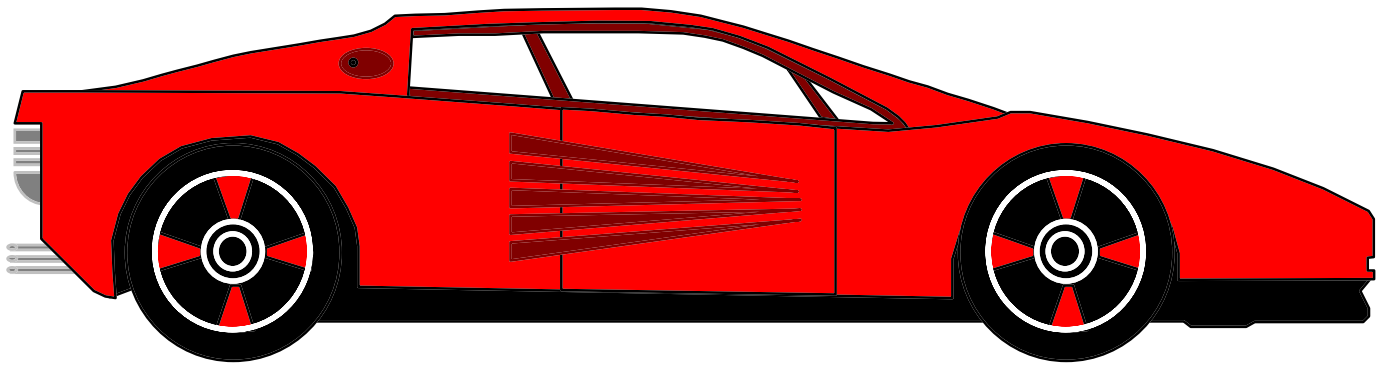


COLORADO



MOTOR VEHICLE INDUSTRY LICENSE LAW MANUAL

Part I: General Licensing Information

Motor Vehicle Dealer Board

The industry was first regulated in 1945. The Motor Vehicle Dealer Board was created by the Colorado General Assembly in 1971. The Board consists of nine members who have been residents of the state for at least five years: three licensed new vehicle dealers, three licensed used vehicle dealers, and three members from the public at large. The public members cannot have a present or past financial interest in a motor vehicle dealership. All of the members are appointed by the Governor for three-year terms.

The Board is empowered to promulgate, amend and repeal reasonable rules, regulations and provisions for governing the industry.

The Board can issue or deny license applications for any motor vehicle dealer, used dealer, wholesaler, wholesale auction dealer or salesperson. It can investigate any alleged or suspected violation by any dealer, wholesaler, wholesale auction dealer or salesperson. The Board can order an administrative hearing when it believes there is probable cause that a violation of law occurred. It can also suspend and revoke the license of any motor vehicle dealer, wholesaler, wholesale auction dealer or salesperson after giving due notice and conducting an administrative hearing. The Board may also impose a fine of up to \$10,000 for each separate offense.

The Board is authorized to determine license fees.

The Board meets at least monthly to transact normal business, review new applications and conduct hearings.

Auto Industry Division

The Auto Industry Division in the Department of Revenue Enforcement Business Group acts as the administrative and enforcement arm of the Motor Vehicle Dealer Board in the licensing and regulation of motor vehicle dealers, used motor vehicle dealers, wholesalers, wholesale auto auctions, and salespersons. Activities include processing of license applications and fees, overseeing and auditing the written examination process, providing educational services to licensees and the public, working with consumers and licensees to resolve problems and investigating complaints.

The Auto Industry Division also issues licenses to and regulates motor vehicle manufacturers, distributors, manufacturer representatives and buyer agents for the Director of the Department of Revenue.

Testing Requirements

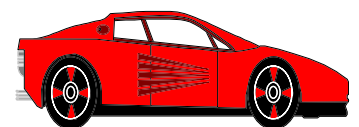
In accordance with state law all applicants must pass a written examination. The examination is an open book Mastery Exam. The applicant must score 100% on the exam.

License Types & Requirements

All licenses (new and used dealer, wholesaler, wholesale auction dealer, buyer agent and salesperson) expire annually and must be renewed on or before the expiration date.

Each dealer and salesperson license is to be posted in a conspicuous place in the dealer's place or places of business.

Each license is separate and distinct. It is a violation of law for any person to exercise any of the privileges granted under a license that such person does not hold, or for any licensee to knowingly allow such an exercise of privileges by someone else. For example, a person



licensed as a salesperson for a dealership cannot sell, offer or attempt to negotiate the sale, exchange, or lease of a motor vehicle for another dealership without being duly licensed for said dealership. A salesperson involved in such a sale would be acting as an unlicensed salesperson.

Surety Bonds

Surety bonds protect citizens against illegal acts by licensees. For instance, consumers could file a claim against a bond if a dealer failed to deliver title or did not honor a written agreement. However, the bonding company shall not be required to make any payment on a claim until a final determination of fraud or fraudulent representation has been made by the board or by a court of competent jurisdiction.

Bonds must remain in force throughout the licensed period. Similar to the license renewal process, bonds are renewed annually with the license renewal. The renewal may be done through a continuation certificate issued by the bond company.

New and used vehicle dealers, wholesalers, and wholesale auction dealers are required to have bonds in the amount of \$30,000. Salespersons, small trailer dealers and buyer agents are required to have bonds in the amount of \$5,000.

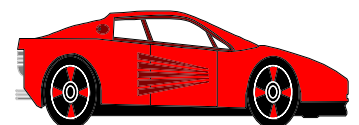
If someone suffers loss or damage because of fraud or fraudulent representation made by a licensed dealer or one of the dealer's salespersons, that person can file a claim or civil suit against the dealer, the salesperson and the surety companies that bonded them. The right of a person to recover for loss or damage against the dealer or the salesperson is not limited to the amount of their bonds. In other words, ***the dealer or salesperson can be personally liable for any proven claim or judgment in***

excess of the bond. Also, if a surety pays out against a claim they will seek reimbursement from the licensee.

New Motor Vehicle Dealer

A new motor vehicle dealer is a person who, for commission or with intent to make a profit or gain of money or other thing of value, sells, leases, exchanges, rents with option to buy, offers or attempts to negotiate a sale, lease or exchange of an interest in new or used vehicles. A dealer includes anyone engaged entirely or partially in the business of selling or leasing motor vehicles, whether or not such vehicles are owned by that person. Selling or leasing 3 or more new or new and used vehicles, or offering for sale or lease more than 3 vehicles at the same address or telephone number in any one calendar year, shall be *prima facie* evidence (evidence at face value) that a person is engaged in the business of selling or leasing motor vehicles. A new motor vehicle dealer includes an owner of real property who allows more than 3 new or new and used vehicles to be offered for sale or lease on such property during 1 calendar year unless the property is leased to a licensed dealer. New motor vehicle dealer does not include:

1. Receivers, trustees, administrators, executors, guardians or other persons appointed by or acting under the order of any court.
2. Public officers performing their official duties.
3. Employees of dealers.
4. Wholesalers.
5. Persons engaged in the selling of a new fire truck.
6. Motor vehicle auction dealers.



Used Motor Vehicle Dealer

A used motor vehicle dealer is any person who, for commission or with intent to make a profit or gain of money or other thing of value, sells, exchanges, leases, or offers an interest in used motor vehicles, or attempts to negotiate a sale, lease or exchange, of used motor vehicles. A used dealer is also someone who is engaged totally or in part in the business of selling or leasing used motor vehicles, whether or not such vehicles are owned by such person. Selling or leasing 3 or more vehicles, or offering for sale or lease more than 3 vehicles at the same address or phone number in any 1 calendar year, shall be *prima facie* evidence that a person is in the business of selling or leasing used vehicles. A used motor vehicle dealer includes an owner of real property who allows more than 3 used motor vehicles to be offered for sale or lease on such property during 1 calendar year unless the property is leased to a licensed dealer or auctioneer. Used motor vehicle dealer does not include:

1. Receivers, trustees, administrators, executors, guardians or other persons appointed by or acting under the order of any court.
2. Public officers performing their official duties.
3. Employees of used motor vehicle dealers.
4. Wholesalers.
5. Lending institutions, such as banks or finance companies, which sell no more than 12 repossessed vehicles in any one year. (The lending institutions or secured parties shall not realize any moneys in excess of the outstanding balance secured by the loan or security agreement, plus costs of collection.)
6. Persons who sell or exchange no

more than 4 motor vehicles that are collector's items as defined in Colorado law.

7. Motor vehicle auction dealers.
8. Tow company operators who sell motor vehicles see 42-4-1800 through 42-4-1814 C.R.S. for clarification.

