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# **Limited Powertrain Inspection (LPI) Policy**

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## Limited Powertrain Inspection (LPI) Policy

The Limited Powertrain Inspection (LPI) is a basic powertrain only inspection that is aligned with the National Auto Auction Association's Arbitration Policy. LPI's are based on the objective and subjective expertise of Manheim inspectors.

The LPI is conducted at a point-in-time as close to the conclusion of the vehicle sale as possible. This assessment of the vehicle is a one-time inspection conducted under the vehicle operating conditions at that time; therefore, it is not feasible to inspect a vehicle in conditions identical to normal day-to-day operating state. The auction has the right to engage with a third-party vendor of their choosing if a more specialized inspection is recommended, in agreement with auction, buyer, and seller.

### Section 1: LPI Guarantee

- The Inspected Components of a vehicle that passes LPI inspection criteria will come with a 7-day guarantee of function or condition. A list of covered components is provided in Section 4.
- The LPI guarantee is non-transferable and void if the vehicle is resold during the guarantee period.
- Vehicles submitted to arbitration under an LPI must have 200 miles or less accumulated on the odometer between the time the odometer reading is recorded at the auction and the claim date.
- Manheim performs these inspections on a good faith basis and stands behind these passed components, whether Manheim provides this guarantee directly or in agreement with the seller. If an inspected component is found defective during the guarantee period, Manheim reserves the right to remediate valid claims estimated at auction wholesale repair costs.
- In the event of a valid claim for defect related to an Inspected Component that was not identified by the LPI, Manheim will reimburse expenses incurred by the Buyer (excluding profit, commissions, and detail charges) on vehicles arbitrated. The amount of reimbursement that qualifies under these guidelines will be at the sole discretion of Manheim and will be limited to reasonable and documented expenses at auction wholesale repair cost.
- Notwithstanding anything herein to the contrary, the seller remains liable for issues that fall under required disclosures and timelines as per NAAA and Manheim Marketplace policies. Therefore, arbitration with the seller may occur as this policy does not protect or absolve the seller from their responsibility to properly disclose their vehicles.

### Section 2: LPI Eligible Vehicles

The following vehicles sold through Cox Automotive U.S. Marketplaces are **eligible** for LPI:

- Green light vehicles (Ride & Drive) equal to or greater than 125,000 miles
- Green & Yellow light vehicles (Ride & Drive with Caution) equal to or greater than 125,000 miles
  - Items disclosed by the seller will not be inspected and/or guaranteed under LPI
- Yellow light vehicles (Limited Guarantee)
  - Items disclosed by the seller will not be inspected and/or guaranteed under LPI
- Vehicle Purchase Price over \$3,000

It is at the auction's discretion to make the determination if the vehicle is eligible for LPI.

## Section 3: LPI Ineligibility

### 3.1: General Ineligibility Criteria

The following vehicles sold through Cox Automotive U.S. Marketplaces are **ineligible** for LPI:

- Vehicles sold under Green Light with mileage under 125,000
- Vehicles sold under Green & Yellow Light with mileage under 125,000
- Vehicles sold with a price of \$3,000 or under
- Vehicles sold with purchase price or with an estimated MMR above \$75,000
- Vehicles sold in the TRA sales lane, Specialty Sale units, Motorcycles or sold under Yellow light (Limited Guarantee)
- Vehicles sold As-Is or deemed automatic As-Is per NAAA policy and Manheim policy
  - Kit vehicles
  - Recreational vehicles
  - Watercraft
  - Homemade vehicles
  - Vehicles with major modifications (including items in Sections 3.3 and 3.4)
- Vehicles 20 years or older (Antique vehicles)
- Vehicles that have been removed from the Manheim facility
- Vehicles past purchase windows below:
  - 5 PM for auctions that start prior 9:30 AM
  - 3 hours post auction end for all other auctions
  - 3 hours post acceptance on if bids
  - 24 hours after vehicle purchased on OVE
- OVE offsite vehicle purchases not transported to a Manheim facility for processing
- Vehicles with branded titles or defects that are eligible for a branded title, including, but not limited to: flood damage, salvage, rebuilt, lemon-law or trade-assist buybacks, TMU, et al.
- All electric vehicles
- Heavy Duty Trucks & Heavy Equipment categorized in Class A and B with Gross Vehicle Weight Rating (GVWR) of 26,000 pounds or heavier:

Box trucks, such as: <ul style="list-style-type: none"> <li>- Delivery drivers</li> <li>- Couriers</li> <li>- Furniture delivery</li> </ul>	Trailers: <ul style="list-style-type: none"> <li>- Tractor-trailers</li> <li>- Tractor-trailer buses</li> <li>- Truck and trailer combinations (Double and triple trailers)</li> <li>- Livestock carriers</li> </ul>
Large buses, including: <ul style="list-style-type: none"> <li>- City buses</li> <li>- Tourist buses</li> <li>- School buses</li> <li>- Segmented buses</li> </ul>	Trucks: <ul style="list-style-type: none"> <li>- Straight trucks</li> <li>- Dump trucks with small trailers</li> <li>- Flatbeds</li> </ul>
Tanker vehicles	Current or former armored and/or military / national defense vehicles

