

CL-10902925-4815



INFORMATION Redacted PURSUANT TO THE FREEDOM OF INFORMATION ACT (FOIA), 5 U.S.C. 552(B)(6)

# New Jersey Office of the Attorney General

Division of Consumer Affairs  
Consumer Service Center - Complaint Review Unit  
124 Halsey Street, 3rd Floor, Newark, NJ 07102



CHRISTOPHER S. PORRINO  
*Acting Attorney General*

CHRIS CHRISTIE

August 22, 2016

STEVE C. LEE  
Director

KIM GUADAGNO  
Lt. Governor

National Highway Traffic Safety Administration US Dept of Transportation  
Office of Defects Investigation (NVS-210)  
1200 New Jersey Ave SE  
Washington, DC 20590

**Mailing Address:**  
P.O. Box 45025  
Newark, NJ 07101  
(973) 504-6200

Re: [REDACTED]  
File Number: [REDACTED]

AUG 29 2016

I am writing on behalf of the New Jersey Division of Consumer Affairs - Office of Consumer Protection to bring this matter to your office's attention. While hearing from the public helps the Division in its efforts to protect the health, safety and economic well-being of the public as consumers in the marketplace and to identify the best use of our investigative resources, there are situations, such as this one, in which a referral to another agency may be better able to provide assistance.

We are forwarding the materials we received to your office so that you may assist this consumer. We have advised the consumer of our action and that all future inquiries should be directed to your office. We appreciate the assistance that your office can provide to this consumer and extend our willingness to assist your office when necessary.

If you have any questions regarding this referral, please contact our Consumer Service Center at (973) 504-6200.

Sincerely,

Patricia D. Pate  
Supervising Investigator, Consumer Service Center

NAM  
8/31/16  
SMD



**State of North Carolina**

**ROY COOPER  
ATTORNEY GENERAL**

Department of Justice  
9001 Mail Service Center  
Raleigh, NC 27699-9001

August 10, 2016

**CONSUMER PROTECTION**  
Toll Free in NC  
(877) 566-7226  
Outside of NC  
(919) 716-6000  
Fax: (919) 716-6050

[REDACTED]  
Owings Mills, MD [REDACTED]

Re: File No. [REDACTED]  
BMW of North America

Dear [REDACTED]

Thank you for filing a complaint with the Consumer Protection Division regarding BMW of North America. Your request for assistance falls more appropriately within the authority of another agency.

By copy of this letter, we are forwarding your complaint to New Jersey Attorney General, requesting that this matter be reviewed to determine whether there has been a violation of the laws or rules that it administers.

We encourage you to contact us again if you have a consumer problem which you believe warrants review by our office.

Very truly yours,

Angela Howard  
Consumer Protection Specialist  
CONSUMER PROTECTION DIVISION

cc: New Jersey Attorney General

527871 AUG-16-2016  
OFFICE OF  
CONSUMER PROTECTION

**Consumer**

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**From:** consforms@ncdoj.gov  
**Sent:** Monday, August 08, 2016 4:52 PM  
**To:** Consumer  
**Subject:** Auto Complaint [REDACTED]  
**Attachments:** RecallLetter.pdf; BMW Lease-[REDACTED]

VehComplaintID [REDACTED]  
Form inserted 8/8/2016 4:50:27 PM  
Form updated 8/8/2016 4:50:27 PM  
Prefix [REDACTED]  
\* Last Name [REDACTED]  
\* First Name [REDACTED]  
MI  
\* Mailing Address [REDACTED]  
\* City Owings Mills  
\* State MD  
\* Zip Code [REDACTED]  
Country, if not US United States  
Day phone number, including area code [REDACTED]  
Evening phone number, including area code [REDACTED]  
Fax number, including area code 646  
County of residence Baltimore  
E-mail address [REDACTED]  
Cell phone, including area code [REDACTED]  
I am a military service member or military spouse Yes  
\* Full name of company BMW of North America  
Mailing Address  
City  
State  
Zip code  
Country, if not US  
\* Telephone number, including area code 1-800-525-7417  
Fax number, including area code  
Year 2013  
Make BMW  
Model X5

VIN# 5UXZV4C59D0 [REDACTED]

Mileage

Is your complaint about: Repairs|Financing or leasing

Date of purchase:

Date of repair:

How did you buy your vehicle? New

Where financed (if relevant).  
Include address.

Did you sign a lease? Yes

Starting date 06/22/2013

Expiration date 09/22/2016

Total amount paid

Amount in dispute

How was payment made? Wire transfer

Did you buy an extended service contract? No

Name of company responsible for extended service contract or warranty:

If repairs, indicate type of repairs or services performed (Air conditioner, brakes, oil change, transmission, etc.): Air Bag Recall, No Remedy

Before any work was performed, did you receive an estimate? No

Did you authorize any changes to the original estimate? No

If yes, provide details:

Were the completed repairs different from what you had authorized? No

If yes, provide details

How was initial contact made between you and the business? I received a telephone call from business

Where did the transaction take place? At company's place of business

\* Provide details of your complaint

The above car is part of the Takada Airbag recall. I was told that I needed to get out of the car. However, because of the overage of mileage and lack of finances, I was going to just purchase the car after the lease. Because the car has an open recall and no remedy, they cannot sell me the car. Although the lease is up next month, I still am not at a point, financially, to purchase another car. They also want me to pay the overage of the mileage for the car, but I don't feel I should because of a breach of contract. The contract does not address recalls with no remedy and, furthermore, I am not able to purchase the vehicle because of it. Therefore, breach of contract on their part, not mine.

Have you contacted the company with your complaint? Yes

Name of person most recently contacted

His/her phone number, incl. area code

Results

Spoke with BMW, to no avail.

\* What result would you consider fair?

1. Be able to purchase a car, waiving the penalty for going over the mileage.  
2. Fix my car and sell it to me. 3. Let me purchase a comparable car (same amenities) of equal to lesser value of my current leased car.

Do you have an attorney in this case?

No

If yes, name of your attorney

Attorney's number, incl. area code:

Has your complaint been heard or is it scheduled to be heard in court? If yes, where and when? If already heard, what was the result?

Will you be submitting documentation by mail or fax?

No

Attachment 1

RecallLetter.pdf

Attachment 2

BMW Lease- 

Attachment 3

Attachment 4



**BMW**

**IMPORTANT SAFETY RECALL**

This notice applies to your vehicle, [INSERT VIN]

March 2016

**Recall Campaign No. 16V-071: Driver's Front Air Bag Module**

Dear BMW Owner / Lessee:

This notice is sent to you in accordance with the National Traffic and Motor Vehicle Safety Act. BMW AG has decided that a defect, which relates to motor vehicle safety, exists in certain Model Year 2006-2015 BMW 1 Series, 3 Series and X1, X3, X5 and X6 Sports Activity Vehicles. Our records indicate that you are the owner of a potentially affected vehicle.

**IMPORTANT NOTICE**

Please note that at the present time, we do not have parts available. BMW will notify you via another letter as soon as we can perform this recall on your vehicle.

**DESCRIPTION OF PROBLEM**

In the event of a crash necessitating deployment of the driver's front air bag, excessive internal pressure could cause rupturing of the air bag inflator, resulting in metal fragments striking the front driver or other passengers potentially resulting in serious injury or death. **If you are not the only driver of this vehicle, please advise all other drivers and passengers of this important information.**

At the present time, BMW is not aware of any ruptures in its vehicles equipped with the type of inflator subject to this recall.

**DESCRIPTION OF REPAIR**

The driver's front air bag module will be replaced free of charge when parts become available.

**OTHER INFORMATION**

If you are no longer the vehicle owner/lessee, we request that you provide us with the name and address of the new owner/lessee using the enclosed postage-paid card so that we can contact the new owner/lessee regarding this recall. If you are a lessor of this vehicle, Federal Regulations require you to forward this notice to your lessee within ten days.

