



SHAUN K. PETERSEN  
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September 23, 2013

Via Certified Mail and E-mail

Gerald E. Drouillard  
President  
Michigan Independent Automobile Dealers Association  
55 E. Long Rd., PMB 233  
Troy, MI 48085  
gd999@hotmail.com

Re: Affiliation Agreement with NIADA

Dear Mr. Drouillard,

I write as follow-up to my letter dated July 22, 2013. As I mentioned, the National Independent Automobile Dealers Association (NIADA) Executive Committee was convening in late August for its board meeting, and the subject of the affiliation agreement between NIADA and the Michigan Independent Automobile Dealers Association (MIADA) was going to be discussed at that time. I indicated that I would respond with NIADA's position regarding this issue at some point after the NIADA board meeting.

The NIADA Executive Committee continues to be baffled with what appears to be a blatant violation of the Affiliation Agreement between NIADA and MIADA. Moreover, we are concerned with several statements in your May 21, 2013 letter that do not paint an accurate picture of what actually happened in this case.

As you know, the Affiliation Agreement between NIADA and MIADA requires each party to promote and retain members in the interests of both parties. This is accomplished in part through the current membership and dues collection structure provided for in the Affiliation Agreement. The Agreement specifically states that when either MIADA or NIADA accepts a member into its association, then MIADA or NIADA must simultaneously offer the other association the option to accept that member into the affiliated association. Moreover, if a member enrolls with MIADA, then MIADA is bound by the Agreement to collect dues on behalf of NIADA and transmit the NIADA portion of the dues to NIADA not later than the 10<sup>th</sup> of the month following collection. NIADA is likewise obligated to transmit the MIADA portion of the dues when a member in Michigan signs up directly with NIADA.

By accepting members into the MIADA without remitting \$60 per member to the NIADA, regardless of how much MIADA collected for the membership, the MIADA Board has breached the Affiliation Agreement. This membership process does not promote and retain members in the best interests of either MIADA or NIADA. NIADA has not been offered the option to accept those members in NIADA. By attempting to separate MIADA membership from NIADA membership, the Board has patently withheld the opportunity for these new members to join NIADA and has breached the Affiliation Agreement.

Regardless of whether the Board elects to charge new members the MIADA portion of membership dues, MIADA does not have the authority to act on behalf of NIADA by failing to remit the NIADA portion of the membership dues to NIADA. This is a mandatory obligation under the Affiliation Agreement. MIADA's conduct is particularly troubling in light of the fact that these new members are receiving the benefits of NIADA membership without having paid for it. This is unfair to each and every dues paying member of NIADA that has not received a single benefit of NIADA membership until such time as their dues were paid.

Moreover, it is apparent that the MIADA Board did not give consideration to other consequences resulting from this ill-conceived program. A trade association organized as a non-profit entity under section 501(c)(6) of the IRS code cannot provide the benefits of membership for some at a special rate to the detriment of other members. It is rather evident that by offering all of the benefits of MIADA membership at no cost to some members while requiring other members to pay dues is a detriment to those dealers from whom you extracted membership dues. We are concerned about potential tax liability that may result should the IRS inquire into this inurement given the non-dues paying members.

Upon your installation as officers, you and each board member of the MIADA accepted a charge to be guardians of the association. This includes protecting its assets and ensuring its financial position and soundness against outside scrutiny or audit. We feel this breach of contract and failure to comply with IRS rules and regulations has made the MIADA vulnerable to outside inquiry relating to this free membership program and does not, in our opinion, demonstrate proper discharge of your fiduciary responsibilities. A breach of this nature could result in personal liability against those charged with guarding MIADA's interests and assets.

While we recognize that MIADA is no longer offering the complimentary membership program, as noted in your May 21, 2013 letter, simply offering to stop the program is an insufficient remedy to cure MIADA's breach and does not make NIADA whole. If "only a very few dealers even responded to [MIADA's] offer" as you noted, then perhaps a simple cessation of the program would be sufficient. However, evidence clearly suggests that it was not a "very few dealers." In discussions between Nancy Chapman, MIADA Executive Director, and Steve Jordan, NIADA Executive Vice President, Nancy informed Steve that the number of dealers who accepted the offer totaled approximately 238. Through independent verification, NIADA has confirmed that at least 188 dealers joined MIADA for which MIADA did not transmit the \$60 membership due to NIADA.

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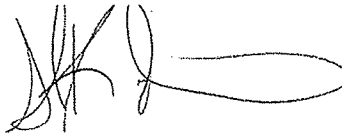
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In order to fully cure this breach, MIADA must remit eleven thousand two hundred eighty dollars (\$11,280) representing the NIADA membership dues for these 188 members plus a sum total of eight hundred fifty dollars (\$850) for late fees for failure to remit those membership dues. You may submit the payment of twelve thousand one hundred thirty dollars (\$12,130), via certified check or money order made payable to the "National Independent Automobile Dealers Association", to my attention at the address listed above not later than 30 days of the date of this letter. Failure to timely remit this payment may result in the NIADA Executive Committee voting to terminate the Affiliation Agreement with MIADA.

NIADA has made multiple efforts to not only bring this matter to MIADA's attention, including numerous phone calls between Mr. Jordan and Ms. Chapman, as well as Mr. Jordan and other members of the MIADA Board of Directors, but also resolve this dispute. Because NIADA recognizes the seriousness of this issue, NIADA President Keith Hagler has appointed a special committee comprised of members from the Executive Committee to address any concerns you might wish to discuss. The committee members include Treasurer Andy Gabler, Region I Vice President Lou Tedeschi, Region III Vice President Gordon Tormohlen, and myself. If you would like to convene a telephone conference or schedule an in person meeting with this committee to discuss the matters raised in this letter and our prior correspondence, we are happy to do so. Simply let me know your preference, and we will do our best to accommodate it.

We look forward to receiving your response within 14 days of receipt of this letter. In the interim, please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'SK Petersen', with a long horizontal flourish extending to the right.

Shaun K. Petersen

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Cc: Keith Hagler, President, NIADA (via email)  
Chris Martin, Chairman, NIADA (via email)  
Mike Linn, CEO Emeritus, NIADA (via email)  
Steve Jordan, Executive Vice President, NIADA (via email)  
Andy Gabler, Treasurer, NIADA (via email)  
Lou Tedeschi, Region I Vice President, NIADA (via email)  
Gordon Tormohlen, Region III Vice President, NIADA (via email)  
Ed Ophoff, Chairman, MIADA (via certified mail)  
Ray Campise, Vice President, MIADA (via certified mail)  
Vince Law, Treasurer, MIADA (via certified mail)  
Ted Cooper, Secretary, MIADA (via certified mail)  
Nancy Chapman, Executive Director, MIADA (via certified mail)