five years.²¹
- An upcoming lawsuit brought by African American Addie Coleman alleges that Nissan General Motor Acceptance Corp.'s (GMAC) discretionary markup policy has a significant disparate impact on African Americans. Coleman bought a vehicle from a Tennessee dealership in 1995 and qualified for an 18.25 percent buy rate under GMAC's system. After the dealership markup, however, her annual percentage rate came to 20.75 percent.²²
- A lawsuit alleging racial discrimination was brought against United Auto Group's Covington Pike Toyota in Memphis.²³
- A class-action lawsuit was brought against Covington Pike Toyota, Memphis, in April 2001. It alleged that the dealer's F&I office routinely tricked new and leased car customers into buying a \$1,995 extended warranty package by using an illegal "tax bump." Attorney Richard Fields, who is trying the case, asserts that the class action may include as many as 5,000 customers. The suit asserts that the practice was systematic and points to audio tapes of Covington Pike's F&I director Richard Peros coaching F&I managers on how to operate the scam.²⁴
- Bill Heard Chevrolet, which claims to be the "world's largest Chevrolet dealer," has been the target of lawsuits ranging from outrageous conduct to identity theft. In one suit, a woman claims that Bill Heard stole her Social Security number to process another woman's credit application. Following the suit, more people came forward with complaints that the dealership had used their credit card information without their consent. Two later filed lawsuits.

Further, the Better Business Bureau has investigated the dealership, uncovering what it calls a pattern of "systematic sales practices." The dealership allegedly targets customers with bad credit, allowing them to take home cars before the deal is completed by leaving them with the impression that there are only a few more details to go over. Attorney Barry Weathers, who has four lawsuits pending against the dealership, has said that Bill Heard will let customers with credit that they know will be rejected take vehicles home regardless. The customers are then called a few weeks later, informed that their credit was not approved, and pressured to buy the car anyway. A former Bill Heard employee has recounted that the dealership's general manager Bill Crick allegedly told his staff: "Most of these people will never come back. This means you got only this one chance to f__ them."²⁵

Multi-State:

- AutoNation Inc., a Fort Lauderdale, Florida-based car retailer, and its Huntington Beach, California, Ford dealership were ordered to pay \$130,000 to a former salesman who was

²¹ Freedman, Eric. "Disparate Measures," *Automotive News Insight*. November 24, 2003.

²² *Id.*

²³ "UAG Store Faces Discrimination & Fraud Claims," *Car Dealer Insider*. May 14, 2001. (Author's name unavailable. Text on file with Public Citizen)

²⁴ *Id.*

²⁵ Pulle, Matt. "Like A Rock (Over the Head): The Better Business Bureau and a Barrage of Lawsuits Claim Bill Heard Chevrolet Engages in Fraud and Deception," *The Nashville Scene*. February 13-19, 2003.

fired after complaining that customers were being cheated. Arbitrator Ricardo A. Torres found the company punished Bruce Gillies for complaining about deals in which customers' interest rates were inflated without their knowledge. The award includes \$50,000 in punitive damages.²⁶

²⁶ "Firm Loses Arbitration," *Los Angeles Times*. (Name of author and date of publication unknown. Text on file with Public Citizen.)

APPENDIX B

Several cases brought by Attorneys General in two states, Minnesota and Oregon, offer remedies that could be instructive to enforcement authorities in other states or to legislative and regulatory authorities:

The Minnesota Attorney General's office settled in Spring 2002 with the Walser Automotive Group in Minneapolis, which allegedly sold contracts without consent, required service contracts as a condition of a sale, and misrepresented the scope of coverage offered by service contracts. Included in the settlement, in which Walser did not admit wrongdoing, were the following requirements for Walser dealerships:²⁷

- Tape recording of all transactions involving auto loan financing or optional service products sales, unless the consumer signs a waiver. The dealer must provide the tapes to state regulators, as well as the consumer, upon request.
- A letter sent to all consumers previously sold service contracts offering arbitration if consumers believe the contact was improperly sold to them. [Though unspecified in the press release regarding the settlement, please note that Public Citizen does not support the use of *binding* arbitration to resolve consumer protection or other issues.]
- All service contracts have a 60-day cancellation policy providing full refund to consumers who have not made a claim. The dealer must pay the refund within 14 days of the consumer's cancellation request.
- The dealership cannot sell its own service contracts unless it files its retail pricing with the state and notifies consumers that it retains all money used for claims.

The Oregon Attorney General's office settled a case in April, 2001, with Oregon's largest auto dealership, Thomason Autogroup, and its parent companies: Asbury Automotive Oregon LLC, Asbury Automotive Oregon Dealership Holdings LLC, and Asbury Automotive Oregon Management LLC. The dealership faced a wide range of complaints, including failure to disclose material defects, misrepresenting sales prices, and extending service contracts. As part of the settlement, the dealer admitted no wrongdoing but did agree to the following conditions for future business:²⁸

- The company must initiate a mandatory education program for all its employees within 60 days of the settlement, instructing employees on the settlement and on state consumer protection laws.
- Vehicles on sale are required to be identified by number and price both in advertisement and openly disclosed on the vehicle.
- If a consumer's financing for a vehicle is not possible on the terms set out in the sales agreement, the consumer must be quickly notified. The transaction is immediately terminated, and upon the return of the vehicle, the company must refund the buyer's down payment, minus possible vehicle use charges.

²⁷ Helgeson, Lance. "Deal sets precedent for tougher F&I enforcement." *Car Dealer Insider* May 2002.

²⁸ "Attorney General Announces \$300,000 Agreement With Oregon's Largest Auto Dealership." *at* <http://www.doj.state.or.us/releases/ref040901.htm>

- The dealership must return any trade-in vehicle to the buyer if financing for the buyer is not available. The dealership cannot sell the buyer's trade-in vehicle until receiving final credit approval.
- Buyers must be given copies of all documents associated with the vehicle sale.
- The dealer must notify the consumer during the sales transaction that any extra items such as credit life and extended service contracts are optional and not required to complete the vehicle purchase.
- Upon choosing to purchase additional products like extended warranties and service contracts, the consumer must be shown by the dealer both the sale price and monthly payments only, and the price and payments with the additional charges for extras. This allows the consumer to compare the two sets of figures.

In addition to the above conditions, the dealership had paid, as of early 2001, about \$1.5 million in restitution to Oregon victims, and \$300,000 to the Oregon Department of Justice consumer protection and education revolving account.