

**An Open Letter to VADA Mercedes Dealer Members**

March 29, 2011

Good afternoon.

You may have received a communication from Mercedes concerning the recent franchise legislation passed by the General Assembly asking you to contact the Governor's office to request that the allocations section of the bill be amended to suit the manufacturers. You should not do so.

It was always VADA's intent, and the clear purpose of the patrons that worked so tirelessly on the bill, to create an allocation provision that includes a standard required by the Virginia Supreme Court in a recent franchise case while not micromanaging any franchisor's allocation system. We believe that the bill does that.

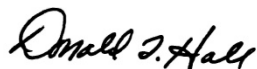
**Let us state clearly the effect of this statute: As long as a manufacturer has an allocation system and operates according to its system without manipulating it to withhold vehicles to punish or manipulate a dealer, this statute will not affect that manufacturer's system.**

The new bill gives a manufacturer total control over its own allocation system. We very carefully used the phrase "objectives or goals established by the franchisor" without defining those terms or limiting them to some fixed time period such as "annual objectives" to provide maximum flexibility to manufacturers in using their own allocation systems. **A manufacturer can set annual objectives or monthly objectives. Or it can let a turn and earn system set monthly goals that a dealer will have to "turn" the vehicles it "earned" through previous performance to continue to "earn" more vehicle through the allocation process.**

The new bill will have no impact on any manufacturer's present allocation system, except when the manufacturer attempts to interfere with its own system by withholding vehicles a dealer has earned or to which the manufacturer's own allocation system says the dealer is entitled in order to punish or manipulate the dealer.

If you have any questions, please feel free to contact me at the VADA at 804/545-3004. Thank you.

Sincerely,



Donald L. Hall  
President