Should you have any questions about this recall, please contact your authorized BMW center. Should you need additional assistance, you may contact BMW Customer Relations and Services via Email at

Company  
BMW of North America, LLC

BMW Group Company

Mailing address  
PO Box 1227  
Westwood, NJ  
07675-1227

Office address  
200 Chestnut Ridge Rd.  
Building 150  
Woodcliff Lake, NJ 07677

Telephone  
(201) 307-4000

Fax  
(201) 571-5479

Website  
[REDACTED]

[REDACTED] or by calling 1-800-525-7417 from 9 AM to 9 PM Eastern Time, Monday through Friday.

If your BMW center is unable to remedy the defect without charge or within a reasonable period of time, you may notify the Administrator, National Highway Traffic Safety Administration, 1200 New Jersey Ave., S.E., Washington, DC 20590, call the toll-free Vehicle Safety Hotline at 1-888-327-4236 (TTY: 1-800-424-9153), or go to <http://www.safercar.gov>.

We sincerely apologize for any inconvenience this issue may cause; however be assured that BMW is concerned about your safety and security. BMW recommends that you always wear your safety belt, and that all passengers are properly seated and restrained at all times.

BMW OF NORTH AMERICA, LLC

**BMW 1 Series, 3 Series X1 SAV, X3 SAV, X5 SAV and X6 SAC  
Model Year 2006 - 2015  
Driver's Front Air Bag Module  
Safety Recall 16V-071  
Last updated: 6/30/2016**

**Q1. Which models are included in this Safety Recall Campaign?**

Included are approximately 840,000 vehicles, with approximate volumes and production dates as noted below.

<u>Series</u>	<u>Model</u>	<u>Model Year</u>	<u>Approx. Volume</u>	<u>Production Dates</u>
E82	1 Series Coupe (incl. M)	2008 - 2013	32,620	Nov 2007 - Oct 2013
E88	1 Series Convertible	2008 - 2013	28,160	Nov 2007 - Oct 2013
E90	3 Series Sedan (incl. M)	2006 - 2011	132,845	Feb 2005 - Dec 2011
E90	3 Series Sedan (diesel)	2009 - 2011	4,160	Mar 2008 - Aug 2011
E91	3 Series Sports Wagon	2006 - 2012	3,270	Jun 2005 - May 2012
E92	3 Series Coupe (incl. M)	2007 - 2013	129,515	Apr 2006 - Jun 2013
E93	3 Series Convertible (incl. M)	2007 - 2013	99,810	Nov 2006 - Oct 2013
E84	X1 SAV	2013 - 2015	57,290	Feb 2012 - Sep 2014
E83	X3 SAV	2007 - 2010	64,925	Aug 2006 - Aug 2010
E70	X5 SAV (incl. M)	2007 - 2013	214,580	Sep 2006 - Jun 2013
E70	X5 SAV (diesel)	2009 - 2013	35,440	Mar 2008 - Jun 2013
E71	X6 SAC (incl. M)	2008 - 2014	37,000	Jul 2007 - Jun 2014
E72	X6 SAC ActiveHybrid	2010 - 2011	365	Mar 2009 - Sep 2011

**Q2. BMW conducted safety recalls in 2013, 2014 and 2015 on a similar issue. How is this different?**

The inflators are different. This recall campaign pertains to the Takata PSDI-5 inflator. The earlier recalls pertained to different inflators produced by Takata.

**Q3. Are BMW M models included in this recall campaign?**

Yes. [Please refer to Q1.]

**Q4. Is this recall comparable to similar recalls being conducted by other Manufacturers?**

Yes. This recall campaign involves the Takata PSDI-5 inflator.

**Q5. How many BMW vehicles in the US are included in this Safety Recall?**

The number of BMW vehicles in the US included in this recall is approximately 840,000. This amount has not changed since February 5, 2016. When viewing "Vehicle Comments" the date referenced only reflects when the comments were updated.

**Q6. Why are other models not included?**

Other models are not included because this recall pertains specifically to vehicles equipped with the Takata PSDI-5 inflator.

**Q7. What is the specific concern?**

Takata's investigation to date indicates that exposure to certain environmental conditions (several years of exposure to persistent conditions of high absolute humidity) could lead to over-aggressive combustion in the event of air bag deployment.

**Q8. What can happen as a result of this issue?**

In a crash where air bag system deployment occurs, the air bag inflator housing may rupture. In the event of an inflator rupture, metal fragments could pass through the air bag cushion material, which may result in injury or death to vehicle occupants.

**BMW 1 Series, 3 Series X1 SAV, X3 SAV, X5 SAV and X6 SAC**  
**Model Year 2006 - 2015**  
**Driver's Front Air Bag Module**  
**Safety Recall 16V-071**  
*Last updated: 6/30/2016*

- Q9. Is it possible to find out whether the problem exists in my car?**  
No. There is no way to detect if your BMW might have an air bag inflator potentially at risk of rupturing upon deployment in an accident.
- Q10. Can I continue to drive my vehicle?**  
Yes. BMW is not aware of a ruptured inflator in any of its vehicles associated with this recall. Vehicles equipped with air bags, including air bags that are under recall, save lives and reduce injuries. The vast majority of Takata air bags will perform as expected. When you receive a letter asking you to have this service performed by an authorized BMW center, please do so as soon as possible. If you are not the only driver of this vehicle, please advise all other drivers of this important information.
- Q11. What measures will be taken when my vehicle part is being replaced?**  
The inflator inside the driver's front air bag module will be replaced.
- Q12. How did BMW become aware of this issue?**  
BMW became aware of this issue from Takata (the air bag module supplier) and NHTSA.
- Q13. Is BMW aware of any accidents or injuries involving BMW vehicles associated with this campaign?**  
No. BMW is not aware of a ruptured inflator in any of its vehicles associated with this recall.
- Q14. How will I be informed of this recall program?**  
If your vehicle is affected, you should have received an initial letter in March via First Class mail advising you of this recall. You will receive another letter when replacement parts become available, requesting that you schedule an appointment to bring your vehicle to an authorized BMW center for service and repair.
- Q15. Will my BMW center deactivate my driver's front air bag until it is replaced?**  
No, NHTSA estimates that frontal air bags saved 2,400 lives in 2014 alone. It is far more likely that if you are involved in a crash that your air bag will perform properly and protect you than it will rupture and cause harm.
- Q16. How will BMW perform this program?**  
When you are notified via the final letter, you will be asked to make an appointment with an authorized BMW center. When you come into a center, the gas generator inside the airbag will be replaced by a center technician.
- Q17. How long will the repair take?**  
This repair may take approximately one hour; however, additional time may be required depending upon your BMW center's schedule. The repair will be performed free of charge by your authorized BMW center.
- Q18. Do I have to wait for my letter in order to have my vehicle serviced?**  
Yes. BMW is in the process of implementing this program to ensure that the necessary parts, tools and procedures are available to its authorized BMW centers, prior to

**BMW 1 Series, 3 Series X1 SAV, X3 SAV, X5 SAV and X6 SAC**  
**Model Year 2006 - 2015**  
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Instructing you to take your vehicle in for repair. Repairs will be prioritized according to the schedule NHTSA has established.

**Q19. Am I eligible for reimbursement under the TREAD Act if I previously replaced my driver's front air bag module?**

In this particular recall, reimbursement is likely not applicable, as you would typically have replaced your driver's front air bag module as a result of an accident. In that situation, either your insurance company paid for the repair, or you paid "out-of-pocket".

However, in the very unusual (unlikely) scenario that you previously replaced the driver's front air bag module "out-of-pocket" upon learning of this possible defect, you may be eligible for reimbursement. Additional information will be provided when BMW mails the additional letter, asking you to make an appointment with an authorized BMW center to have your driver's front air bag module replaced.