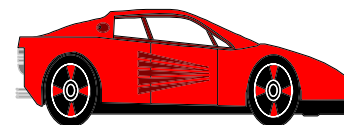
Wholesaler

A wholesaler is a person who for commission or with intent to make a profit or gain of money or other thing of value, sells, leases, exchanges, offers or attempts to negotiate a sale, lease or exchange of an interest in new or used vehicles only to dealers, auction dealers, and other wholesalers. No person can hold both a wholesaler's and a motor vehicle salesperson's license at the same time. A wholesaler CANNOT employ salespeople. A wholesaler CANNOT be licensed or conduct business in his or her personal name. A wholesaler CANNOT sell to the public.

Licensing Requirements for New and Used Motor Vehicle Dealers and Wholesalers

A complete application packet includes:

- 👉 The original application (DR 2109)
- 👉 The addendum (DR 2109-B)
- 👉 Financial statement (DR 2114) and supporting documents
- 👉 Partnership agreements or articles of incorporation or organization
- 👉 Place of business affidavit (DR 2044)
- 👉 Dealer plate affidavit (DR 2630)
- 👉 Proof of state sales tax license, or completed application (CR 100)
- 👉 The payment of the appropriate fees. (payable to Dept of Revenue)
- 👉 A passing score of 100% on the



mastery exam.

- 👉 A \$30,000 surety bond on the approved form. The applicant's name and DBA must appear exactly as licensed. It must be signed by the owner, a partner, an officer of the corporation or LLC manager.
- 👉 If applying for a franchised license, a franchise agreement on manufacturer's letterhead.

Mail complete application packet to Department of Revenue, Auto Industry Division, Denver, CO 80261-0016 or hand carry or Federal Express to: Department Of Revenue, Auto Industry Division, 1881 Pierce, Room 142, Lakewood, CO, 80214.

Liability Insurance Requirement

Motor vehicles cannot be operated on public highways in Colorado unless the vehicle owner has insurance or a certificate of self-insurance in full force. Dealers must either be self-insured or have insurance for their vehicles. Owners of motor vehicles cannot operate a vehicle on public highways or allow their vehicles to be operated on public highways unless there is a complying insurance policy or certificate of self-insurance in full force.

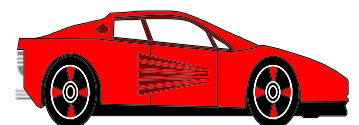
Grounds for Denial, Revocation or Suspension of a Dealer's or Wholesaler's License

The license of a new or used dealer, wholesale auction dealer, or wholesaler may be denied, suspended, revoked or fined for the following:

1. Unfitness of character or record of a licensee or applicant relating to licensing, criminal or financial history or current status.
2. Making a material misstatement in an application for license.
3. Violating any of the terms and provisions of dealer law or Board rules

or regulations.

4. Having been convicted of or pled nolo contendere to any felony or any crime pursuant to article 3, 4, or 5 of Title 18, C.R.S. (felony or criminal misdemeanor), or like crime pursuant to federal law or the law of any other state. A certified copy of the judgment of conviction by a court of competent jurisdiction shall be conclusive evidence of such conviction. A dealer, wholesaler, or officer/director/stockholder of a corporation, or LLC member/manager who is convicted of any felony or any crime, must give the Board written notice of such conviction within 30 days after receiving final judgment. The licensee is responsible for providing complete information including copies of final judgments and pre-sentence reports.
5. Defrauding any buyer, seller, salesperson or financial institution to such person's or institution's damage.
6. Failing to perform - either intentionally or negligently - any written agreement with any buyer or seller.
7. Failing or refusing to furnish and keep in force any required bond.
8. Making a fraudulent or illegal sale, transaction or repossession.
9. Willfully misrepresenting, circumventing, concealing or failing to disclose through whatever deception or device, any of the material particulars required to be stated or furnished to the buyer. A copy of the completed contract form and all other forms and documents required by law shall be given to the purchaser at the time of consummation of the sale of a motor vehicle. A dealer or wholesaler shall disclose on the contract form when a motor vehicle is known by the



dealer or wholesaler to have been rebuilt from salvage or has sustained any damage.

10. Intentionally publishing or circulating any advertising which is misleading or inaccurate in any material particular or which misrepresents any motor vehicle products sold or furnished by a licensed dealer.
11. Knowingly purchasing, selling, acquiring or disposing of a stolen motor vehicle.
12. Engaging in the business of a new or used dealer without maintaining at all times a principal place of business during reasonable business hours.
13. Employing an unlicensed salesperson.
14. Willfully violating any state or federal laws respecting commerce or motor vehicles or any rules or regulations respecting commerce or motor vehicles adopted by any licensing or regulating authority pertaining to motor vehicles.
15. Representing or selling as "new" any motor vehicle that the dealer knows is a used motor vehicle.
16. Violating any state or federal statute or regulation dealing with odometers.
17. Selling to a retail customer a vehicle which is not equipped or in proper condition and adjustment unless such vehicle is sold as a "tow away", not to be driven.
18. Committing a fraudulent insurance act.

A wholesaler's or wholesale auction dealer's license may also be denied, suspended or revoked for selling, leasing, offering, or attempting to negotiate the sale, lease or exchange of an interest in motor vehicles to persons other than new or used dealers, wholesalers or wholesale auction dealers.

Requirements of Dealers

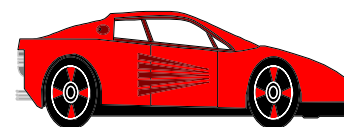
-Any transfer of any percentage amount of

the ownership or membership interest of any corporation, limited liability company or limited liability partnership holding a license must be reported to the Board within 10 days of such transfer.

- Any change in the name or trade name of the business must be reported by submitting a written notice to the Board at least 10 days prior to the change along with appropriate fee.
- Any change in operating entity of a licensee shall require a new application, fee and approval by the Board. A change of entity means a change of business type - i.e., from a proprietor, partnership or corporation to a different proprietor, partnership or corporation.
- Any change in the site or location of a principal place of business shall immediately be reported to the Board in writing along with appropriate fee.
- Any change, addition, cancellation or loss of a franchise shall immediately be reported to the Board.
- Any time a salesperson is discharged or leaves a dealership, that dealer must immediately return that person's license to the Board. It is unlawful for that person to act as a salesperson, until he or she is employed at another dealership and a Change of Employer Notification or a DR 2115 Salesperson Application has been submitted to the Board along with the appropriate fee.

Off-Premise Selling

A dealer shall obtain an off-premise permit to offer, display and sell motor vehicles away from the dealer's licensed place of business. A completed Off-Premise Permit Application (DR 2043) must be submitted along with the fee prior to the event and shall list the location and date(s) of the sale. The permit shall be posted for inspection at the sale. No off-



premise sales shall exceed six days, except for the National Western Stock Show, the Colorado State Fair, and the Metro Denver Auto Dealers Association's annual Denver Auto Show. The permits for these 3 events cannot exceed 20 days. Consecutive permits for the same location are not allowed. Off-premise permits do not negate the Sunday Closing Law.

Principal Place of Business and Reasonable Hours Requirements

"Principal place of business" means a site or location devoted exclusively to the business for which a dealer is licensed and businesses incidental thereto. It must have enough space to permit the display of one or more new or used vehicles and have a permanent enclosed building or structure large enough to accommodate the dealer's office and provide a safe place to keep the books and records of the business. The books and records of each dealer, excluding financial statements and tax returns, shall be open to inspection Monday through Friday between 9 AM and 5 PM by the Board and its agents and representatives with cause, including ongoing investigation, compliance audit, sworn complaint, and order of the Board. All records, including financial records and tax returns, shall be provided to the Board upon a subpoena for those records.

All new and used motor vehicle dealers must be open for business at least 3 days per week for a continuous period of time not less than 4 hours per day between the hours of 8 AM and 9 PM. Any dealership open less than 40 hours a week must post a clear and legible sign on its place of business indicating the days and hours that it is open for business. In addition, such dealers shall notify the Board in writing of such hours and any subsequent changes.

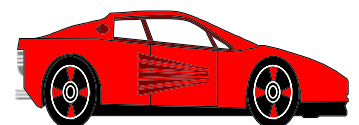
Any dealership which will not be open for business for a period of at least 2 weeks must post a clear and legible sign on its place of business indicating this fact as well as notifying the Board in writing.

Sign In The Licensed Name

The principal place of business and additional locations of the dealer shall display a permanent sign with letters at least 6 inches high, clearly visible to the major avenue of traffic. The sign shall clearly display the licensed name of the business.

Other Location Requirements

- The building or structure required to be on the principal place of business shall have electrical service and adequate sanitary facilities. "Adequate sanitary facilities" means a permanent sewer hookup, cesspool or septic tank with leaching field, or portable chemical toilet.
- The site must comply with all local zoning ordinances.
- In most cases, a room in a hotel, rooming house, apartment structure or part of any single or multiple unit dwelling cannot be considered a principal place of business, unless the entire ground floor is devoted principally to and occupied for commercial purposes. The office of the dealer must be located on the ground floor.
- A dealer's license can be suspended or revoked if the principal place of business or additional locations are not owned or leased by and not actually occupied by the licensed dealer.



