IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

NICK'S GARAGE, INC.,	)	
	)	Civil Action No.
	)	5:12-cv-00777-MAD-DEP
	)	
Plaintiff,	)	
v.	)	
	)	
PROGRESSIVE CASUALTY INSURANCE COMPANY; NATIONAL CONTINENTAL INSURANCE COMPANY; PROGRESSIVE ADVANCED INSURANCE COMPANY; PROGRESSIVE DIRECT INSURANCE COMPANY; PROGRESSIVE MAX INSURANCE COMPANY; PROGRESSIVE NORTHERN INSURANCE COMPANY PROGRESSIVE PREFERRED INSURANCE COMPANY; and PROGRESSIVE SPECIALTY INSURANCE COMPANY,	)	
	)	
Defendants.	)	

DECLARATION OF MICHAEL R. NELSON IN SUPPORT OF DEFENDANTS' MOTION TO EXCLUDE THE EXPERT REPORT AND PROPOSED TESTIMONY OF FREDERIC B. JENNINGS JR., Ph.D.

Michael R. Nelson declares under the penalties of perjury pursuant to 28 U.S.C. § 1746, that the following is true and correct:

1. I am a partner with the law firm Eversheds Sutherland (US) LLP, attorneys for Defendants Progressive Casualty Insurance Company, National Continental Insurance Company, Progressive Advanced Insurance Company, Progressive Direct Insurance Company, Progressive Max Insurance Company, Progressive Northern Insurance Company, Progressive Preferred Insurance Company, and Progressive Specialty Insurance Company ("Defendants" or

"Progressive"), in this action, and as such, I am fully familiar with the facts and circumstances set forth herein. I submit this Declaration in support of Defendants' Motion to Exclude the Expert Report and Proposed Testimony of Frederic B. Jennings., Ph.D. ("Daubert Motion") pursuant to Fed. R. Evid. 702.

2. Submitted in support of Defendants' Daubert Motion are Defendants' Notice of Motion, Defendants' Memorandum of Law in Support, and this Declaration with exhibits.

3. Certain exhibits submitted in support of Defendants' motion contain testimony or documents designated as confidential pursuant to the Stipulated Protective Order, entered in this action on September 5, 2013 (ECF No. 32). Accordingly, Progressive will submit those exhibits designated as "Confidential" under seal in hard copy format to the Court and Plaintiff and request the Court enter an Order placing those exhibits under seal.

4. Attached hereto as Exhibit "A" is a true and correct copy of excerpts from the Deposition Testimony of Frederic B. Jennings Jr., Ph.D. (May 9, 2014), pages 1, 43-45, 52, 72, 78-80, 82, 117, 130, 132, 134-136, 138, 143-148, 197-198, and 202-203.

5. Attached hereto as Exhibit "B" is a true and correct copy of excerpts from the Deposition Testimony of Michael Orso (May 8, 2014), pages 226, and 299-301.

6. Attached hereto as Exhibit "C" is a true and correct copy of the expert report dated March 23, 2014 submitted by Frederic B. Jennings Jr., Ph.D. in the unrelated litigation titled *Mosley v. Geico Insurance Company, et al*., Case No. 3:13-cv-00161-LG-JMR (S.D. Miss.) ("*Mosley*").

7. Attached hereto as Exhibit "D" is a true and correct copy of the expert report dated August 14, 2015 submitted by Frederic B. Jennings Jr., Ph.D. in the unrelated litigation titled *Blue*

Ash Auto Body, Inc., et al. v. Progressive Casualty Insurance Company, et al., Case No. CV-12-791816 (Ohio Court of Common Pleas) ("*Blue Ash*").

8. Attached hereto as Exhibit "E" is a true and correct copy of excerpts from the Deposition Testimony of Frederic B. Jennings Jr., Ph.D. (Oct. 21-22, 2015) taken in the unrelated *Blue Ash* litigation, pages 1, 11-12, 29, 103-104, 117-118, 215-216, 241, 258, and 261-262.