**Q20. When are the repair parts expected to be available?**

Interim repair parts are now becoming available and dealers can expect them to arrive commensurate with customer communications. Limited final remedy parts are expected to start arriving in August 2016. These will be prioritized to customers in HAH areas and oldest vehicles.

**Q21. How will the repair be introduced to USA customers?**

Now that an adequate inventory of parts is available, final owner notification letters will be issued via US First Class Mail to owners of the highest risk registered vehicles, i.e., oldest models in highest absolute humidity areas (e.g., USA Gulf states). As parts supply increases, all owners of affected vehicles will be notified by First Class mail.

**Q22. Why is the passenger's front air bag not affected?**

In some cases, it may be affected based on a more recent recall announcement by NHTSA on May 4<sup>th</sup>. We have confirmed that certain MY11 and older X5/X6 vehicles will require a passenger air bag and driver air bag replacement in accordance with the first part of the extended recall announced by NHTSA. Passenger airbag availability is estimated for mid-summer. The remainder of the X5/X6 vehicles that are part of this recall will require a passenger air bag at a later date.

**Q23. Will BMW give me a loaner vehicle until a repair part is available?**

If replacement parts are not available, BMW has authorized its centers to provide or assist customers with alternate transportation, subject to availability. If we have an interim part available, alternate transportation will not be offered.

**BMW 1 Series, 3 Series X1 SAV, X3 SAV, X5 SAV and X6 SAC**  
**Model Year 2006 - 2015**  
**Driver's Front Air Bag Module**  
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*Last updated: 6/30/2016*

**Q24. Are the replacement parts for the current repairs also Takata air bags and do they allow vehicles under this recall to be sold or bought?**

Yes. These are Takata air bags as approved by NHTSA and as such, vehicles that have the replacement part can now be sold or bought off lease.

**Q25. What does "interim repair" mean and what makes these air bags safer than what is in my vehicle now?**

An interim repair involves replacing the inflator with a newly manufactured version. NHTSA has concluded that the age of the inflator, temperature cycling and environmental moisture are the likely root cause of rupturing. Based on these factors, the timeframe during which propellant degradation may occur varies from 6-20 years. (see question #35 for location details associated with this time frame). Therefore, replacing the older inflator with a newer one reduces the potential safety risk until a final remedy is available.

**Q26. Does this mean another repair will have to be performed on my vehicle?**

Yes. All vehicles that receive an interim remedy are required to come in for a free final remedy. The priority for these replacements will be determined by NHTSA.

**Q27. Will the interim part close the open recall and be offered at no cost?**

Yes. All owners that choose to have the interim replacement will be offered a final replacement, at which time the open recall will be considered closed. The final replacement will also be offered at no cost to the customer.

**Q28. Do the interim Takata air bags contain ammonium nitrate?**

Yes.

**Q29. What is desiccant? Do the interim Takata air bags use desiccant?**

Put simply, desiccant is a substance with properties that enable it to soak up water vapor from the air surrounding it. At this time, the interim air bags do not use desiccant.

**Q30. Can I continue to drive my BMW loaner car or rental if I choose not to have the interim air bag replacement installed?**

No. Because NHTSA has deemed the interim Takata replacement air bags safe for a minimum of six years, customers are requested to return loaner and/or rental cars once notified that your vehicle's interim part is available. Should they choose not to have the interim air bag installed and still want to drive a rental car, customers can certainly do so at their own expense.

**Q31. How will I be notified when the final replacement for my vehicle is ready?**

Customers with affected vehicles will be notified via another letter when the final replacement air bag becomes available. The final remedy parts are based on a priority

**BMW 1 Series, 3 Series X1 SAV, X3 SAV, X5 SAV and X6 SAC  
Model Year 2006 - 2015  
Driver's Front Air Bag Module  
Safety Recall 16V-071  
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schedule dictated by NHTSA. At that time, we will request that you schedule an appointment to bring your vehicle to an authorized BMW center for service and repair.

**Q32. Why is BMW using Takata air bags?**

Customer safety is our top priority. Given the industry wide shortage of air bag manufacturers, BMW decided that using interim air bags would be in our customers' best interests. At the same time, other air bag suppliers are designing, testing and validating replacement air bags.

**Q33. What if I have my vehicles registered in NY, but my vehicle resides at my home in Florida. How do I get a new airbag?**

In this instance, please contact Customer Relations at [customerrelations@bmwusa.com](mailto:customerrelations@bmwusa.com) or by calling 1-800-831-1117.

**Q34. I'm not the first owner of this vehicle and am concerned it may have been kept in a high humidity state. What can you tell me?**

Any vehicle that was ever registered in hot and humid area as defined by NHTSA is given priority on the list of customers being notified about this recall.

**Q35. What determines the prioritized locations that are associated with the most at-risk vehicles - and what is the average propellant degradation time in each?**

Per the May 2016 Takata Recall Expansion Fact Sheet located on the NHTSA website <http://icsw.nhtsa.gov/safecar/rs/takata/takata-docs.html>, three geographic zones have been established based on the temperature fluctuations and humidity and the exposure time required under those environmental conditions to degrade the propellant to the point where it poses an unreasonable risk to safety.

**Zone A** covers states with high temperature cycling and humidity. These include: Alabama, Florida, Georgia, Hawaii, Louisiana, Mississippi, Texas, Puerto Rico, American Samoa, Guam, Saipan, and U.S. Virgin Islands. California and South Carolina have also been added to this Zone per the NHTSA Amendment to the November 3, 2015 Consent Order. ***Time until unsafe propellant degradation is projected between 6-9 years.***

**Zone B** covers states with moderate temperature cycling and humidity. These include: Arizona, Arkansas, Delaware, District of Columbia, Illinois, Indiana, Kansas, Kentucky, Maryland, Missouri, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Virginia, and West Virginia. ***Time until unsafe propellant degradation is projected between 10-15 years.***

**Zone C** covers states with lower temperature cycling and humidity. These include: Alaska, Colorado, Connecticut, Idaho, Iowa, Maine, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New York, North Dakota, Oregon, Rhode Island, South Dakota, Utah, Vermont, Washington, Wisconsin, and Wyoming. ***Time until unsafe propellant degradation is projected between 15-20 years.***

# BMW Financial Services

## Motor Vehicle Lease Agreement (Closed End)



1. PARTIES		
Lessor (Center) Name and Address VALLEY AUTO WORLD, INC 3822 SYCAMORE DAIRY RD FAYETTEVILLE NC 28303  (910)867-7000	Lessee and Co-Lessee Name and Address [REDACTED] Fayetteville, NC [REDACTED]	Vehicle Garaging Address (if Different)  Billing Address (if Different)

2. **Agreement to Lease.** This Motor Vehicle Lease Agreement ("Lease") is entered into between the lessee and co-lessee ("Lessee") and the lessor ("Lessor") named above. Unless otherwise specified, "I," "me" and "my" refer to the Lessee and "you" and "your" refer to the Lessor or Lessor's assignee. "Vehicle" refers to the leased vehicle described below. "Assignee" refers to BMW Financial Services NA, LLC ("BMW FS") or, if this box is checked  to Financial Services Vehicle Trust. BMW FS will administer this Lease on behalf of itself or any assignee. The consumer lease disclosures contained in this Lease are made on behalf of Lessor and its successors or assignees.

3. **Date of Lease, Lease Term and Scheduled Maturity Date.** This Lease is entered into on 06/22/2013 for the scheduled Lease Term of 39 months with a Scheduled Maturity Date of 09/22/2016.

4. VEHICLE DESCRIPTIONS						
A. Leased Vehicle <input checked="" type="checkbox"/> New <input type="checkbox"/> Demo <input type="checkbox"/> Used	Model Year 2013	Make & Model BMW X5 xDrive35i Premi	VIN 5UXZV4C59D0 [REDACTED]	Odometer [REDACTED]	Primary Use: <input checked="" type="checkbox"/> Personal, Family or Household <input type="checkbox"/> Business, Commercial or Agricultural * If Personal Use is checked above, this is Consumer Paper.	
<input type="checkbox"/> Telephone	<input type="checkbox"/> CD Player	<input type="checkbox"/> (specify)		<input type="checkbox"/> (specify)		<input type="checkbox"/> (specify)
B. Trade-In	Model Year 2008	Make NISSAN	Model PATH	Agreed Upon Value 23,500.00	Prior Credit or Lease Balance 19,952.21	Net Trade-In Value 3,547.79

5. AMOUNT DUE AT LEASE SIGNING OR DELIVERY (Itemized in Section 9)	6. MONTHLY PAYMENTS	7. OTHER CHARGES (Not part of my Monthly Payments)	8. TOTAL OF PAYMENTS (The amount I will have paid by the end of the Lease Term)
\$ 4,748.79	My first monthly payment of \$ <u>685.00</u> is due on <u>06/22/2013</u> followed by <u>38</u> payments of \$ <u>685.00</u> due on the <u>22</u> day of each month. The total of my monthly payments is \$ <u>26,754.00</u> .	A. Disposition Fee (if I do not purchase the Vehicle) \$ <u>350.00</u> B. \$ _____ TOTAL \$ <u>350.00</u>	\$ <u>31,166.79</u>

**Electronic Contracting and Signature Acknowledgment.** I agree that (i) this Contract is an electronic contract executed by me using my electronic signature, (ii) my electronic signature signifies my intent to enter into this Contract and that this Contract be legally valid and enforceable in accordance with its terms to the same extent as if I had executed this Contract using my handwritten signature and (iii) the authoritative copy of this Contract ("Authoritative Copy") shall be that electronic copy that resides in a document management system designated by you for the storage of Authoritative Copies of electronic records, which shall be deemed held by you in the ordinary course of business. Notwithstanding the foregoing, if the Authoritative Copy is converted into a paper copy which is marked by you as the original (the "Paper Contract"), then I acknowledge and agree that (1) my signing of this Contract with my electronic signature also constitutes issuance and delivery of such Paper Contract, (2) my electronic signature associated with this Contract, when affixed to the Paper Contract, constitutes my legally valid and binding signature on the Paper Contract and (3) subsequent to such conversion, my obligations will be evidenced by the Paper Contract alone.

**9. AMOUNT DUE AT LEASE SIGNING OR DELIVERY**

<b>A. Amount Due at Lease Signing or Delivery</b>	
1. Capitalized Cost Reduction	\$ 4,047.79
2. First Monthly Payment	\$ 686.00
3. Refundable Security Deposit	\$ 0.00
4. Initial Title Fees	\$ 0.00
5. Initial Registration Fees	\$ 0.00
6. Initial License Fees	\$ 0.00
7. Sales/Use Tax	\$ 0.00
8. Acquisition Fee (if not capitalized)	\$ 0.00
9. Sales Tax on Capitalized Cost Reduction	\$ 15.00
10. GA New Vehicle Arb Fee	\$ 0.00
11. _____	\$ 0.00
12. _____	\$ 0.00
13. _____	\$ 0.00
14. _____	\$ 0.00
<b>TOTAL</b>	\$ 4,748.79
<b>B. How the Amount Due at Lease Signing or Delivery Will Be Paid</b>	
1. Net Trade-In Allowance	\$ 3,547.79
2. Rebates and Noncash Credits	\$ 500.00
3. Amount to be Paid in Cash	\$ 701.00
<b>TOTAL</b>	\$ 4,748.79

**10. MY MONTHLY PAYMENT IS DETERMINED AS SHOWN BELOW**

<b>A. Gross Capitalized Cost.</b> The agreed upon value of the Vehicle (\$ 57,672.47) and any items I pay for over the Lease Term (such as taxes, fees, service contracts; insurance, and any outstanding prior credit or lease balance) (Section 13 for an itemization of this amount).		\$ 59,155.42
<b>B. Capitalized Cost Reduction.</b> The amount of any net trade-in allowance, rebate, noncash credit; or cash I pay that reduces the Gross Capitalized Cost.		-\$ 4,047.79
<b>C. Adjusted Capitalized Cost.</b> The amount used in calculating my Base Monthly Payment.		=\$ 55,107.63
<b>D. Residual Value.</b> The value of the Vehicle at the end of the Lease used in calculating my Base Monthly Payment.		-\$ 33,522.50
<b>E. Depreciation and any Amortized Amounts.</b> The amount charged for the Vehicle's decline in value through normal use and for other items paid over the Lease Term.		=\$ 21,585.13
<b>F. Rent Charge.</b> The amount charged in addition to the Depreciation and any Amortized Amounts.		+\$ 4,389.65
<b>G. Total of Base Monthly Payments.</b> The Depreciation and any Amortized Amounts plus the Rent Charge.		=\$ 25,974.78
<b>H. Lease Payments.</b> The number of payments in my Lease.		+ 39
<b>I. Base Monthly Payment.</b>		=\$ 666.02
<b>J. Monthly Sales/Use Tax.</b>		+\$ 19.98
<b>K. _____</b>		+\$ 0.00
<b>L. Total Monthly Payment.</b>		=\$ 686.00

**Early Termination.** I may have to pay a substantial charge if I end this Lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the Lease is terminated. The earlier I end the Lease, the greater this charge is likely to be.

**11. Excessive Wear and Use.** I may be charged for excessive wear based on your standards for normal use and for mileage in excess of total miles over the scheduled Lease Term of 45,012 miles, at the rate of 20 cents per mile.

**12. Purchase Option at End of Lease Term.** I have an option to purchase the Vehicle ("as is") at the Scheduled Termination of the Lease for its Residual Value of \$ 33,522.50. The purchase option price does not include official fees, such as those for taxes, title, registration and license/tags. See Section 30 for more information.

**Other Important Terms.** See the front and back of this Lease for additional information on early termination, purchase options, and maintenance responsibilities, warranties, default charges, insurance, and any security interest, if applicable.

**IF I DO NOT MEET MY OBLIGATIONS UNDER THIS LEASE, YOU MAY REPOSSESS THE VEHICLE.**

**13. ITEMIZATION OF GROSS CAPITALIZED COST**

A. Agreed Upon Value of Vehicle	\$ 57,672.47	L. Other	\$ 0.00
B. Initial Title, License & Registration Fees	\$ 557.95	M. Other	\$ 0.00
C. Sales/Use Tax	\$ 0.00	N. Other	\$ 0.00
D. Federal Luxury Tax	\$ 0.00	O. Other	\$
E. Sales Tax on Capitalized Cost Reduction	\$ 0.00	P. Other	\$
F. Maintenance Agreement	\$ 0.00	Q. Other	\$
G. Mechanical Breakdown Protection	\$ 0.00	R. Other	\$
H. Extended Warranty	\$ 0.00	S. Other	\$
I. Prior Credit or Lease Balance*	\$ 0.00	T. Other	\$
J. GA New Vehicle Arb Fee	\$ 0.00	U. Other	\$
K. Acquisition Fee	\$ 925.00		
		<b>TOTAL</b>	\$ 59,155.42

\*Leave blank unless Lessor has paid prior credit or lease balance.

**14. ESTIMATED OFFICIAL FEES AND TAXES**

\$ 4,011.31 This is an estimate of the total amount I agree to pay for official and license fees, registration, title and taxes (including personal property taxes) over the Lease Term including any extensions of the Lease Term, whether included in my Monthly Payment, Amount Due at Lease Signing or Delivery, or separately billed. The actual total of Official Fees and Taxes may be higher or lower, depending on the tax rates in effect or the value of the Vehicle at the time a fee or tax is assessed. This estimate is based on my Garaging Address and may increase if I move or if tax rates change. For some of these items, we may invoice you after the taxing authority has billed us, sometimes after the lease terminates.

**15. OPTIONAL PRODUCTS AND SERVICES**

I am not required to buy any of the optional products and services listed below. These products and/or services will not be provided unless I check the appropriate box, fill in all necessary information, initial below and I am accepted by the provider. Because these products and/or services are not provided by the Lessor, I understand that I must pursue all related matters, including refunds, through the listed Provider. By initialing below, I agree that I have received and read a notice of the terms of the product or service and I want to obtain the product or service for the charge shown. A portion of the charge may be retained by Lessor (Center).

<input type="checkbox"/> Maintenance Agreement	Provider _____	Term (Months) <u>0</u>	\$ Charge <u>0.00</u>	Lessee/Co-Lessee Initials _____
<input type="checkbox"/> Mechanical Breakdown Protection	Provider _____	Term (Months) <u>0</u>	\$ Charge <u>0.00</u>	Lessee/Co-Lessee Initials _____
<input type="checkbox"/>	Provider _____	Term (Months) _____	\$ Charge <u>0.00</u>	Lessee/Co-Lessee Initials _____

**Mileage Allowance/Refund.**

45,012 I agree to this Mileage Allowance for the term of this Lease. My Monthly Payment and Residual Value for this Lease have been calculated, in part, by Enter Mileage using this Mileage Allowance.

If this box is checked, I have elected a high Mileage Allowance. I may receive a refund of 0 cents per unused mile for the unused miles between 0 miles and 0 miles, unless (a) the Vehicle is destroyed or stolen, (b) I default or terminate this Lease early, (c) I purchase the Vehicle, or (d) the refund is less than \$1. Any refund will be reduced by any amount I owe under this Lease at the Scheduled Termination.

**16. WARRANTIES**

The Vehicle is subject to the following express warranties. If the Vehicle is new, the Vehicle is subject to the standard manufacturer's new vehicle warranty. The Vehicle is also covered by the following, if checked:

- Remainder of the standard manufacturer's new vehicle warranty if the Vehicle is not a new vehicle.
- 

UNLESS A LESSOR'S WARRANTY IS DISCLOSED ABOVE, LESSOR, TO THE EXTENT PERMITTED BY LAW, (1) MAKES NO WARRANTIES OR REPRESENTATIONS, EITHER EXPRESSED OR IMPLIED, AS TO THE VEHICLE OR ANY OF ITS PARTS OR ACCESSORIES AND (2) MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE VEHICLE FOR ANY PARTICULAR PURPOSE. I ACKNOWLEDGE THAT I AM LEASING THE VEHICLE FROM THE LESSOR "AS IS."

**17. INSURANCE VERIFICATION**

I agree to maintain the insurance coverage described in Section 23. I affirm that such insurance is in force on the date of this Lease. I authorize Lessor and its assignees to speak to my insurance agent or company, and any future insurance agents or companies, about my coverage for the leased Vehicle.

USAA Insurance Company	Policy No. _____	Coverage Verified (Center Employee's initials) _____
USAA Agent Name	9800 FREDERICKSBURG RD SAN ANTONIO TX 78288 Address	(800)531-8111 Phone No.

All matters regarding insurance should be sent by e-mail to insuranceinfo@bmwfs.com; or faxed to 888-725-8456.

**18. LESSEE NOTICES AND SIGNATURES**

By signing below, I acknowledge that:

- This Lease is completely filled out;
- I have no ownership rights in the Vehicle and I do not intend to exercise my option to purchase the Vehicle;
- I have read \_\_\_\_\_ its terms; and
- I have received \_\_\_\_\_

X _____ Lessor	X _____ Lessee
By (Print Name & Title if Corporation)	By (Print Name & Title if Corporation)

**19. GUARANTY**

I jointly and severally guarantee payment and performance of all promises contained in this Lease. Upon default, Lessor may proceed immediately against me without first proceeding against the Lessee. My liability will be unconditional and will not be affected by any settlement, extension, renewal or modification of this Lease whether or not by operation of law. I waive all right to notices of every kind, including rights to demand and presentment. I agree to pay all expenses (including reasonable attorney's fees and legal expenses) you incur if you have to enforce this Guaranty.

Guarantor's Signature: X \_\_\_\_\_

Guarantor's Signature: X \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

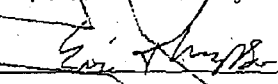
Address \_\_\_\_\_

Address \_\_\_\_\_

**20. LESSOR'S ACCEPTANCE AND ASSIGNMENT**

By signing below, Lessor (1) accepts the terms, conditions and obligations of this Lease and (2) assigns all right, title and interest in the Vehicle and this Lease to the Assignee listed in Section 2 above. This Lease, including all amounts to become due under it, and any guaranty, are subject to the provisions of the Center Agreement between Lessor and BMW FS.

Lessor Name VALLEY AUTO WORLD, INC

Signature of Authorized Representative 

**MY OBLIGATIONS DURING THIS LEASE**

**21. Vehicle Use.** I agree not to use (or permit others to use) the Vehicle: (a) in any way that violates the law or the terms of my insurance policy or this Lease; (b) to transport goods or people for hire, lease or rental to others; (c) outside the state where it was first titled for more than 30 days without your prior written consent; (d) outside the United States, except for less than 30 days in Canada; (e) allow an uninsured person to operate the Vehicle at any time, or allow any third party, other than my spouse, to operate the Vehicle without written permission from you. I will not physically change the Vehicle's body or interior in any way unless I first get your written consent.

**22. Vehicle Maintenance, Service, Repairs, and Reconditioning.** I agree to maintain, service, repair, and recondition the Vehicle during the Lease Term with new and genuine manufacturer's original equipment replacement parts as recommended in the Vehicle owner's manual. I will keep complete maintenance records and return them with the Vehicle.

I am responsible for repairs of all collision, accident, and other physical damage that is not a result of normal wear and use. These repairs include, but are not limited to, those necessary to return the Vehicle to its pre-damage condition, including, but not limited to, repairing damage to exterior panels and components, structural components; vehicle safety systems such as airbag systems and seatbelts; and the Vehicle's interior. All repairs must be made with new and genuine manufacturer's original equipment replacement parts. Discuss these requirements with your insurance company prior to signing your insurance agreement, damage repair estimate, or before authorizing any damage repair work. If I have not had the repairs made before the Vehicle is returned at or before the end of the scheduled Lease Term, I will pay the estimated cost of such repairs to restore the Vehicle to its pre-damage condition, even if the repairs are made after the Vehicle is returned.

If the Vehicle's odometer becomes inoperative or malfunctions, I agree to notify you and have the odometer repaired within 30 days. I agree not to make any alterations that decrease the Vehicle's value or usefulness or that violate the law. If I add non-standard equipment to the Vehicle, I will return it to original manufacturer specifications before the end of the Lease Term. If the non-standard equipment cannot be removed or modified without decreasing the Vehicle's value or usefulness when the Vehicle is returned to you, the equipment will become your property, and I may be billed in accordance with Section 35 below. You may inspect the Vehicle at any reasonable time.

**NO PHYSICAL DAMAGE OR LIABILITY INSURANCE COVERAGE FOR BODILY INJURY OR PROPERTY DAMAGE CAUSED TO OTHERS IS INCLUDED IN THIS LEASE.**

**23. Required Insurance.** During the term of this Lease and until I return the Vehicle, I agree to maintain the following types and amounts of primary insurance: (a) personal liability for bodily injury or death to any one person for not less than \$100,000 and for any one occurrence for not less than \$300,000; (b) property damage liability for not less than \$50,000; (c) comprehensive liability, including fire and theft, for the Vehicle's actual value (payable in cash and

not by a replacement vehicle) with a maximum deductible of \$1,000; (d) collision liability for the Vehicle's actual value (payable in cash and not by a replacement vehicle) with a maximum deductible of \$1,000. The coverage will name you as an additional insured and loss payee. I will provide you with at least 30 days advance notice of cancellation. You have the right to endorse my name on any insurance check or settlement you receive. You also have the right to speak to my insurance company about my insurance coverage.

Except to the extent required by the motor vehicle financial responsibility laws of the applicable state or otherwise by law, I acknowledge that you do not extend any of your motor vehicle financial responsibility or provide insurance coverage to me, any authorized additional driver(s), passengers or third parties through this Lease. If valid automobile liability insurance or self insurance is available on any basis for me, additional authorized driver(s) or any other driver and such insurance or self insurance satisfies the applicable state motor vehicle financial responsibility law, then you extend none of your motor vehicle financial responsibility. However, if I and any additional authorized driver(s) are in compliance with the terms and conditions of this Lease and if you are obligated to extend your motor vehicle financial responsibility to me, any additional authorized driver(s) or third parties, then your obligation is limited to the applicable state minimum financial responsibility amounts. Unless required by law, your financial responsibility shall not extend to any claim made by passenger while riding in or on or getting in or out of Vehicle. Your financial responsibility shall not extend to liability imposed or assumed by anyone under any worker's compensation act, plan or contract.

Except as required by law, you do not provide Personal Injury Protection, No Fault Benefits or Medical Payment Coverage (PIP) or Uninsured/Underinsured Motorist Protection (UM/UIM) through this Lease. If you are required by law to provide PIP and/or UM/UIM, I expressly select such protection in the minimum limits with maximum deductible and expressly waive and reject PIP and/or UM/UIM limits in excess of the minimum limits required by law.

**24. Registration, Titling, and Taxes.** I agree to pay registration, title, license, inspection fees and other official fees and taxes in connection with the Vehicle when due. You may, at your discretion, pay these fees or taxes to protect your interest in the Vehicle. If you pay such fees or taxes on my behalf, I agree to reimburse you when I am billed. If I fail to reimburse you within 60 days after I am billed, then I will pay you a monthly late charge, until the unpaid balance of the fees and taxes has been paid in full. The amount of each such late charge will not exceed 1.5% of the outstanding unpaid balance of the fees and taxes then due, or the maximum amount permitted by law, whichever is less. The remedies described in this Section 24 are in addition to any remedies you may have pursuant to Section 26.

If I move to another location during the Lease Term or it becomes necessary for you to correct any title or registration deficiencies, or to perfect your interest in the Vehicle, whether as a result of my failure to cooperate or other action or inaction on my part, I agree to pay you a \$30 service charge in addition to the actual fees or taxes, unless prohibited by law, to process registration, title and license documents.

**25. Payments, Late Charge, Returned Payment Charge, Fines, and Traffic Tickets.** If you do not receive my total Monthly Payment within 10 days after it is due, I agree to pay a late charge of \$30 or 5% of the amount of the payment that is late, whichever is greater, but not to exceed any limit under applicable law. If any payment is returned to you unpaid for any reason, or if any electronic debit authorization is not paid, I agree to pay you a \$30 service charge per item when I am billed. However, if I enter into this lease in AR, AZ, MI, MO, NC, NV, ND, or OR, I agree to pay \$25 per item. Or, if I enter into this lease in ID or PA, I agree to pay \$20 per item. Or, if I enter into this lease in SD, I agree to pay \$40 per item.

If you receive notice of any third-party charges related to the Vehicle (including but not limited to fines, traffic tickets, parking tickets, toll violations, towing fees, storage fees, or repair bills), I will pay you a \$30 service charge per item whether or not you pay such third-party charges. You may, at your discretion, pay these charges to protect your interest in the Vehicle. If you pay such charges on my behalf, I agree to reimburse you when I am billed. If I fail to reimburse you within 60 days after I am billed, then I will pay you a monthly late charge, until the unpaid balance of such third-party charges has been paid in full. The amount of each such late charge will not exceed 1.5% of the outstanding unpaid balance of the fees and taxes then due, or the maximum amount permitted by law, whichever is less. I further agree to pay you any and all costs you incur associated with my failure to pay such fines, charges or traffic tickets, including legal costs and reasonable attorneys' fees as allowed by applicable law. The remedies described in this Section 25 are in addition to any remedies you may have pursuant to Section 26.

**26. Default and Remedies.** I will be in default under this Lease if:

- I fail to make a Monthly Payment when due;
- I fail to maintain the required insurance;
- I fail to return the Vehicle at the end of the Lease term;
- I fail to keep any of my promises under this Lease;
- I abandon the Vehicle;
- I or a guarantor become(s) insolvent or die(s); or
- any information in my credit application or a guarantor's credit application is false or misleading.

If I am in default, you may do any or all of the following:

- Terminate this Lease and my rights to possess and use the Vehicle;
- Take possession of the Vehicle by any method permitted by law;
- Pursue any other remedy permitted by law;
- Dispose of any personal or other property in the Vehicle at the time of repossession if I do not reclaim it within 10 days;
- Require that I pay the sum of: (1) any past due Monthly Payments; plus (2) any official fees and taxes assessed or billed in connection with this Lease and the Vehicle and any other amounts needed to satisfy my obligations under this Lease except Excess Wear and Use and Excess Mileage charges; plus (3) the amount by which the Adjusted Lease Balance (explained in Section 33) exceeds the Realized Value of the Vehicle (Section 34); plus (4) all of your expenses for taking these actions, including, but not limited to expenses for repossession, transportation, storage, and/or sale of the Vehicle; plus (5) all

fees and costs of collections, including reasonable attorneys' fees, court costs, interest, and other related expenses for all losses you incur in connection with my default of this Lease. Furthermore, if I do not pay these amounts when you ask, you may charge me interest at a rate not exceeding the highest lawful rate until I pay;

- If the vehicle has an electronic tracking device, I agree that you may use the device to find the vehicle.

**27. Vehicle Loss or Damage.** I agree to immediately notify you if the Vehicle is damaged or destroyed in an accident, stolen, abandoned, or taken by a police or other governmental agency. In that event, you reserve the right to terminate this Lease and my liability will, either be: (a) calculated under Section 28 below, if I am in compliance with my insurance obligations; or (b) calculated under Section 26 above, if I am not in compliance with my insurance obligations. If the Vehicle is stolen or destroyed, another vehicle may be substituted in its place only if you agree to the substitution. You have no obligation to provide a substitution vehicle. If the Vehicle is damaged and you do not terminate this Lease because the Vehicle is reasonably repairable, I agree to make the repairs in accordance with Section 22 above at my expense.

**28. "Gap Amount" Waiver.** If I am in compliance with my insurance obligations under this Lease and the Vehicle is damaged, stolen or destroyed and considered a total loss under my insurance coverage, I will not be obligated to pay you the gap amount (the difference between the Adjusted Lease Balance and the actual cash value of the Vehicle as of the date of loss) if the claim for total loss is actually paid to you by my insurance company. However, I will be obligated to pay you: (1) any and all amounts due and owing needed to satisfy my obligations under this Lease (including past due Monthly Payments and any official fees and taxes assessed or billed in connection with this Lease and the Vehicle); plus (2) any amounts (including Monthly Payments) that become due pending receipt of the insurance proceeds; plus (3) the deductible amount under my insurance policy; plus (4) any amounts deducted from the actual cash value of the Vehicle by the insurance carrier. If as of the date of loss, I do not have a physical damage insurance policy that complies with the insurance requirements set forth in this Lease, no gap amount waiver applies and the amount of my liability will be determined as set forth in Section 26.

**29. Power of Attorney.** I appoint you, to the extent permitted by law, through your officer or employee, as my attorney-in-fact. My grant of this power of attorney is coupled with an interest, and is irrevocable until all obligations I owe under this Lease are paid in full. As my attorney-in-fact, you can sign on my behalf all Certificates of Ownership, Registration Cards, applications, affidavits, or any other documents required to register and properly perfect your interest in the Vehicle; transfer my entire interest in the Vehicle as part of a repossession and sale; act on my behalf in insurance matters relating to the Vehicle, including, but not limited to, the power to endorse insurance proceeds checks or drafts on my behalf, and cancel any Credit Life, Credit Disability, GAP Coverage, Extended Warranty, or other optional insurance financed under this Lease, and apply the refunded premium or cost to my outstanding balance if I am in default. Should an original power of attorney be necessary to accomplish any of the preceding, I agree to execute a separate identical power of attorney doc-

## ENDING MY LEASE

**30. Purchase Option.** I have an option to purchase the Vehicle AS-IS, WHERE-IS. If I want to buy the Vehicle, I will notify you in advance and agree to complete any documents you require for the purchase. I also agree to re-register and re-title the Vehicle at my own expense in my name at the time I purchase it. If I fail to do so, you reserve the right to cancel the registration. At the Scheduled Termination of the Lease, the purchase price will be the Residual Value (Section 10.D). Prior to the end of the Lease Term, the purchase price will be the Adjusted Lease Balance (Section 33). In either case, I agree to also pay any other amounts due or outstanding under the Lease at the time of purchase such as any official fees, unpaid Monthly Payments or late charges.

**31. Vehicle Return.** If I do not purchase the Vehicle, I agree to return it to the place you specify with all parts and accessories and in good working order. Upon return, I agree to complete and sign an odometer disclosure statement and a vehicle inspection report, which may be used in determining any excess wear and use and/or excess mileage. If I do not return the Vehicle at the end of my Lease Term, I am in default and will continue to pay an amount equal to the Monthly Payment for each month until the time that I return the Vehicle. Payment of this amount does not give me the right to keep the Vehicle nor does it automatically extend this Lease.

**32. Scheduled Termination of the Lease.** Unless I terminate my Lease early or purchase the Vehicle, my Lease will terminate on the Scheduled Maturity Date, at which time, I agree to pay you: (a) a \$350 Disposition Fee, plus (b) any unpaid Monthly Payments then due and/or other amounts needed to satisfy my obligations under this Lease, plus (c) any Excess Mileage and Excess Wear and Use charges (Section 11), plus (d) any official fees or taxes assessed or billed in connection with this Lease.

**33. Early Termination of the Lease.** I may terminate this Lease at any time by purchasing the Vehicle (Section 30) or by returning the Vehicle to a location selected by you; if I am in full compliance with the Lease and satisfy all of my Early Termination obligations. If I do not purchase the Vehicle, I may choose one of the following options to determine my Early Termination liability:

**Option A.** I agree to pay the sum of: (1) all remaining Monthly Payments; plus (2) any past due Monthly Payments; plus (3) any official fees and taxes assessed or billed in connection with this Lease and the Vehicle and any other amounts needed to satisfy my obligations under this Lease; plus (4) any Excess Wear and Use and Mileage Charges; plus (5) a \$350 Disposition Fee.

**Option B.** I agree to pay the sum of: (1) any past due Monthly Payments; plus (2) any official fees and taxes assessed or billed in connection with this Lease and the Vehicle and any other amounts needed to satisfy my obligations under this Lease except Excess Wear and Use and Excess Mileage charges; plus (3) a \$350 Disposition Fee; plus (4) the amount by which the Adjusted Lease Balance (explained below) exceeds the Realized Value of the Vehicle (Section 34). However, should my Early Termination Liability calculated under this Option exceed what I would have owed had I selected Option A, you will waive the difference and my liability will be capped at Option A.

Under either option, you may apply some or all of my Security Deposit to what I owe and I will remain liable for personal property taxes that may be assessed and/or billed after the Lease terminates.

The "Adjusted Lease Balance" is determined at any given time by sub-

tracking the scheduled Base Monthly Payments received through the early termination date from the Adjusted Capitalized Cost and adding to the difference the cumulative Rent Charge received through the early termination date. The Rent Charge is calculated according to the "constant yield method". Under the constant yield method, each month's rent charge is earned in advance by multiplying the constant rate implicit in the Lease times the Adjusted Lease Balance. The Rent Charge calculations are based on the assumption that Lessor will receive the Monthly Payments on the exact due dates.

**34. Realized Value of the Vehicle.** For the purpose of calculating my Early Termination liability (Section 33), the Realized Value of the Vehicle is (a) the price you receive for the Vehicle upon disposition in a commercially reasonable manner or (b) a price agreed to by you and me in a separate writing. If the Vehicle is a total loss as set forth in Section 27 above, the amount of any deductible and the proceeds of the settlement of the insurance claim you receive are the "Realized Value." The Realized Value may also be determined by an appraisal of the wholesale value of the Vehicle, which I may obtain, at my own expense from a professional, independent appraiser agreeable to both of us. If I obtain such an appraisal within 10 days after the Vehicle is returned to you, the appraisal will be the final and binding Realized Value.

**35. Excessive Wear and Use.** I agree to pay you the costs of all repairs to the Vehicle that are not the result of normal wear and use, whether or not you actu-

- ally repair the Vehicle. Excessive wear and use includes, but is not limited to:
- (a) inoperative electrical or mechanical parts;
  - (b) dented, scratched, chipped, rusted, pitted, broken or mismatched body parts, paint, vehicle identification items, trim or grill work;
  - (c) non-functioning, scratched, cracked, pitted or broken glass or lights;
  - (d) missing equipment, parts, accessories or adornments;
  - (e) torn, damaged, burned, or stained interior;
  - (f) repair of any damage that makes the Vehicle unlawful or unsafe to drive;
  - (g) damage due to installation or removal of non-manufacturer, after-market or replacement parts;
  - (h) damage (including damage to the engine) due to failure to maintain the Vehicle in accordance with Section 22; or
  - (i) tires with tread depth of less than 1/8" remaining at the shallowest point, and/or tires that are not all of the same grade, quantity or quality as those delivered with the Vehicle.

If I fail to pay any excess wear and use, excess mileage or other lease end charges within thirty days of the due date indicated on my end of lease bill, I will pay you interest on the unpaid balance of these charges at the rate of 18 percent per annum, if permitted by law, or the maximum rate permitted, until paid in full.

I agree to pay state and local taxes that may be due on amounts owed for lease end charges, including but not limited to excess wear and use and excess mileage fees.

#### ADDITIONAL INFORMATION

**36. Indemnification.** I agree to indemnify, defend and hold you harmless from all claims, liabilities, suits, losses, damages and expenses (including attorney's fees and court costs) arising out of the condition, maintenance, use, ownership or operation of the Vehicle, including claims made under the strict liability doctrine.

**37. Refundable Security Deposit.** You may use some or all of my Security Deposit to pay any amount I owe under this Lease at the end of my Lease Term or upon early termination of the Lease. I will not earn any interest on my Security Deposit. After I have paid all my obligations under this Lease, you will refund to me any part of my Security Deposit that is not used to pay what I owe you.

**38. Assignment.** You may assign your interests under this Lease without my consent. I MAY NOT TRANSFER OR SUBLEASE THIS VEHICLE TO A THIRD PARTY OR ASSIGN THE LEASE OR ANY RIGHTS UNDER IT WITHOUT YOUR PRIOR WRITTEN APPROVAL, WHICH YOU MAY WITHHOLD IN YOUR SOLE JUDGMENT.

**39. Notices.** All correspondence and notices will be sent to me at my Billing Address shown on this Lease unless I give you a different address in writing.