Motor Vehicle Salesperson

Motor vehicle salesperson means any natural person who, for a salary, commission or compensation of any kind, is employed either directly or indirectly, regularly or occasionally, by any new or used dealer to sell, lease, purchase, or exchange or to negotiate for the sale, lease, purchase or exchange of motor vehicles. This includes general managers, sales managers and finance or insurance agents who sell or approve retail sales of motor vehicles.

Motor Vehicle Salesperson Licensing Requirements

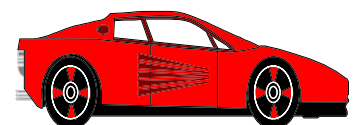
1. A complete application must be submitted.
2. The payment of the appropriate fee.
3. A passing score of 100% on the mastery exam.
4. A \$5,000 surety bond on the approved form.
5. Mail the application, fee (check payable to the Colorado Department of Revenue), proof of passing exam score and bond to: Department of Revenue, Auto Industry Division, Denver, CO 80261-0016 or had carry to Department of Revenue, 1881 Pierce St., Lakewood, Co.

Salespersons are not allowed to offer, negotiate, sell or lease vehicles unless applications, complete in every respect, bonds, fees and records of satisfactory completion of written examinations have been submitted to the Board. Postmark or date/time stamp shall be evidence of submission. Any person who has been the subject of disciplinary proceedings before the Board within the past 5 years shall not start selling or negotiating until the Board has reviewed and approved the application.

Grounds for Denial, Revocation or Suspension of a Motor Vehicle Salesperson's License

The license of a motor vehicle salesperson may be denied, suspended, revoked or fined for the following:

1. Unfitness of character or record of licensee or applicant relating to licensing, criminal or financial history or current status.
2. Making a material misstatement on an application for license.
3. Failure to comply with any provision of dealer law or any rule or regulation adopted by the Board.
4. Engaging in the business without having a bond in force.
5. Intentionally publishing or circulating any advertising that is misleading or inaccurate in any material particular or which misrepresents any motor vehicle products sold or attempted to be sold by such salesperson.
6. Engaging in any fraudulent business practice.
7. Selling, offering, or attempting to negotiate the sale, exchange, or lease of motor vehicles for any dealer for which a salesperson is not licensed.
8. Representing oneself as a salesperson for any dealer when not so employed or licensed.
9. To have been convicted of or pled nolo contendere to any felony or any crime pursuant to article 3, 4 or 5 of Title 18, C.R.S. (felony or criminal misdemeanor), or like crime pursuant to federal law or the law of any other state. A certified copy of the judgment of conviction by a court of competent jurisdiction shall be conclusive evidence of such conviction in any hearing. A



salesperson who is so convicted, must give the Board written notice of such conviction within thirty (30) days after receiving final judgment of the court. Licensee is responsible for providing complete information including copies of final judgments and pre-sentence reports.

10. To have knowingly purchased, sold or otherwise acquired or disposed of a stolen motor vehicle.
11. Employing an unlicensed salesperson.
12. Violating any state or federal statute or regulation dealing with odometers.
13. Defrauding any retail buyer to that person's damage.
14. Representing or selling as "new" any motor vehicle that the salesperson knows is a used motor vehicle.
15. Selling to a retail customer a vehicle which is not equipped or in proper condition and adjustment, unless such vehicle is sold as a tow away, not to be driven.
16. Willfully violating any state or federal law respecting commerce or motor vehicles or any lawful rule or regulation respecting commerce or motor vehicles adopted by any licensing or regulating authority pertaining to motor vehicles.
17. Improperly withholding, misappropriating, or converting to one's own use any money belonging to customers or other persons, received in the course of employment as a motor vehicle salesperson.

Changing Dealerships

A salesperson may change dealerships during the licensing year. A Change of Employer Notification form or a DR2115 Salesperson Application must be completed and signed by the dealer and the salesperson and submitted to the Auto Industry Division. A salesperson must have a current bond on file. There

is a fee to change employers (check fee schedule for required fee). The salesperson may begin selling as soon as the completed transfer form and fee is submitted to the Auto Industry Division, unless the applicant has been the subject of disciplinary proceedings before the Dealer Board within the last 5 years. It is unlawful for such salesperson to act as a motor vehicle salesperson until a new license is procured.

Dealers are responsible for their sales staff. When a salesperson leaves a dealer, that dealer must confiscate the license and return that salesperson's license to the Auto Industry Division. A new bond is not required when a salesperson changes dealerships during the license year.

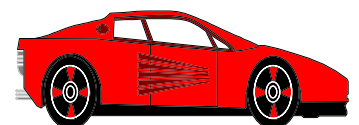
Multiple Dealerships/Additional Licenses

Salespersons may work for more than one dealership. However, a separate application, bond and fee must be submitted for each dealership. Employing dealers need to check the "Additional License" box on the Salesperson Application (DR 2115). Each "Additional License" application must be completely filled out. Each employing dealer must be aware of the salesperson's employment at other dealerships.

Buyer Agent

A buyer agent is any person who is retained or hired by a consumer for a fee or other thing of value to assist, represent, or act on behalf of that consumer in purchasing or leasing a motor vehicle. Buyer agents are licensed by the Director of the Department of Revenue.

A consumer is defined as a purchaser or lessee of a motor vehicle



to be used primarily for business, personal, family, or household purposes. It does not include the buyer of a motor vehicle that is purchased primarily for resale.

A buyer agent does not include a person whose business includes the purchase of motor vehicles primarily for resale or lease. A buyer agent is not to be employed by, or receive a fee from a motor vehicle dealer, salesperson or manufacturer. A buyer agent cannot advertise the sale of, or sell the consumer's vehicle to the general public.

A \$5,000 surety bond is required of all buyer agents. It must be on a form approved by the Colorado Attorney General. All bonds must be renewed annually. The renewal may be done through a continuation certificate issued by the surety.

It is unlawful for buyer agents to:

1. Make a material misstatement on an application for a license.
2. Willfully fail to perform any written agreement.
3. Defraud any buyer, seller, motor vehicle salesperson, or financial institution.
4. Intentionally enter into a financial agreement with a seller of motor vehicles for the buyer agent's own benefit.
5. Coerce any motor vehicle dealer into providing installment financing with a specified financial institution.

Part II: New Vehicles

Motor Vehicle

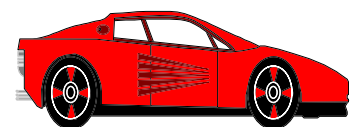
Motor vehicle means every vehicle that is self-propelled or is designed to be attached to or be drawn by a self-propelled vehicle and intended primarily for use and operation on the public highways. This

includes trailers. In brief, motor vehicles under Colorado law are automobiles, motorcycles, motor homes, recreational vehicles, semi-trailers, trailers and trucks. Exceptions are: agricultural equipment such as farm tractors, fire fighting apparatus, special mobile machinery or self-propelled construction equipment, all-terrain vehicles and motorized bicycles. Travel trailers more than 40 feet in length or more than 8 feet wide are considered mobile homes.

New Vehicles

New vehicle means any motor vehicle being transferred for the first time from a manufacturer or dealer. It has not been used and is what is commonly known as "new" and is still on a Manufacturer's Certificate of Origin (MCO). Vehicles having a gross vehicle weight rating of 16,000 lbs. or more are exempt from this definition. A vehicle used by a dealer for demonstration purposes is considered to be a new vehicle until such demonstration use has exceeded 1500 miles. Verifiable in-transit miles are not included in the 1500 demonstration mile limitation. In-transit miles must be carefully documented in a dealer-signed affidavit.

A new vehicle can only be sold by a Colorado licensed new motor vehicle dealer that is franchised by that vehicle's manufacturer. New vehicles may be exchanged between dealers franchised to sell the same make of vehicle. Only wholesalers or new vehicle dealers franchised by manufacturers to sell their motor vehicles will be allowed to sell new motor vehicles, and only then if they have not previously been sold except by the manufacturer to such dealer. **All vehicles that do not qualify as "new"**



are considered “used”.

Manufacturer’s Certificate of Origin (MCO)

This document is required from a manufacturer for each vehicle produced. It specifies the vehicle make, model, body type, date of manufacture, or date of transfer from manufacturer, model year, shipping weight, 17-character Vehicle Identification Number (VIN), and manufacturer’s invoice number. If the vehicle is a truck or commercial vehicle, the gross weight rating is also specified. The number of cylinders of the engine and the S.A.E. horsepower rating are included when the vehicle is self-propelled.

The MCO provides space for the name and address of the dealer to whom the vehicle is being transferred and an assignment form for transfer from dealer to buyer. The assignment forms have a place for the notation of lien information. MCO’s must be printed on authorized secure banknote paper.

Monroney Label

This federally mandated label lists the Manufacturer’s Suggested Retail Price (MSRP), which serves as a benchmark price on all new vehicles. It also lists the standard equipment, options, and transportation charges. It also indicates the final assembly point, delivery point, receiving dealer, make, model and Vehicle Identification Number (VIN).