9. Attached hereto as Exhibit "F" is a true and correct copy of the IRS Audits Internal Revenue Manual titled *IRS Audits – Part 4 Examining Process*.

10. Attached hereto as Exhibit "G" is a true and correct copy of the Expert Report of Lauren J. Stiroh, Ph.D. (May 23, 2014) submitted in connection with this litigation.

11. Attached hereto as Exhibit "H" is a true and correct copy of excerpts from the Deposition Testimony of Frederic B. Jennings Jr., Ph.D. (July 17, 2014) taken in the unrelated *Mosley* litigation, pages 1 and 212.

12. Attached hereto as Exhibit "I" is a true and correct copy of Letters to the Editor published in the Bentley College Vanguard dated March 5, 1987 and April 16, 1987, Bates stamped Bentley000006 – Bentley000007.

Dated: New York, New York
February 12, 2018

/s/ Michael R. Nelson
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Declaration of Michael R. Nelson in Support of Defendants' Motion to Exclude the Expert Report and Proposed Testimony of Frederic B. Jennings Jr., Ph.D., was electronically filed with the Clerk of the District Court using the CM/ECF system, which will send notification of such filing to all attorneys of record, on this 12th day of February, 2018.

/s/ Michael R. Nelson

EXHIBIT A

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

NICK'S GARAGE, INC.,
Plaintiff,

-vs-

Civil Action No.:
512-CV-00777-MAD-DEP

PROGRESSIVE CASUALTY INSURANCE COMPANY,
Defendant.

Videotaped Examination Before Trial of FREDERIC B. JENNINGS, JR., Ph.D., held at the offices of Bousquet Holstein, P.L.L.C., Syracuse, New York, on May 9, 2014, before Mary Regina Butwin, Registered Professional Reporter and Notary Public in and for the State of New York.

certain level, a whole story about the relationship between auto insurers and auto body repair shops and automobile owners and policyholders. That's one of the context. 10:08

Q Are there any others? 10:08

A I'm sure there are. You know, there's the context from each person -- from each agent's perspective. There are a whole lot of contexts, but it depends on -- I mean that's why I have trouble answering a general question about the...about the hypothesis. 10:08

Q Sir, I -- I'm having a hard time understanding what the hypothesis was that you tested as it concerned the procedures. Can you please explain that? 10:09

MR. PRIAL: Objection. 10:09

A Well, I guess I'm having just as hard a time understanding the question. The hypothesis was that there were losses established in the complaint, and my task for the parts component of the procedure issue, which is what we're specifically talking about...my task was what would the present value of those losses be with the losses having been identified by the people who are experts in that auto body repair aspect, 10:09 10:09 10:09 10:09 10:09 10:09 10:09 10:10 10:10

what were the present value of them. That was the question I was posing, and that was the question that I answered for that particular aspect. 10:10 10:10 10:10

Q And how did you test that hypothesis? 10:10

A I'm not sure how to translate what I did into that...that language. It -- I mean I don't know what that means. 10:10 10:10 10:10

Q Did you establish a proven hypothesis as it concerned that problem with the parts? 10:10 10:10

A Your story about hypotheses is a story about theory development. I was not trying to develop a new theory in this context. I was trying to analyze a specific problem. I think I have identified that problem and described how I analyzed it. That should be sufficient. 10:10 10:11 10:11 10:11 10:11 10:11

Q So you didn't follow the scientific method as it concerns the parts and the procedures? 10:11 10:11 10:11

MR. PRIAL: Objection. 10:11

A That is not correct. 10:11

MR. PRIAL: Let me object. Objection. Go ahead. 10:11 10:11

Q So what part of that is not correct? 10:11

A The process of developing hypotheses and testing them is a process which is one of 10:11 10:11

theory development, and that is not what I was trying to do. I was not trying to develop a new theory and test it. I was using established methods of economics and doing an analysis as I've said before. 10:11 10:11 10:11 10:12 10:12

Q Well, let's move on to the labor rate. 10:12

A Can we take a brief five-minute break before that? 10:12 10:12

Q Sure. 10:12

THE VIDEOGRAPHER: We'll go off record at . 10:12 10:12

(Whereupon, a brief recess was taken.) 10:12 10:12

THE VIDEOGRAPHER: We are back on record at . 10:20 10:20

BY MR. NELSON:

Q Sir, can you please explain the scientific methodology you used to evaluate the issues that are raised in the complaint about labor rate? 10:20 10:20 10:20 10:20

A Yes. The basic argument is that the auto mechanical labor rate is a comparable for the auto body repair labor rate, or at least auto mechanical is an economic comparable for auto collision repair, and that, for arguments -- on 10:20 10:20 10:21 10:21 10:21

A That the labor rate -- the hourly labor rate being paid by Progressive is not adequate and is not -- well, in the complaint I believe it was...it was basically that it was too low. But I don't know the complaint -- I don't recall if the complaint specified any rate that it should be because that was my job. 10:30 10:30 10:31 10:31 10:31 10:31 10:31

Q What was your job, sir? 10:31

A Well, among other things, to identify what the hourly labor rate would be if it were not controlled by Progressive. 10:31 10:31 10:31

Q Is that it? 10:31

A That was my answer to your question. 10:31

Q I just want to make sure I had all of your answer. 10:32 10:32

So the problem you were trying to solve is what the hourly rate would be if it were not controlled by Progressive? 10:32 10:32 10:32

A That was one of the problems I was addressing, yes. 10:32 10:32

Q Well, sir, I asked you to tell me what -- the problems you were addressing with labor rate, and that's all you've told me so far. 10:32 10:32 10:32

MR. PRIAL: Objection. Hang on. Is there a question? 10:32 10:32

skills required for auto mechanical repair, and that includes training requirements; and that the risks involved in auto collision repair are higher than the risks involved in running an auto mechanical repair shop. 11:10 11:10 11:10 11:10 11:10

Q As part of your study, did you gather any data by interviewing anybody associated with the plaintiff? 11:10 11:10 11:11

A I certainly had a -- I had conversations with Mike Orso, and I believe I talked to some other people at the plant but not in any formal way. 11:11 11:11 11:11

Q How many conversations did you have with Mike Orso? 11:11 11:11

A I don't recall. Several. 11:11

Q Did those conversations take place prior to your writing the report? 11:11 11:11

A A few of them, yes. 11:11

Q Did you gather information from those conversations that supported the opinions that are in your report? 11:11 11:12 11:12

A I think that would have been the purpose of the conversations, is to find out from him background information of various kinds and -- in preparation for writing the report. 11:12 11:12 11:12

its capital expenditures, no. 11:20
Q Did you do any analysis? 11:20
A I did a great deal of analysis as 11:20
described in my report. 11:20
Q Did you do any analysis as to the 11:20
capital expenditures of the plaintiff? 11:20
A Of which plaintiff? Nick Orso's 11:20
garage? 11:20
Q That's the only plaintiff in this 11:20
case, sir. 11:20
A Well, I think I just answered that I 11:20
did not do any analysis of the capital 11:20
expenditures of Nick Orso's garage. 11:20
Q Well, sir, that's -- I'm not sure 11:20
that's what the transcript would reflect. I asked 11:20
you did if you did any analysis, and you said I 11:20
did not do any specific analysis; and I said well, 11:20
did you do any analysis. So I'm trying to get 11:21
behind why you hedged your answer and used the 11:21
word "I did not do any specific analysis," leaving 11:21
room for there may have been some other analysis. 11:21
So, having said all that, can you clarify in any 11:21
way, shape or form what type of analysis you might 11:21
have done as it concerns the capital expenditures 11:21
of the plaintiff? 11:21

MR. PRIAL: Objection.

