Dealer Export Policy

Our franchisor has a policy that its dealers shall not sell new vehicles for export purposes. Penalties for violating this policy can be expensive. New vehicles that wind up as exports can lead to liability for fees and chargebacks that affect this dealership and your compensation.

Virginia has passed a law designed to give us protection in the event that we sell a new vehicle in good faith to a buyer, but the vehicle winds up being exported. Where we have taken steps to reasonably satisfy ourselves that new vehicles we sell are not intended for export, we can depend on this law to protect us from penalties. However, it is not complete insulation from liability for penalties because of an export. Instead, it is protection against a claim that we violated the franchisor's export policy even though we did due diligence about the buyer and had no reason to know of plans to export.

We must recognize our requirement to comply with our franchisor's export policy as interpreted under Virginia law.

1. <u>Reason for the Policy.</u> New vehicle distributors have rights within certain countries. When vehicles manufactured for sale in one distributor's territory wind up being sold in another distributor's territory, problems can arise between the distributors. Not only does the distributor suffering imports lose sales, it will find itself with increased warranty and customer service obligations. The distributor with vehicles imported into its territory wants compensation from the distributor whose vehicles were exported. Thus, manufacturers impose penalties on distributors in countries where vehicles are exported to compensate those distributors in countries where the vehicles are imported. The distributor that is penalized seeks to pass those penalties along to its dealers.

2. <u>Know Your Customer.</u> As in all transactions, know your customer. If there is any concern that the buyer may not be the end user, do due diligence. Are you:

   - Dealing with a foreign or an out of area buyer?
   - Being told that the buyer wants to pay by cashier's check or wire transfer?
   - Dealing with a company that is buying multiple vehicles?
   - Dealing with a buyer spreading multiple vehicle purchases around in different purchaser names?
   - Dealing with someone who wants to have a transporter pick up the vehicle?
   - Dealing with someone who does not want you to do the title work?

These can all be export signals. That means that you must ask some questions and make notes that you keep in the deal file.

- Who will own the vehicle?
- Who will drive the vehicle?
- To what use will the vehicle be put?
- If the buyer is a leasing company, who will be the end user?
- Where is the end user located and what does it do?
- Where will the vehicle be titled and who will do the title work?
- Why does the company not want our dealership to do the title work?

These are all areas you should investigate when selling a new car if you see export signals.

3. Is the Buyer on the Franchisor's Exporter List? There is no more sure-fire way to give a franchisor a reason for a chargeback on an exported vehicle than to sell to someone on the franchisor's exporter list. Check the exporter list before you deliver a vehicle to a customer when export signals come up. That is especially the case when you're dealing with an entity -- a corporation or an LLC -- that is buying multiple vehicles. Even if you have done business with the buyer previously, check the list each separate time you do business. Companies that buy multiple cars and export them can wind up on the list based upon the vehicles they buy from us. The fact that they are not on the list when they start doing business with us does not mean that always will be the case.

I HAVE REVIEWED THIS DOCUMENT AS PART OF MY TRAINING BY THE DEALERSHIP ABOUT THE FRANCHISOR'S EXPORT POLICY. I AGREE TO COMPLY WITH THE TERMS OF THIS DEALERSHIP'S POLICY TO COMPLY WITH THE FRANCHISOR'S EXPORT POLICY AS INTERPRETED UNDER VIRGINIA LAW IN ALL TRANSACTIONS.

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Employee Name
Employee Name Printed:
Date: