

March 4, 2016

To Whom it may concern:

Hello, my name is Lori Haley and I work in the assurance (audit) space as a Partner at DHG Dealerships, the national dealership practice of Dixon Hughes Goodman. I have spent the vast majority of my time with the firm over the past 7 years working exclusively with automotive dealerships and dealer groups. Our firm works with more than 2,000 rooftop dealerships in all 50 states, including 6 of the top 10 dealership groups. We know the business well and I believe that positions us to provide some meaningful and fact based insights into this issue.

I feel strongly about writing this letter to voice my concerns and thoughts as a response to the FTC Workshop that was held in Washington DC on Jan. 19, 2016. Our firm sent a representative to the workshop and his feedback, along with feedback from many of our industry friends that were in attendance, concerns me. It seems like the general consensus from many of the speakers at the workshop is they feel it is time to repeal the state level legislation that protects the dealership franchise system. They are seeming to imply that dealers are now on a level playing field with the OEMs and that the laws and regulations which have protected this very effective franchise system for many years are no longer needed. From what I see and experience first- hand working with dealers daily in this business, I can attest to the fact that the OEMs still have tremendous influence over the franchised dealers, without respect to size.

Dealers are not in a position to negotiate with the OEMs as the OEMs exercise almost complete control over their dealers. A few examples of this are:

- The franchised dealer's business model is disproportionately capital intensive. Dealers are required to adhere to net working capital standards established, adjusted, and monitored by the OEMs.
- This business model has disproportionately more frozen capital (large single purpose real property) for large and small dealers alike. And the OEMs exert tremendous influence over what those facilities must look like with respect to image programs which require ongoing investments in their real property.
- Many incentive programs are tied directly back to training, personnel and facility investments mandated by the OEMs in order to be eligible to receive these incentives. The dealers put themselves at a competitive disadvantage in the marketplace if they do not "go along" with these programs.

- And as a final thought, it is very common in this industry to see owners of many of these dealerships have so much of their personal wealth tied up in their stores that they are not in a position to be able to challenge the manufacturer.

I offer a few more thoughts here as to the unique model that exists within automotive retail, with respect to the control of OEMs, from my experience.

- Pressure to take excess OEM production and/or pressures to take undesirable inventory
- With respect to facility/image upgrades, the requirements from OEMs to use specified OEM vendors and not have the ability to competitively price alternative vendor options.
- Unrequested sign rental
- Charges on the parts statement that are not requested or initiated by the dealer like special parts and tools
- Requirements by the OEM for specific dealership employee training
- Denial of succession in a family-based business (often at extremely stressful times for the business)

It was my intention here to provide practical, fact-based examples of what dealers face every day in their businesses as they operate within this franchise system and in relationship with the OEMs. I think it is important that those making decisions about such an important matter be properly informed. I appreciate your time and hope that this information will be of assistance to the FTC.

Thank you,

Lori A. Haley, CPA

Partner, DHG Dealerships