A Other than asking questions in the course of a conference call, I did not do any analysis of -- any specific analysis of the numbers involved in his capital expenditures because I didn't consider it particularly relevant to the analysis that I had in front of me that I was doing.

Q What conference call questions did you ask?

A I don't recall. And it was in the presence of an attorney, and I believe it would be covered by attorney-client privilege. But I don't recall anyway.

Q But you didn't document those questions?

A No.

Q And, therefore, you don't know what questions you would have asked at that time?

MR. PRIAL: Objection.

A Not without speculating, no.

Q And you don't know what answers you might have been given at that time; correct?

A I don't recall what answers I was given, but, since I didn't proceed with any

detailed analysis, they were not particularly specific, either the questions or the answers. At least that's what I believe. 11:22 11:23 11:23

Q So, the hypothesis that we've talked about, did you test that hypothesis with deductive reasoning? 11:23 11:23 11:23

A Well, let's be specific about the hypothesis we've talked about. The hypothesis we talked about was the question of whether the auto collision repair labor rate in an uncontrolled market would be above or below the auto mechanical labor rate. And I did...I did test that hypothesis with deductive reasoning. 11:23 11:23 11:23 11:23 11:23

Q Can you please tell me what the steps were that you took? 11:24 11:24

A Well, based on the arguments that we've been discussing already, that the capital requirements for auto collision repair exceed the capital requirements for auto mechanical repair; that the skill requirements for auto collision repair exceed the skill requirements for auto mechanical repair; and the training requirements exceed the training requirements for auto mechanical repair; and that the wages and salaries paid by -- paid to auto collision repair 11:24 11:24 11:24 11:24 11:24 11:24 11:24 11:24 11:24 11:24

MR. NELSON: Let's take a break. 11:26

THE VIDEOGRAPHER: We'll go off record at . 11:26

(Whereupon, a brief recess was taken.) 11:26

THE VIDEOGRAPHER: We're back on record at . 11:38

BY MR. NELSON: 11:39

Q Sir, have you read any of the deposition transcripts in this matter? 11:39

A No, I have not. 11:39

Q Any reason why not? 11:39

A Not that I know of. 11:39

Q There's no reasons that you know of why you haven't read the deposition transcripts? 11:39

MR. PRIAL: Objection. 11:39

Q I'm trying to understand what your testimony means, sir. 11:39

A Well, I haven't read the deposition transcripts. 11:39

Q Why not? 11:39

A The attorneys saw no need to have me read them. 11:39

Q You say the attorneys. Are you 11:39

Q Well, sir, you do make judgments as to the insurance industry in general that it's improperly influencing labor rates of auto collision repairers; correct? 12:39

A That's correct. 12:39

Q And that's in your report; correct? 12:39

A I believe so. 12:39

Q So you are taking the position that there is undue influence by insurers as it concerns the labor rates that are paid to auto body repair shops in general; correct? 12:39

A That's correct. 12:39

Q So you've made that judgment as inappropriate; correct? 12:39

MR. PRIAL: Objection. 12:39

A Well, inappropriate is not a word I would use but...I mean I guess...I guess, you know, if appropriate were to be defined as what was laid out in the consent decree in 1963 then that would be inappropriate, yes. 12:39 12:40 12:40

Q Sir, I'd like you to turn to the amended complaint that you attach to your report. Can you look through the complaint and identify where you see reference to the term "arm's length"? 12:40 12:40 12:40

Q Sir, I'm not asking whether or not it would be helpful. I'm asking you to identify the assumptions that you made that form this report. 13:05

A Well, I -- you want me to continue to go through and talk about these assumptions? 13:06

Q Sir, I'm asking you to just answer the question that I put in front of you. 13:06