This label cannot be altered by the dealer or removed until the vehicle is delivered into the actual custody and possession of the ultimate purchaser. The penalty for removing, altering or rendering illegible the Monroney label can be a fine up to \$1,000 or imprisonment of not more than one year or both. Each vehicle affected

constitutes a separate offense.

Supplemental Dealer Label (Dealer Addendum)

This label lists any dealer-added or deleted equipment, services, etc. Any cost differences from the Monroney Label must be listed here. It must appear and remain in the window until the vehicle is delivered to the purchaser.

Transfer of Title - New Vehicles

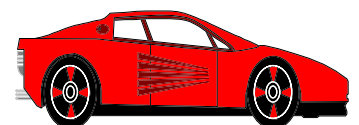
The buyer of a new vehicle must be given:

- Manufacturer’s Certificate of Origin assigned to the purchaser and Dealer’s Bill of Sale if all the assignments are full
- Application for Title (DR 2411)
- State sales tax receipt (DR 0024)
- State’s Required Disclosure Form
- Copy of complete Buyer’s Order
- Copy of any other document signed by the consumer
- Certificate of Emissions Compliance (CEC), if the vehicle is self-propelled, gas or diesel-powered and being registered in the AIR Program area.

Disclosures Required as Part of a Motor Vehicle Sales Contract

The following disclosures are required by Colorado Law as part of a motor vehicle sales contract. These disclosures will appear on a separate form unless the buyer has been given a copy of the completed retail installment contract that includes the necessary disclosures. Both the dealer and the buyer are to initial the provisions, which incorporates them into the contract to purchase a motor vehicle.

A. IMPORTANT NOTICE: The papers you are signing as part of this motor vehicle sale are legal documents.



You should read them carefully and if there is anything you do not understand, you should seek legal assistance.

B. WARNING: Only the terms and conditions written into these documents are part of the contract. Be sure that any oral representations are also written into these documents, otherwise they cannot be enforced.

C. Any fraud or misrepresentation in a motor vehicle sale is punishable under Colorado State Law.

D. The contract is for cash. It requires you to pay the dealer \$_____, the total balance due after your trade-in and/or deposit(s) are deducted. Failure to pay this amount by _____ may result in the loss of any deposit(s) you have paid and/or your trade vehicle.

OR

Dealer has agreed to arrange financing for you and you agree to buy the motor vehicle if financing can be arranged at an interest rate that does not exceed _____% annual percentage rate. At this percentage rate your monthly payments would be _____ per month for _____ months, until paid in full, assuming a down payment or trade worth _____. This annual percentage rate must be agreed upon by both you and the dealer. Also, you are entitled by law to a complete, written disclosure of all the loan terms and the contract is not binding until you receive such a disclosure and accept the loan terms disclosed.

E. You and the dealer have agreed that the vehicle will be delivered to you prior to the purchase price being paid in full. If financing cannot be arranged at the terms stated in the contract, and the contract is canceled, you agree to pay the dealer \$_____ dollars per day and _____ cents per mile for your use of the vehicle from the date of delivery

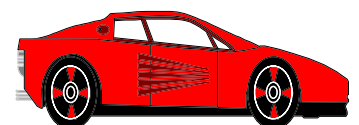
until the vehicle is returned to the dealer. If the contract is canceled, it may require you to immediately return the vehicle to the dealer and to pay the cost of repair for any damage occurring to the vehicle while it is in your possession along with the agreed upon daily and mileage charges. The contract may also give the dealer the right to take the vehicle from you 24 hours after cancellation and demand for the vehicle's return. You may also be required by the contract to pay any costs the dealer may have to pay in regaining possession of the vehicle. If you owe any money from daily and mileage charges, damage repair costs or repossession costs to the dealer when the vehicle is returned, the dealer may keep your deposit(s) up to the amount owed. Otherwise the deposit must be returned unless you have agreed that it is nonrefundable.

Part III: Used Motor Vehicles

Used Motor Vehicles

A used motor vehicle is defined as any motor vehicle which has been sold, bargained, exchanged, or given away, or the title transferred from the person who first took title from the manufacturer or importer, or so used as to have become what is commonly known as a secondhand motor vehicle. In the event of transfer on the certificate of origin from the original franchised dealer to any other dealer or individual (other than a franchised dealer of the same make of vehicle), the vehicle shall be considered a "used" motor vehicle and must be titled in the new owner's name.

A vehicle which has been used by a



dealer for demonstration to prospective customers shall be considered a used vehicle if such demonstration use has been for more than 1500 miles, excluding verifiable in-transit miles. Demonstrators and other vehicles which have been used by a dealer prior to their sale shall be titled in the dealer's name and sold as used vehicles. Lease vehicles are considered used because the lessor has taken title. **All vehicles which do not qualify as "new" are considered to be "used"**.

FTC Buyer's Guide

Since 1985, the Federal Trade Commission's Used Car Rule has required that dealers prominently and conspicuously display the "Buyer's Guide" on every used car or light truck offered for sale. "Vehicle" includes all motorized vehicles with a gross vehicle weight of under 8,500 lbs., a curb weight under 6,000 lbs., and less than 46 square ft. of frontal area. Motorcycles are excluded.

Rule highlights include:

- The Buyer's Guide must be the exact format required by the Rule.
- It must be filled out according to the Rule's directions.
- A copy of the Buyer's Guide must be given to the purchaser at the time of sale.
- The information on the final version of the Buyer's Guide must be incorporated into the contract of sale for each vehicle sold.
- If a used car transaction is conducted in a language other than English, a version of the Buyer's Guide in that language must be provided to the consumer.
- The Buyer's Guide must be displayed prominently and conspicuously on the vehicle and in such a fashion that both sides are easily readable. It can be temporarily removed for a test drive,

but must be returned as soon as the test is over.

- Failure to display or complete the Buyer's Guide or "as is" sticker can result in a maximum fine of \$10,000 per vehicle, per day.

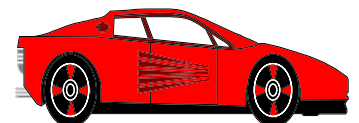
Transfer of Title - Used Vehicles

The following documents are required in the sale of a used vehicle:

- Properly assigned Certificate of Title
- Application for Title (DR 2411)
- Signed Mileage Disclosure Affidavit (DR 2403) if the certificate of title is "non-conforming" (i.e., does not contain an odometer disclosure statement for the Federal Truth In Mileage Act)
- Dealer Bill of Sale if title is non-conforming
- State sales tax receipt (DR 0024 if sold or DR 0026 if the vehicle is being leased).
- Copy of complete Buyer's Order
- FTC Buyer's Guide
- If the vehicle is on an out-of-state title, the dealer must also complete the Colorado Dealer's Statement Concerning an Out-of-State Vehicle (DR 2418) and Verification of VIN (DR 2087)
- State's Required Disclosure Form
- Copy of any other document signed by the consumer
- A Certificate of Emissions Compliance (CEC), if the vehicle is self-propelled, gas or diesel-powered and being registered in the AIR Program area.

Lease Vehicles

The Federal Consumer Leasing Act applies to personal property leased by an individual for a period of more than 4 months for personal, family or household use. Motor vehicle leasing companies are required by Colorado law to be licensed as used motor vehicle dealers. The Federal Reserve Board's Regulation



M covers leasing rules and disclosures.

Advertising of Lease Vehicles

Federal law (Regulation M) regulates the advertising of leases in Colorado. If an advertisement promoting consumer leasing on motor vehicles contains any of the following:

- The amount of any payment.
- A statement of any capitalized cost reduction or other payment required prior to or at consummation or by delivery, if delivery occurs after consummation.

Then the following terms must be disclosed:

- That the transaction advertised is a lease.
- The total amount due prior to or at consummation or by delivery, if delivery occurs after consummation.
- The number, amounts and due dates or periods of scheduled payments under the lease.
- A statement of whether or not a security deposit is required.
- A statement that an extra charge may be imposed at the end of the lease term where the lessee's liability (if any) is based on the difference between the residual value of the leased property and its realized value at the end of the lease term.

Part IV: Motor Vehicle Advertising

Advertising generates numerous complaints. Consumer protection and the maintenance of a "level playing field" are the main reasons for the Dealer Board's regulation of dealer advertising. In addition to the Dealer Board's staff, the

Colorado Attorney General and the Federal Trade Commission also monitor motor vehicle advertising for violation of state and federal laws and regulations.

To intentionally publish or circulate any advertising which is misleading or inaccurate in any material particular or which misrepresents any of the products sold or furnished by a licensed dealer is a violation of state law and can subject a dealer's license to suspension, revocation or fine.

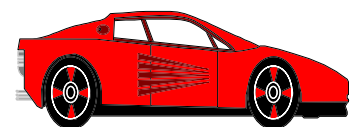
Advertising is defined as any commercial message in any newspaper, magazine, leaflet, flyer or catalog, on radio, television or public address system, in-direct mail literature or other printed material, on any interior or exterior sign or display, computer display, in any window display, on any point-of-transaction literature or price tag, other than state or federal mandated disclosures, which is delivered or made available to a customer or prospective customer in any manner whatsoever.