**40. Other Terms. Waiver.** I may waive or delay enforcement of my rights under this Lease without affecting my rights on future defaults. **Severability.** Any part of this Lease that is not enforceable shall not affect the validity of the remainder of this Lease. **Joint Liability.** If more than one Lessee signs this Lease, each Lessee shall be jointly and severally liable for all obligations under this Lease. **Choice of Law.** Except as may otherwise be provided by law, this Lease will be subject to the laws of the state where I sign it. In the event that both parties agree not to arbitrate in accordance with Section 41 below, any dispute shall be brought in a court located in the state of Lessor's place of business. **Entire Agreement.** This Lease describes all agreements between us with respect to the Lease of the Vehicle. All prior agreements, whether oral or in writing, are superseded. **Maintaining Payments.** I may not change or stop any Monthly Payments for any reason, even if I do not receive an invoice, and even if the Vehicle is stolen, destroyed, seized by the government or the court, experiences mechanical problems, or does not satisfactorily perform. **Lessee's Warranties.** I represent that my driver's license and the driver's license of any authorized driver has not been revoked or suspended within the last 5 years. I promise that I have given a true Amount Owed for any vehicle traded in. If the correct Prior Credit or Lease Balance is more than the amount shown in Section 4.B, I agree to pay you the excess amount upon demand. **Personal Property.** Lessor shall not be responsible at any time for any personal property in the Vehicle. **Escheatment.** If for any reason you need to escheat any of my funds to an unclaimed funds department, you may retain such fee as is allowable per state law.

#### 41. ARBITRATION CLAUSE

##### PLEASE REVIEW - IMPORTANT - AFFECTS MY LEGAL RIGHTS

**NOTICE:** Either you or I may choose to have any dispute between us decided by arbitration and not in a court or by jury trial. If a dispute is arbitrated, I will give up my right to participate as a class representative or class member on any class claim I may have against you including any right to class arbitration or any consolidation of individual arbitrations. Discovery and rights to appeal in arbitration are generally more limited than in a lawsuit, and other rights you and I would have in court may not be available in arbitration.

Any claim or dispute, whether in contract, tort, statute or otherwise (including the interpretation and scope of this clause, and the arbitrability of the claim or dispute), between me and you or your employees, agents, successors or assigns, which arise out of or relate to my credit application, lease, purchase or condition of this Vehicle, this Lease or any resulting transaction or relationship (including any such relationship with third parties who do not sign this Lease) shall, at your or my election, be resolved by neutral, binding arbitration and not by a court action. Any claim or dispute is to be arbitrated by a single arbitrator on an individual basis and not as a class action or other mass action. I expressly waive any right I may have to arbitrate a class action. I may choose the following arbitration organization and its applicable rules: the National Arbitration Forum, Box 50191, Minneapolis, MN 55405-0191 ([www.adforum.com](http://www.adforum.com)), or any organization that I may choose subject to your approval. I may get a copy of the rules of these organizations by contacting the arbitration organization or visiting its website.

Arbitrators shall be attorneys or retired judges and shall be selected pursuant to the applicable rules. The arbitrator shall apply governing substantive law in making an award. The arbitration hearing shall be conducted in the federal district in which I reside unless the Lessor is a party to the claim or dispute; in which case the hearing will be held in the federal district where this Lease was executed. The arbitrator shall be empowered as permitted under the Rules of the National Arbitration Forum to award equitable relief as well as legal relief, to provide all temporary and/or provisional remedies and to enter equitable orders that will be binding upon the parties. Any award or dispositive order of the arbitrator may be entered as a judgment in any court having jurisdiction. We agree that either you or I may, without objection, request an expedited hearing under the applicable rules.

You will advance my filing, administration, service or case management fee and my arbitrator or hearing fee all up to a maximum of \$1500, which may be reimbursed by decision of the arbitrator at the arbitrator's discretion. Each party shall be responsible for its own attorney, expert and other fees, unless awarded by the arbitrator under applicable law. If the chosen arbitration organization's rules conflict with this clause, then the provisions of this clause shall control. The arbitrator's award shall be final and binding on all parties, except that in the event the arbitrator's award for a party is \$0 or against a party is in excess of \$100,000, or includes an award of injunctive relief against a party, that party may request a new arbitration under the rules of the arbitration organization by a three-arbitrator panel. The appealing party, requesting new arbitration shall be responsible for the filing fee and other arbitration costs subject to a final determination by the arbitrators of a fair apportionment of costs. Any arbitration under this Arbitration Clause shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et. seq.) and not by any state law concerning arbitration; however, the governing law as to the substantive issues of the Lease and Vehicle shall be the law of the state in which this Lease was executed.

You and I may retain any rights to self-help remedies, such as repossession. Neither you nor I waive the right to arbitrate by using self-help remedies or filing suit. Any court having jurisdiction may enter judgment on the arbitrator's award. This clause shall survive any termination, payoff or transfer of this Lease. If any part of this Arbitration Clause, other than waivers of class action rights, is deemed or found to be unenforceable for any reason, the remainder shall remain enforceable.

Notwithstanding any other provision for notice contained in the Lease, any arbitration claim or other notice provided under the rules of the arbitration admin-

istrator will be given to you at the following address: If my claim is against the Lessor, I agree that notice of my claim will be given to the Lessor at the address specified in Section 1 of this Lease. If my claim is against the Assignee (designated in Section 2 of this Lease), I agree that notice of my claim will be given at 5550 Britton Parkway, Hilliard, OH 43026. If my claim is against both Lessor and Assignee, I agree that both Lessor and Assignee will be notified of my claim at the addresses indicated herein.

COPY

**CONSENT TO SIGN CONTRACT and RELATED INFORMATION ELECTRONICALLY**

Buyer/Lessee: \_\_\_\_\_

Co-Buyer/Co-Lessee: \_\_\_\_\_

Guarantor/Co-Signer: \_\_\_\_\_

Date: 6/22/2013

VIN: 5UXZV4C59D0 \_\_\_\_\_

VALLEY AUTO WORLD, INC ("Dealer") may be required by law to provide one or more of the persons named above (individually and collectively, "I," "me," "my" or "Obligor") certain written notices, disclosures, contracts and/or other documents (individually and collectively, "Information") in connection with my automobile retail installment sale or lease transaction (my "Transaction"). By signing below, I consent to enter into my Transaction by electronically signing documents that evidence, represent, include, and/or contain Information relating to the Transaction. By signing below, I also acknowledge receiving from Dealer paper copies of all documents I electronically sign that evidence, represent, include, and/or contain Information relating to the Transaction, and I agree to keep those paper copies for my records.

**By signing below, I agree to the terms and conditions of this "Consent to Sign Contract and Related Information Electronically."** I also consent and understand that my electronic signature on any document that evidences, represents, includes, and/or contains Information relating to the Transaction signifies my intent to enter into the Transaction and my agreement to the terms and conditions of each of those documents. I also agree that if any Information is converted into a paper copy which is marked by Dealer, or its Assignee, as the original (the "Paper Information"), then I acknowledge and agree that (1) my signing of this Consent and Information with my electronic signature also constitutes issuance and delivery of such Paper Information; (2) my electronic signature associated with this Information, when affixed to the Paper Information, constitutes my legally valid and binding signature on the Paper Information and (3) subsequent to such conversion, my obligations will be evidenced by the Paper Information alone.

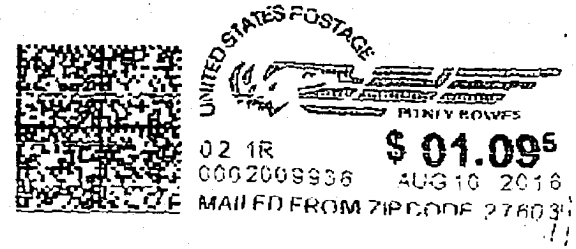
Buyer/Lessee: **X** \_\_\_\_\_

Co-Buyer/Co-Lessee: **X** \_\_\_\_\_

Guarantor/Co-Signer: **X** \_\_\_\_\_

Other Obligor(s): **X** \_\_\_\_\_

STATE OF NORTH CAROLINA  
DEPARTMENT OF JUSTICE  
ATTN Consumer Protection  
9001 Mail Service Center  
Raleigh, NC 27699-9001



NJ Office of Attorney General  
Division of Consumer Affairs  
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