A I'm assuming that the process of identifying arm's length comparables is a legitimate basis for valuation. I'm assuming that the IRS process is a legitimate basis for that analysis. I'm assuming that the differences between auto collision repair and auto mechanical repair are a valid basis for an upward adjustment in order to -- of the auto mechanical labor rate to arrive at the arm's length equivalent of auto collision repair labor rate due to skill differences and risk differences and capital differences. I'm assuming that Mark Watts did his proper professional job on establishing a comparable labor rate for auto mechanical repair as of September 2013. I guess that's about it. 13:07

Q Like you to turn to Exhibit 3 of your report. 13:09

Did you arrive at Exhibit 3, sir? 13:10

Q How did you do that, sir? 13:12
A I read the report, and it looked to me like he had done what he was asked to do and what I needed -- 13:12
Q So -- 13:12
A -- in an appropriate manner. 13:12
Q So you had asked Abacus Associates to undertake the process that they undertook as described in this report? 13:12
MR. PRIAL: Objection. 13:12
A No, I did not ask them specifically to undertake the process that they undertook. I explained to them what I needed. And they're professionals and -- as I understand it, and they conducted the survey. 13:12
Q Did you ever receive a list of the parties that they had contacted to conduct the survey? 13:13
A No. 13:13
Q Why not? 13:13
A I didn't feel like I needed...I needed a list -- a full list of the people that they had contacted. 13:13
Q Why not, sir? 13:13
A I've worked with Mark Watts before and 13:13

Q How do you know Mark Watts? 13:14
A He testified in the Connecticut case. 13:14
Q Besides that. 13:14
A Besides that? 13:14
Q Yes. That the first time you met 13:14
Mark Watts? 13:14
A That's the only time I met Mark Watts. 13:14
Q Did you see the parties -- strike 13:15
that. 13:15
Did you see whatever documents were 13:15
created as part of the surveys from an individual 13:15
shop response perspective? 13:15
A If you mean -- no. If I understand 13:15
what you're asking, no, I did not...I did not look 13:15
at the report -- any reports from the individual 13:15
shops. 13:15
Q Well, in other words, sir, if I 13:15
understand what Mr. Watts proposes he did on 13:15
Page 9, there is survey questions and responses. 13:15
A Yeah. 13:16
Q And I'm asking if you ever saw any 13:16
documents that reflect that these questions were 13:16
asked and how exactly these responses were made? 13:16
A No. 13:16
Q Did you ever ask to see them? 13:16

A No. 13:16
Q Why not? 13:16
A I didn't feel it was necessary. 13:16
Q Do you know what the qualifications were of the person who was asking these questions? 13:16
A You mean the specific caller? 13:16
Q Yes. 13:16
A No. 13:16
Q Do you know if anybody hesitated to answer questions as part of the survey? 13:16
A I don't know. 13:17
Q Do you see the survey questions response form? There's a block -- 13:17
A Page? 13:17
Q -- near the bottom. It's the same page you were just looking at, sir. With respect to that block, do you know if anybody was hesitant or wanted to know who was sponsoring the survey or that -- assurances that at no point will your individual responses be published? 13:17
A And what's the question? 13:17
Q Do you know if anyone who was questioned hesitated to answer the questions, wanted to know if someone -- who was sponsoring the survey or if anybody who was answering these 13:18

questions was assured at no point will your individual responses be published? 13:18

A I don't know. 13:18

Q Did you read through the entirety of Exhibit 3 to your report before attaching it to your report? 13:18

A Yes. 13:18

Q Do you feel you understood it at the time you read it? 13:18

A Yeah, I would say so. 13:18

Q Okay. Turn to Page 10, please. About three-quarters of the way down you'll see what appears to be an instruction to the person conducting the survey: "There is no hourly mechanical labor rate (Only flat rates for projects: e.g. oil change)," and then it says "Terminate, Keep Count." 13:18 13:19 13:19 13:19 13:19 13:19 13:19