### 3.2: Specific Ineligibility List

- Exotic and/or handmade vehicles (including but not limited to):

AMC H1	Dodge Viper	Mercedes G Wagon
Acura NSX	Ferrari	Mercedes SLR models
Aston Martin	Fisker	Mitsubishi Lancer Evo
Audi R8	Ford GT	Nissan GT-R
Bentley	Lamborghini	Panoz
BMW Alpina	Lotus	Porsche 911
BMW i8	Maserati	Rolls-Royce
DMC 12	Maybach	Subaru WRX
Dodge Demon	McClaren	Tesla

- Vehicle makes that average an annual production rate at or below 4,000 vehicles within the three most recently completed production years

### 3.3: Performance Modifications

Per section 3.1, vehicles with certain modifications are ineligible for LPI. Examples of certain modifications include but are not limited to:

- Computer and electrical modifications
  - Including but not limited to computer chips and tuners
    - These modifications will deem a vehicle ineligible for LPI
    - If found during the inspection all portions modified and or related to the modifications will cause the inspected vehicle to fail the LPI
- Physical parts modifications
  - Including but not limited to turbos, catalytic converter deletes and/or replacements, and EGR deletes
    - OE/OEM approved modifications will not affect the eligibility of a vehicle for LPI
    - Non-OE/OEM approved modifications are deemed ineligible for LPI
      - If found during the inspection all portions modified and or related to the modifications will cause the inspected vehicle to fail the LPI
  - Modifications that don't allow a vehicle to meet the emission standards in the county or state in which the PSI is performed will cause a vehicle to fail LPI

### 3.4: Structural

Structural damage and/or alterations must be announced at auction per NAAA guidelines.

#### 3.4.1 : Structural Damage

Definition (per NAAA guidelines): Damage to the structure or a specific structural component of the vehicle. Often referred to as frame damage, although it also applies to Unibody and Unibody on Frame structures in addition to Conventional Frame.

- All structural damage must be announced via seller disclosure
  - A vehicle with announced damage is eligible for LPI
    - Announced damage is not a condition for LPI failure
    - Announced damage will not be protected under LPI coverage
  - Unannounced damage discovered during the LPI will cause the inspected vehicle to fail LPI

### 3.4.2 : Structural Alteration

Definition (per NAAA guidelines): An alteration to the vehicle's structure including a lengthened or shortened frame, a modified suspension, or the installation or removal of after-market accessories.

- All structural alteration must be announced via seller disclosure
  - A vehicle with announced alteration is eligible for LPI
    - Announced alteration is not a condition for LPI failure
    - Announced alteration will not be protected under LPI coverage
  - Unannounced alteration discovered during the LPI will cause the inspected vehicle to fail the LPI

## Section 4: LPI Inspected Components

The items checked within the performance of the LPI are:

- Transmission engages and functions
- Engine function and operation
- Drivetrain
  - 4x4 system engagement
  - Differential engagement
- Structure checked

Advanced Driver Assist Systems (ADAS) are not inspected as part of LPI. Per NAAA guidelines, these systems must be inspected by a qualified 3<sup>rd</sup> party outside the auction property.

These systems include but are not limited to the following:

- Rear camera
- Rear parking sensors
- 360 camera systems
- Blind spot detection
- Lane departure warning
- Adaptive cruise control
- Collision warning
- Lane keep assist
- Backup Assist
- Autonomous driving function

## Section 5: Fail, Claim, and Arbitration Conditions

The LPI purchase is subject to the following:

- The buyer is responsible for the LPI fee regardless of vehicle pass or fail
- The sale of the vehicle is NOT contingent upon the availability of the LPI
- LPI failures are determined by NAAA arbitration policy and follow the NAAA repair or replace threshold for in-lane purchases

### 5.1: Pass and Fail General

- The auction will make the final determination if the LPI is deemed a pass or fail
- A failed LPI results when the inspected components of a vehicle meet NAAA Arbitration Policy criteria or state or local government safety regulatory criteria, or Manheim policy criteria, which make the vehicle eligible for arbitration. In such event:
  - The Buyer has the option to enter the arbitration process and:
    - Complete the transaction on mutually agreeable terms with the seller with the sale completed as “Buyer Bought”
      - Per NAAA Arbitration Policy: “If price adjustment is made and accepted, vehicle becomes “As-Is, No Arbitration” property of the Buyer, and is not subject to any further arbitration. The auction management makes the binding decision upon both the Buyer and Seller on all arbitration matters.”
    - Or, complete the transaction with the vehicle in its current state and under no negotiated terms with the seller
      - To align with NAAA Arbitration Policy, in this case the vehicle becomes “As-Is, No Arbitration” property of the Buyer, and is not subject to any further arbitration.
    - Or, void the transaction, with the sale being unwound as “Buyer Withdrew”
  - A vehicle that fails LPI and results in a “Buyer Withdrew” status will move back into seller inventory. If the seller decides to re-run the vehicle in a future auction, the seller is required to repair the vehicle or make the appropriate announcements.