The dealer is responsible for taking written action to attempt to correct misleading advertising placed by a manufacturer if the advertisement contains the dealer's name.

The following 16 advertising rules are regulations adopted by the Dealer Board over the years to meet the two objectives of consumer protection and a "level playing field."

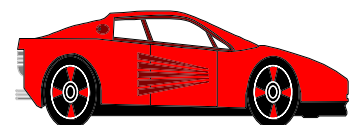
Advertising shall be considered misleading or inaccurate in the following particulars:

1. Advertising a motor vehicle which is not in operable condition unless specifically disclosed.
2. Advertising which would imply the dealer is going out of business when



such is not the case.

3. Advertising a specific motor vehicle for sale or lease with price or terms quoted, without fully identifying the vehicle as to year, make, model and dealer stock number. Such vehicle shall be willfully shown and sold at the advertised price and/or terms while such vehicle remains unsold or unleased, for a period of five days following the last date the ad was published, unless the ad states that the advertised price and terms are good only for a specific time and such time has elapsed. If a specific number of motor vehicles is advertised, such vehicles must have been invoiced to the dealer.
4. Using a picture or photograph of a vehicle in advertising when the picture or photograph is not the same make, year and equipment actually being offered for the price or terms advertised.
5. Advertising in such a manner which utilizes an asterisk or other reference symbols to contradict or materially change the meaning of any advertising statements.
6. Advertising used motor vehicles to create the impression that they are new or using the word 'new' when advertising used vehicles, such as 'new,used cars'. Any vehicle of the current model or the previous model year which is a used vehicle shall be so identified in any advertisement for said vehicle.
7. Advertising motor vehicles which are known by the dealer to be salvage or rebuilt from salvage, taxi cabs, flooded vehicles or police vehicles, which are not so identified in the advertisement.
8. Advertising in any manner to imply that a purchaser will be receiving benefits of any existing loan on a vehicle when no such benefit exists.
9. Advertising or making statements that are not true or that cannot or will not be honored. Advertising which creates the false impression that the purchaser will determine the terms, price or conditions of a sale, such as "write your own deal," "name your own price," "no reasonable offer refused," and "we will not be undersold." Advertising any item as "free" which is associated with or conditioned upon the negotiated sale of a motor vehicle.
10. Advertising sales prices for used motor vehicles which claim or imply a specific savings or discount without clearly and accurately documenting the basis for the savings or discount.
11. Advertising any reference to "dealer cost" or "invoice" price. Advertising the word "wholesale" in connection with the retail offering of motor vehicles.
12. Advertising a specific trade-in amount or range of amounts without, in fact, offering such a trade-in amount and, failing to disclose or advertise the M.S.R.P., sale price, or capitalized cost of the vehicle from which the trade-in will be deducted.
13. Advertising the price of a vehicle without including all costs to the purchaser at the time of delivery, except sales tax, finance charges, cost of emissions test, and transportation costs, incurred after sale, to deliver the vehicle to the purchaser at the purchaser's request.
14. Advertising any specific discount or rebate on new motor vehicles without the manufacturer's suggested retail price conspicuously stated in the ad.



15. Advertising any qualifying statement or disclosure which is not clear, conspicuous, and readable, and which is not adjacent to the offer or terms it qualifies, and in less than eight-point type.
16. Advertising any contest that offers to prospective participants the opportunity to receive or compete for gifts or prizes without such advertisement containing the words "no purchase or payment of any kind is necessary to enter or win this contest" in bold-faced type and at least ten-point type.

Advertisement - Inclusion of Dealer Name.

No dealer or any agent of a dealer shall advertise any offer for the sale, lease, or purchase of a new or used vehicle that creates the false impression that the vehicle is being offered by a private party. The advertisement must contain the licensed name of the dealer or the word "dealer." If the name of the dealer does not clearly reflect that the business is a dealership, both the licensed name of the dealer and the word "dealer" must appear in the ad. For example, a dealer using the name "ABC Enterprises" cannot simply use his or her licensed name in an ad. Since "ABC Enterprises" does not identify the advertiser as a dealer, the word "dealer" also has to appear in the ad.

Bait & Switch Advertising

Colorado's Consumer Protection Act declares "bait and switch" advertising to be a deceptive trade practice. A dealer employs "bait and switch" when advertising is accompanied by an effort to sell a product other than what was advertised, or on terms other than what was advertised and which is

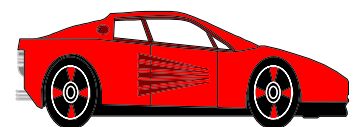
accompanied by one or more of the following practices:

1. Refusing to show the product advertised.
2. Disparaging in any respect the advertised product (such as; "This is only a 4-cylinder model. You really need the V-6 that costs a little more.").
3. Requiring that tie-in sales or other undisclosed conditions be met prior to selling the advertised product or service (such as; "You must commit to a one-year service contract with XXYYZZ Company.").
4. Refusing to take orders for the product advertised.
5. Showing or demonstrating a defective product that is unusable or impractical for the purpose set forth in the advertisement.
6. Accepting a deposit for the product and subsequently switching the purchase order to a higher priced item.
7. Failing to make deliveries of the product within a reasonable time or to make a refund thereof.

A person commits a class 2 misdemeanor if, in the course of business, he or she knowingly "makes a false or misleading statement in any advertisement addressed to the public or a substantial segment thereof for the purpose of promoting the purchase or sale of property or services". A class 2 misdemeanor carries a minimum penalty of 3 months in jail or \$250 fine or both, and a maximum penalty of 12 months in jail or \$1,000 fine or both. The Criminal Code also defines "bait advertising" and declares it to be a class 2 misdemeanor.

Truth In Lending Act

The Federal Reserve System and the



Federal Trade Commission are two agencies involved with enforcement of Federal Regulation Z which sets advertising disclosure rules for closed-end credit sales and loans. If an advertisement promoting closed-end credit on motor vehicles contains any of the following triggering terms:

- The amount of the down payment expressed either as a percentage or dollar amount.
- The amount of any payment expressed either as a percentage or dollar amount.
- The number of payments.
- The period of repayment.
- The amount of any finance charge.

Then the following items must be disclosed:

- Amount or percentage of the down payment.
- Terms of repayment.
- Annual percentage rate using that term spelled out in full.

The following are some examples of terms, which by themselves do NOT trigger the required federal disclosures: no down payment, easy monthly payments, terms to fit your budget, and financing available.

Part V: Titles, Plates & Registration Permits

Title Law

As long as a properly assigned and titled motor vehicle remains in a dealer's inventory and at his/her place of business for sale, and for no other purpose, the dealer is not required to secure a Certificate of Title. Dealers can

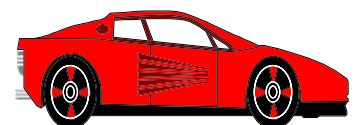
transfer motor vehicles by using one of the multiple reassignments on the back of the title. Four reassignments are allowed on the Certificate of Title. If a dealer takes possession of the vehicle on the last reassignment line, then, that dealer **MUST** establish title in its name by getting a new title in the dealer's name.

The sale or transfer of a new vehicle requires a dealer franchised by that vehicle's manufacturer, to transfer a good and sufficient Manufacturer's Certificate of Origin to the buyer. If a "new" vehicle has been assigned to a franchised dealer on an MCO and it goes over 1500 demonstration miles, it must be titled as a "used" vehicle in the name of the dealership prior to sale.

Dealers are responsible for delivering titles in a timely manner to the buyer or lien holder. In order to facilitate initial registration of a vehicle, **a dealer shall have no more than 30 days from the date of the sale to deliver or facilitate the delivery of a title to a buyer or lien holder (TITLE MUST BE DELIVERED IN 30 DAYS).**

"Dealer Resale" titles do not require sales tax to be paid. A dealer resale title cannot be obtained on any vehicle subject to any lien. Any licensed Colorado dealer or wholesaler may obtain a "quick" title in the licensed name of the dealership or wholesaler.

Vehicles titled out-of-state do not require the dealer to obtain a Colorado Certificate of Title as long as the title does not prohibit separate reassignments. The first Colorado dealer must complete the "Verification of VIN" (DR 2087) and "Colorado Dealers Statement Concerning an



Out-of-State Vehicle” (DR 2418).

Licensed new and used dealers may obtain a Duplicate Colorado Certificate of Title for a vehicle that has been “traded-in” for which the owner has lost the title, by submitting the following:

- Completed Duplicate Title Application (DR 2539-A)
- Proof of dealer’s license or a letter of authorization from a licensed dealer.
- A Power of Attorney signed by the vehicle’s owner(s) in favor of the dealership
- A lien release if necessary
- Payment of the fee.

Salvage Certificate of Title

This document is issued by the State Motor Vehicle Division to indicate ownership of a salvage vehicle. A salvage vehicle means a vehicle that is damaged by collision, fire, flood, accident, trespass or other occurrence - excluding hail damage - to the extent that the cost of repairing the vehicle to a roadworthy condition and for legal operation on the highways exceeds the vehicle’s retail fair market value immediately prior to such damage, as determined by the person who owns the vehicle at the time of such occurrence or by the insurer or other person acting on behalf of such owner. These vehicles cannot be transferred on a Dealer’s Bill of Sale (DR 2407).

An owner of a salvage motor vehicle that has been made roadworthy who applies for a certificate of title shall include a certified VIN inspection, DR2704, performed by a law enforcement officer certified as a VIN inspector. Prior to inspection, the owner shall stamp into the motor vehicle the words “REBUILT FROM SALVAGE” with each letter being not less than one-fourth inch in size. Such words shall be a salvage brand and be stamped in the

following locations: motorcycle - on the frame in a visible location; Class A manufactured motor home - on the main entrance door jamb; trailer - adjacent to the public VIN; all other motor vehicles - on the body post to which the driver’s door latches, also known as the driver’s door B pillar.

Once a salvage vehicle has been repaired, stamped and a Certificate of Title is issued, that title and all subsequent titles will be branded with the words “rebuilt from salvage”.

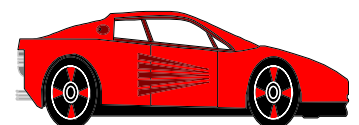
Any person who sells a salvage rebuilt vehicle must disclose in written form that the vehicle has been rebuilt from salvage.

Board regulations require dealers, wholesalers and auction dealers to disclose on the contract form when a motor vehicle is known by the dealer, wholesaler or auction dealer to be a salvage vehicle. This requirement can be satisfied by using a “Rebuilt From Salvage Disclosure” affidavit (DR 2710). The Board also requires a written disclosure when a motor vehicle is known to have sustained material damage at any one time from any one incident.

Intentionally removing or altering a salvage brand or possessing a motor vehicle without retitling the vehicle with a salvage brand for 45 days after learning that the motor vehicle’s salvage brand may have been removed or altered is a class 1 misdemeanor.

Mechanic’s Lien

A garage or mechanic holding a vehicle for a mechanic’s or storage lien may make application for title by following the steps in the mechanics and storage lien procedure 38-20-116 C.R.S.



Possession Documents

Dealers must have one of the following documents for every vehicle in their possession:

1. A Manufacturer's Certificate of Origin in the dealer's licensed name for each new vehicle in stock. No dealer shall hold a Certificate of Origin as evidence of ownership unless franchised to sell that specific make of vehicle.
2. A properly assigned certificate of title for used vehicles.
3. If the title or MCO has been surrendered to a bank or financing organization or any other person as collateral, the dealer or wholesaler must have in their possession evidence of the location of the title or the MCO. This evidence must be acceptable to the Director of Revenue.
4. A written consignment agreement.

Dealers can be cited for a violation of Titles Regulations if any title in their possession is not properly assigned to the dealership (also referred to as "open title"). Vehicles without one of the above documents must not be offered for sale.

Demonstration Plates

Dealer demo plates are issued to licensed Colorado new and used dealers and wholesalers. These plates are used instead of registering each vehicle in the dealer's inventory separately. Dealer demo plates are not assessed specific ownership tax. Newly licensed wholesalers will be authorized the first dealer demo plate upon Board approval of the application.

Full-Use Plates

Any dealer or wholesaler, who has sold 26 or more vehicles in the preceding 12 months, may apply and obtain "full-

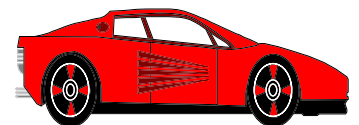
use" dealer plates. The private use prohibition, which applies to dealer demo plates, does NOT apply to the full-use plates. However, these plates are more expensive than dealer demo plates. Once qualified, a dealer may purchase as many full-use plates as desired. Full-use plates may be used only for vehicles owned and offered for sale by the dealer or wholesaler. They cannot be used on any motor vehicles used by the dealership for commercial purposes such as tow trucks or parts pickup/delivery vehicles. Such commercial vehicles must be titled and registered in the name of the dealership.

Rules Governing Dealer Demonstration Plate Use

Any licensed Colorado dealer may permit the use of dealer demo plates upon any vehicle owned by the dealership and operated by the owner or by any employees authorized by the dealer to use such vehicles for legitimate dealership business. These vehicles are to be available daily for inspection and sale at the dealership during normal business hours. C.C.R. 204-14 prohibits any "private use" of a vehicle bearing dealer demo plates.

A dealer demo plate may be used upon any vehicle owned by or consigned to the dealer that is being offered for sale and operated by a prospective buyer for demonstration purposes. The demonstration cannot exceed 7 days. It may also be used to transport a dealer-owned vehicle from the point of purchase to the dealership. Vehicles consigned in writing to the dealership and being operated by a prospective buyer for demonstration purposes may also display a dealer demo plate.

Dealer demo plates may not be placed on a vehicle that has been sold



and is in possession of the purchaser, or upon any vehicle leased or rented by the dealer. These plates shall not be used on vehicles that are being delivered to the purchaser.

Demo plates cannot be loaned to charitable organizations for use in charitable activities or parades. Also, they cannot be loaned or given to any athlete, coach, celebrity, accountant or lawyer other than for the purpose of a test drive.

Dealer demo plates cannot be displayed on vehicles that are used by the dealership for any commercial purpose. Such commercial vehicles shall be titled and registered in the name of the dealership. Commercial vehicles shall include, but not be limited to: delivery vehicles, tow vehicles, vehicles with signs advertising the dealership, and service loaners.

Lost or stolen plates shall be reported within two working days to the local law enforcement agency. After obtaining a police blotter or case number, the dealer may obtain replacement plates at the dealer's county clerk's office. A lost plate is replaced at the full fee. A damaged dealer plate may be turned in to the county clerk's office and replaced for the appropriate fee.

All plates must be surrendered immediately to the Department of Revenue, Auto Industry Division, whenever the dealer, through either a voluntary or involuntary action, ceases to be a new or used vehicle dealer. Any plates not in the dealer's possession shall be reported as lost or stolen to the local law enforcement and then to the Department of Revenue Auto Industry Division.

In-Transit Plates

In-transit plates may be used to

transport vehicles owned by new and used dealers and wholesalers from the point of purchase to the point of storage, or from the point of storage to the point of sale. Licensed Colorado wholesale auctions may use in-transit plates to transport vehicles consigned to them either in state or out of state.

In-transit plates may NOT be used upon any vehicle being offered for sale and operated by a prospective retail customer for demonstration purposes. An in-transit plated vehicle, which is owned by a wholesaler or consigned to an auction dealer, can be taken on a demonstration ride by the buying dealer, but only if the wholesaler or auction representative is also present in the vehicle.

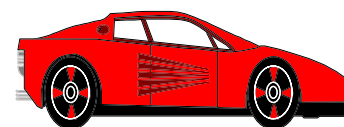
In-transit plates CANNOT be used upon any vehicle:

- Not owned by the dealer or wholesaler or consigned to the wholesale auto auction.
- Used commercially within the dealership.
- That has been sold and is in the possession of the purchaser.
- Being used for private or personal use by anyone, including the owner or employees of the dealership.

No restrictions exist on the number of in-transit plates that can be purchased.

Depot Plates

The use of a depot plate is limited to transporting a vehicle to and from the dealer's place of business or storage to the repair facility or for road testing the vehicle after repair. All movement and road testing of a vehicle shall be done during normal business hours. Movement of a vehicle using depot plates during hours when the business is not normally open shall constitute



private use. Under no circumstances can a depot plate be used for private purposes.

Any Colorado licensed dealer or any business doing work that involves repairing, painting, upholstering, polishing or similar work such as detailing, may apply for depot plates. Depot plates are obtained by completing the "Application For Depot Plates" (DR 2521) and submitting it to the Titles and Registration Section of the Motor Vehicle Business Group.

Temporary Registration Permits

Temporary registration permits are purchased by licensed new and used motor vehicle dealers, wholesalers and wholesale motor vehicle auctions from the county clerk in the county where the business is located. Temporary permits are only issued when the following sales are consummated: dealer to retail buyer and dealer to dealer.

Temporary permits must bear the date of expiration; that is, 60 days from the date of issue in a dealer-to-consumer sale. Temporary permits are issued for a maximum of 7 days in a dealer-to-dealer sale. If the expiration date falls on Saturday, Sunday or a holiday, the expiration date is the first day thereafter. **Dealers may issue only one registration permit for each sold vehicle.** In special circumstances, a second permit may be obtained from the county clerk in the buyer's county of residence.

Temporary permits can only be issued to vehicles in safe operating condition. They are not to be issued to vehicles that are sold as "tow away", salvage vehicle or vehicles that are not roadworthy. Proof that the dealer has sold the vehicle to the person whose name appears on the permit must be retained in the vehicle at

all times when operated under the permit.