### 5.2: Claims and Arbitration

- For vehicle purchases, a defect on a vehicle for which LPI was purchased and “passed inspection” is eligible for claim resolution if:
  - A defective component or condition is found within the guarantee period, based on the timeframe purchased;
  - A defective component or condition is within the scope of the inspection criteria;
  - A defective component or condition is estimated to cost at or above the NAAA Arbitration Policy threshold to repair or replace, with the estimate based solely on Manheim’s wholesale cost.
- For defect states noted above, the defect must be eligible for claim resolution with Manheim and Manheim reserves the right to remediate the claim. Eligible claims are based on arbitral items noted in the NAAA Arbitration Policy.

- Any claim for arbitration under the LPI must be submitted within the guarantee timeframe purchased (defined as the time between the date of completion of the LPI and the date of claim). If a vehicle return is required, the vehicle must be returned within the stated deadline established by the facilitating location in the same or better condition as when sold.
- Manheim retains the option to assume ownership of a vehicle at a maximum of 102% of MMR

## Section 6: LPI Inspection Methodologies & Non-Arbitrable Items

Manheim's LPI inspections are based on our technician's expertise, as well as utilization of expert source information for items such as repair costs; items inherent to a vehicle based on make, model, year and other factors (e.g., "known conditions"); and, generally accepted practices and standards (e.g., "NAAA Leak classes"). Manheim draws its conclusions on a good faith basis for each inspection from observation, data and guidance, with the vehicle state as-is at the time the vehicle is inspected.

### 6.1: Specific Non-Material Conditions

Certain temporary or non-material conditions will not qualify an inspection for failure, such as:

- Vehicle scanners returning Yellow (if reason is known)
  - Yellow refers to an indicator light associated with an OBDII scanner that suggests:
    - A previously active code(s) cleared prior to inspection
    - A code(s) not active at the time of inspection
- Leaks, noise and other items that are generally considered inherent to an inspected vehicle

### 6.2: Non-Arbitrable Items

- Inherent conditions based on year, make, model
  - Determination will be made using NHTSA.gov
- If the vehicle is purposefully modified after it leaves the auction location, which cause changes to the vehicle's condition from the time of inspection. Such changes will void the LPI guarantee.
- Options, accessories, or any items not included in standard base equipment on OEM make model trim of the vehicle being inspected
- Wearable Items
  - Definition (per NAAA guidelines): defined as parts of the vehicle that the manufacturer recognizes the need for replacement/adjustment during the expected life of the vehicle driven the average miles per model year (15k). These items are normally identified in the Owner's Manual for routine check and replacement.



<p>All Suspension</p> <ul style="list-style-type: none"> <li>- Struts</li> <li>- Coil/ Leaf Spring</li> <li>- Etc</li> </ul>	<p>All Brake</p> <ul style="list-style-type: none"> <li>- Pads</li> <li>- Shoes</li> <li>- Rotors</li> <li>- Etc.</li> </ul>
<p>External engine components</p> <ul style="list-style-type: none"> <li>- Belts</li> <li>- Hoses</li> <li>- Etc</li> </ul>	<p>Misc</p> <ul style="list-style-type: none"> <li>- Ball joints</li> <li>- bushings</li> </ul>
<p>Items with manufacture defined life expectancy</p> <ul style="list-style-type: none"> <li>• Fluids/ lubricants</li> <li>• Wipers</li> <li>• Tires</li> </ul>	

- Subject to change based on related changes to the marketplace

### 6.3: Inspection Performance

Manheim performs its inspections based on NAAA and industry best practices, with the following caveats in mind:

- OEM-installed under body cladding will not be removed from the vehicle;
- Vehicles may not be driven at speeds high enough to simulate all driving conditions;
- Vehicles will not be driven for long durations to simulate extended driving conditions.

Note that buyers of LPI are encouraged to discuss the results with the LPI facilitating location.

## **Section 7: Resell Disclaim**

If arbitration results in a sale being unwound based on a failed LPI, the seller shall either repair or disclose the results of the failed LPI when re-running the vehicle at Manheim. Failure to do so may result in seller being held responsible for reimbursement of any subsequent failed LPI for such vehicle.

## **Section 8: Rights Reservation**

Manheim reserves the right to modify, alter, discontinue or terminate this policy at any time for any reason whatsoever, with or without notice. In addition, Manheim reserves the right to decline to offer this service to any person or entity at its discretion.