It is not necessary to have a valid driver's license to purchase a vehicle. However, any person driving the vehicle from the dealer's lot must have a valid driver's license.

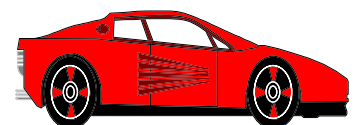
Temporary registration permits feature a 3-part registration stub that must be completed by the dealer and distributed as follows:

1. the pink copy goes to the buyer with the permit
2. the white copy is mailed on the date of issuance to the Traffic Records Section, Motor Vehicle Business Group, 1881 Pierce St., Lakewood, CO 80214
3. the yellow copy must be retained by the dealer.

Temporary registration permits are serially numbered and charged to the purchasing dealer. Dealers shall not loan, give, borrow, sell, exchange or issue permits for or with another dealer, individual, business, company or corporation.

Return Registration and Plates to Customers

Dealers and salespeople are reminded that when they take a vehicle in on trade, they are to return the registration and plates to the customer. The plates are the property of the owner and do not transfer with the vehicle. A customer registering a new vehicle may receive some credit for the old plate and registration. Not only will customers want credit for their old plates, they may need the registration as proof of ownership taxes paid for their income tax records.



Part VI: Related Federal & State Laws

Truth In Mileage Act

Congress enacted the federal odometer law in 1972 to prohibit tampering with odometers and to establish safeguards for the protection of consumers. In 1986, the Truth in Mileage Act enhanced the paper trail of odometer readings by requiring an odometer disclosure upon each transfer of title of a motor vehicle. This also includes motor vehicle lessors and auctions. Records of vehicle transfers and odometer statements must be retained for 5 years. This federal law makes it unlawful for any person:

1. To advertise for sale, sell, use, install or have installed, any device that causes an odometer to register an inaccurate mileage.
2. To disconnect an odometer.
3. To reset or alter the odometer of any motor vehicle with intent to change the mileage.
4. To drive, with fraudulent intent, a motor vehicle with a disconnected or dysfunctional odometer.
5. To conspire with any other person to violate the provisions of the Act.
6. To fail to issue a disclosure statement or to issue a false statement.

A dealer or distributor must retain the incoming and outgoing mileage disclosures for 5 years.

The following types of motor vehicles are exempt from the Truth in Mileage Act:

- Motor vehicles 10 years old and older
- Motor vehicles having a gross empty weight more than 16,000 lbs. (In

Colorado a gross empty weight more than 10,000 lbs.)

- Motor vehicles that are not self-propelled (for example, trailers).

A Secure Power of Attorney Form

The DR 2174 may be used in cases where the original title has been lost or the lien needs to be released on a trade-in by the seller. This document permits the buying dealer to gain a duplicate title without having to re-contact the original owner for a mileage affidavit.

Cash Reporting Rule

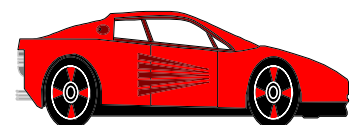
The Federal Cash Reporting Rule requires dealers to file Federal Form 8300 with the Internal Revenue Service within 15 days of receiving more than \$10,000 cash in a single transaction. Cash is defined as anything other than a personal check. Dealers or salespersons who fail to file or structure a deal to avoid filing Form 8300 can be found guilty of a federal felony and are subject to a fine of not less than \$25,000 and not more than \$100,000 for each violation.

Canceling A Contract Within 72 Hours

Many buyers mistakenly believe that a motor vehicle sales contract can be automatically canceled within 72 hours of signing the contract. This is only true of a consumer credit sale made through door to door sales. It does not apply to sales at a dealership having a fixed permanent location and vehicles exhibited on a continuing basis. In Colorado, signing of the contract is, in and of itself, binding.

“As Is” and “Tow Away”

Under the Uniform Commercial Code, an implied warranty occurs in



every contract for the sale of a motor vehicle unless the warranty is properly excluded. A seller can create an express warranty by a promise, affirmation, sample or description of the goods which is made part of the basis of the bargain.

Dealers exclude all implied warranties by including in the sales contract plain language such as “as-is”, which alerts the buyer that dealer warranties, express or implied, have been excluded.

The term “as-is” should not be confused with the term “tow away.” “Tow away” is a very specific term reserved for motor vehicles that cannot pass state safety standards. Such vehicles must be sold as “tow away.” Dealers cannot issue temporary permits for “tow away” vehicles or allow them to be driven off the dealership’s premises. Moreover, dealers must indicate on the buyer’s order the extent of the vehicle’s safety problems to bring them to the attention of the certified law enforcement VIN inspector in subsequent road worthiness inspections.

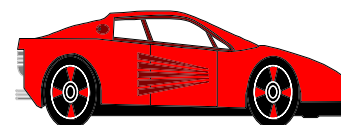
Deceptive Trade Practices

While dealers, wholesalers and salespersons should be familiar with the entire Consumer Protection Act, several sections of that Act are especially relevant to the motor vehicle industry. First and foremost among the deceptive trade practices is “bait and switch,” which is discussed in detail in Part IV. In addition to bait and switch, the following deceptive practices are also worth relating:

1. Representing goods as original or new when it is known, or should be known, that they are deteriorated, altered, reconditioned, reclaimed, used, or secondhand.
2. Advertising goods, services, or property with intent not to sell them

as advertised.

3. Making false or misleading statements of fact concerning the price of goods, services, or property or the reasons for, existence of, or amounts of price reductions.
4. Failing to deliver to the customer at the time of an installment sale, a written contract setting forth all the terms and conditions of the sale. (See Financing Section for additional comments.)
5. Failing to disclose material information concerning goods, services, or property when such information was known at the time of an advertisement or sale, if failure to disclose such information was intended to induce the customer to enter into a transaction. This could include failing to disclose material information about body or hail damage, engine condition, etc. Dismissing any failure to disclose or covering up any material information as simply an industry practice of “puffing” (unwarranted praise) is a questionable defense against a deceptive trade practice charge.
6. Failing, in connection with any solicitation, to clearly and prominently disclose immediately adjacent to the description of any item or prize received by any person the actual retail value of each item or prize to be awarded. The actual retail value is the price at which substantial sales of the item were made in the trade area within the last 90 days, or if no substantial sales were made, the actual cost of the item or prize. Whenever the actual cost is less than fifteen dollars per item, a disclosure that “actual cost to the provider is less



- than \$15.00” must be provided.
7. Refusing or failing to obtain all government licenses or permits (see discussion on unlicensed dealers at end of this section).
 8. Failing, in connection with the issuing, making, providing, selling, or offering to sell a motor vehicle service contract, to comply with the provisions of 42-11-101 C.R.S.
 9. Guaranteeing to a purchaser of a motor vehicle who conditions such purchase on the approval of a consumer credit sale or consumer loan that such purchaser has been approved for a loan if such approval is not final.
 10. Accepting a trade-in on the purchase of a motor vehicle and selling the trade-in before the purchaser has been approved for a consumer loan if such approval is a condition of the sale.
 11. Failing to return to the purchaser any down payment or collateral tendered dependent upon approval of financing as part of a consumer credit sale if such financing is not approved.
 12. Failing to disclose in writing, prior to the sale, to the purchaser that a motor vehicle is a salvage vehicle.

Any person who has engaged in a deceptive trade practice is liable for 3 times the amount of the actual damages sustained or \$500, whichever is greater, as well as court costs and legal fees.

Disclosures Required

Part of the contract for the retail sale or lease of a motor vehicle, other than a retail installment sales contract subject to the Uniform Commercial Credit Code, must include either the Disclosures Required As Part of a Motor Vehicle Sales Contract or disclosures required

by the Federal Reserve Board’s Regulation M. The disclosures are to be given to the buyer or lessee at the time the sale or lease is completed.

Board regulations require dealers, wholesalers and auction dealers to disclose on the contract form when a motor vehicle is known by the dealer, wholesaler or auction dealer to be a salvage vehicle. This requirement can be satisfied by using a “Rebuilt From Salvage Disclosure” affidavit (DR 2710). Disclosure must also be made when it is known that a vehicle is to have sustained material damage at any one time from any one incident.

Emissions

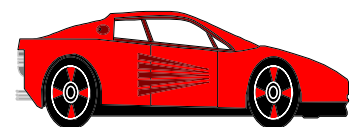
Ten Colorado counties make up the Automobile Inspection and Re-adjustment (AIR) Program area in Colorado: Adams, Arapahoe, Boulder, Denver, Douglas, El Paso, Jefferson, Larimer, Broomfield and Weld.

Vehicles will not require an emissions test on change of ownership if they meet the following criteria:

1. Vehicle was registered for the first time with an MSO in a Colorado Emissions County and received a four-year emissions exemption. The exemption is based on model year and begins when the vehicle is purchased for the first time and expires when the vehicle reaches the anniversary of its fourth model year.
2. The last registration record in the County Clerks office shows at least 12 months remaining on the four-year exemption at the time of sale.
3. The vehicle can be sold multiple times as long as number 1 above applies.

VEHICLES THAT WILL NEED AN EMISSIONS TEST

Late model vehicles sold to consumers who will register the vehicle



in a Colorado Emissions County that are less than four model years old that will require an emissions test include those vehicles that:

1. Were re-sold and were tested under the old law.
2. Vehicles that have passed a voluntary emissions inspection for any reason.
3. Vehicles that were titled and registered in another state.
4. Vehicles that do not have a registration record showing at least 12 months of exemption from the original four-year exemption.

Additionally, the 120-day rule has been repealed.

Under the new law dealers may sell a used vehicle 1982 and newer, but the dealer must provide the purchaser with proof of a Certificate of Emissions Control, (CEC), that is no more than 12 months old from the date of test to the date of sale. Under the new law dealers may sell a used vehicle 1981 and older, but the dealer must provide the purchaser with proof of a Certificate of Emissions Control, (CEC), that is no more than 9 months old from the date of test to the date of sale.

The voucher law is still in affect.

All dealers selling any vehicle that will be registered inside the AIR program area must furnish a valid Certificate of Emissions Compliance (CEC), as required for that county for the vehicle at the time of sale. Vouchers can be used for vehicles being registered in the enhanced 7 county area but not in the other emission tested areas. The sale of the vehicle is contingent upon the vehicle passing the emission test. If the vehicle fails the test, the dealer is required to effect the necessary repairs so that the vehicle does pass. Otherwise, the dealer is to unwind or undo the deal. Repairs must be done promptly to allow

for the timely titling and registration of the vehicle, and must be appropriate to the emission failure.

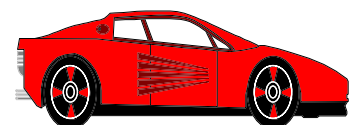
Dealers located within the AIR program area selling a vehicle that will be registered outside the AIR program area are not required to test the vehicle's emissions or issue a CEC. However, it is the dealer's responsibility to verify that the vehicle will be registered outside the AIR program counties.

The selling dealer is responsible for the vehicle passing the emissions inspection even if a third party issued the passing CEC. Complaints about vehicles failing emission tests can be made against the selling dealer. In turn, once the complaint against the dealer has been resolved, the dealer has the right to file a complaint against the inspection station performing an invalid inspection.

A vehicle that qualifies as "inoperable" or cannot otherwise be tested under Colorado regulations does not need to be emissions tested. When a vehicle is not required to comply with emission testing, the seller must provide the purchaser, prior to the completion of the sale, a written notice on a form prescribed by the Department of Revenue, (DR2023), that clearly explains:

- The vehicle does not currently comply with the emissions requirements.
- The seller does not warrant that the vehicle will comply with the emissions requirements.
- The purchaser is responsible for complying with the emissions requirements prior to registering the vehicle.
- The reasons why the vehicle is inoperable or otherwise cannot be tested.

The seller cannot issue a temporary



registration permit if the vehicle has not passed the emissions testing.

New diesel vehicles required to have proof of emissions exemption, shall be issued an exemption when verified by the county clerk. Prior to the expiration of such exemption, such vehicle shall be inspected and a certification of emissions control shall be obtained for diesel smoke opacity compliance. Such certificate shall expire on the earliest to occur of the following:

(A) The anniversary of the day of the issuance of such certification when such vehicle has reached its second model year if it is a light-duty diesel vehicle (14,000 lbs. or less).

(B) The anniversary of the day of the issuance of such certification when such vehicle has reached its fourth model year if it is a heavy-duty vehicle (14,001 lbs or more).

(C) On the date of the transfer of ownership if such date is within twelve months before such certification would expire, unless such transfer of ownership is a transfer from the lessor to the lessee.

To obtain more information regarding emissions, please call (303) 205-5603.

Financing Approval

Dealers must not sell a customer's trade-in until the deal involving the trade-in is final. If, for any reason, the dealer-arranged financing falls through or the customer refuses to sign the finance contract because the agreed upon terms cannot be arranged, the deal is not binding and the customer is entitled to have the trade-in returned. Any sale of the trade-in vehicle prior to the approved financing at the agreed upon terms would be considered an illegal act.

Finance deals are those in which the dealer arranges financing for the customer or carries the loan him or herself if more than 4 payments are involved after the down payment or if any interest is charged. Such deals are not binding until a complete, final disclosure is given in writing and accepted by the customer.

Colorado Lemon Law

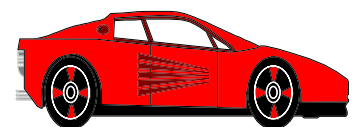
The Lemon Law covers only NEW self-propelled vehicles, including pickups and vans. Motor homes and motorcycles are excluded from the Lemon Law.

If a new vehicle has a defect that substantially impairs its use and market value within one year following purchase, and the defect is not repaired after a "reasonable number of attempts," a court may order the manufacturer to replace the vehicle or refund the purchase price less a reasonable allowance for use of the vehicle.

Under law, a "reasonable number of attempts" to repair applies when the same defect exists after it has been subject to repair four or more times within the first year after the date of original delivery. It also applies when the vehicle is out of service for repairs for a cumulative total of 30 or more business days during the warranty term or one year after purchase, whichever comes first.

Defects, such as rattles or squeaks, which do not substantially impair the use and market value of the vehicle are not covered. Also, defects that result from abuse, neglect or unauthorized modifications or alterations of the vehicle by a consumer are not covered.

Prior to suing a manufacturer for a refund or a replacement vehicle, the consumer must first send a written



notice of defect by certified mail to the manufacturer giving them a chance to repair it and go through the manufacturer's consumer arbitration program, if one exists.

Motor Vehicle Repair Act

This law deals with the issues of consumers and motor vehicle repair. Most retail dealers that perform repairs are subject to this Act. Only repairs promised as part of the sale of a motor vehicle fall under the jurisdiction of the Auto Industry Division. Filing a complaint when repairs are not associated with the sale of a vehicle is done at the District Attorney's office in the county in which the repairs were made.

Repossession

The complex laws concerning repossession apply to both vehicle sales and leases. A creditor does not automatically have the right to repossess a vehicle upon default by a consumer in a credit transaction.

The creditor shall create a security interest in the motor vehicle by filing a lien on the vehicle in the county where the debtor resides. Ten days after a debtor has failed to make the required payment, he or she is considered to be in default. The creditor is required by law to give the debtor a written right to cure notice, which can either be delivered or mailed to the debtor's residence. Sending the right to cure notice by regular mail and obtaining a certificate of mailing from the post office is recommended in order to document the date it was sent.

The right to cure notice must state the name, address and telephone number of the creditor, a brief description of the credit transaction, the debtor's right to cure the default, the amount of payment and the date by which the payment must be made to cure the default. The debtor

has 20 days in which to cure the default. The creditor cannot accelerate the maturity of the unpaid balance or repossess during this period. If the debtor cures the default within 20 days, the debtor's rights are restored under the agreement as though no default had occurred. If the debtor does not respond, the creditor may then move to repossess. Only one right to cure notice is required in a 12-month period.

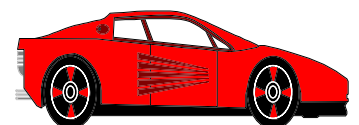
Local law enforcement agencies must be notified within one hour before or after the repossession occurs. Dealers should ensure that their repossessors are bonded through the State Attorney General's office. Employing an unbonded reposessor may make the dealer liable for the actions of the reposessor.

Sunday Closing Law

No dealer or employee shall keep open or operate, or assist in keeping open or operating, any premise, open or closed, for the purpose of selling, bartering or exchanging or offering for sale, barter, or exchange any motor vehicle, whether new, used or secondhand, on the first day of the week commonly known as Sunday. This law does not apply to the following:

- The opening of an establishment or place of business for other purposes, such as the sale of petroleum products, tires, automobile accessories, or
- For the purpose of operating and conducting a motor vehicle repair shop, or
- For the purpose of supplying such services as towing or wrecking.

The selling of boat trailers and snowmobile trailers is exempt from the Sunday closing law. These are the



ONLY motor vehicle sales exempt from the Sunday closing requirements.

Unlicensed Dealer or Salesperson

It is unlawful for any person to act as a new or used vehicle dealer, wholesaler, motor vehicle auction dealer, or salesperson unless that person has been licensed as such.

Any person who willfully violates this law commits a class 3 misdemeanor, and upon conviction, shall be punished by a fine of up to \$1,000 for each vehicle sold; except that, if the violator is a corporation shall be punished by a fine of up to \$2,500 for each vehicle sold. A second conviction shall be punished by a fine of \$2,500. The Consumer Protection Act also states that failure to obtain all government licenses, or permits required to perform the services or to sell the property, is a deceptive trade practice.

The information presented is intended to be used as a guide. While every effort has been made to make the information in this manual accurate and helpful , it is not intended to be a substitute for the statutes and regulations or other legal documents.