Do you understand what that part of the survey form means? 13:19

A I believe so. 13:19

Q Can you please give me your understanding? 13:19

A Well, we're looking -- they were looking for an hourly mechanical labor rate. If there weren't hourly mechanical labor rates to be 13:19 13:19 13:19

being priced out on a flat rate; correct? 13:21
A That's correct. 13:21
Q Who made that decision? 13:21
A I presume that -- well, I would have 13:21
to guess if I presume, so I will not try to guess. 13:21
Q Do you know how many shops were 13:21
eliminated because they had flat-rate work? 13:21
A No, I don't. 13:21
Q Do you know what kind of flat-rate 13:21
work was eliminated? 13:22
A No. 13:22
Q So, if Jiffy Lube, for instance, was 13:22
contacted and they were asked about their labor 13:22
rate and some of their work involved oil changes 13:22
that were done on flat-rate offers, then those 13:22
labor rates would have been eliminated because 13:22
they were part of a flat rate; correct? 13:22
MR. PRIAL: Objection. 13:22
A No, I don't think that is correct. 13:22
Q Well, what does "Terminate, Keep 13:22
Count" adjacent to the mechanical labor rate mean 13:22
then, sir? 13:22
A It means that there was no hourly 13:22
mechanical labor rate, and it may be that Jiffy 13:22
Lube is doing oil changes at a flat rate but they 13:22

A Yes. 14:13
Q And it's more or less a letter to 14:13
Cecelia Cannon? 14:13
A Yes. 14:13
Q Okay. So the letter says, "Dear 14:13
Ms. Cannon: You've asked us to conduct a survey 14:13
of auto repair businesses in Onondaga County to 14:13
determine the average posted mechanical labor rate 14:13
in the County. To that end, we conducted a 14:13
telephone survey of 173 repair shops in Onondaga. 14:13
This letter outlines our findings." 14:13
So the purpose of the project from 14:13
Abacus's standpoint was to do a survey to 14:13
determine the average posted mechanical labor rate 14:13
in the county, but the survey actually does more 14:13
than that, doesn't it, sir? 14:14
A Yes. 14:14
Q So the report has that mistake in it; 14:14
correct? 14:14
MR. PRIAL: Objection. 14:14
A What report? 14:14
Q The report that I'm asking you to 14:14
read, sir. 14:14
A What do you mean, it has -- what 14:14
mistake in it? 14:14

Q It misstates what this report does. 14:14
This report covers markups and covers body repair; 14:14
correct? 14:14
A Yes. 14:14
Q Okay. So it doesn't list on the first 14:14
paragraph those parts of the project; it only says 14:14
it's going to determine the average posted 14:14
mechanical labor rate; correct? 14:14
A I read it the same way you do. 14:14
Q And so it's inaccurate then? 14:14
A Well, it's incomplete. 14:14
Q Okay. And then do you know why 14:14
"County" is capitalized there? 14:14
A Do I know why "County" is capitalized? 14:15
Q Yeah. 14:15
A No. 14:15
Q Do you know why the next sentence just 14:15
ends with the word "Onondaga" and not "County"? 14:15
A No, I don't. 14:15
Q Do you know how many typos are in this 14:15
report, sir? 14:15
A No. 14:15
Q Did you tell Abacus there were typos 14:15
in their report after you read it? 14:15
MR. PRIAL: Objection. 14:15

A No. 14:15
Q Okay. So go to the next paragraph 14:15
where you see "Summary of Findings." 14:15
A Yes. 14:15
Q And directing your attention to the 14:15
last sentence: Of those shops that have separate 14:15
rates, the posted or most typical hourly labor 14:15
rate for body work is $51.77; for painting, 14:15
$52.30; for framing, $62.47; for refinishing is 14:15
$50.71; and for sheet metal work is $52.17. 14:16
Do you understand what -- the 14:16
difference between body work at $51.77 and for 14:16
sheet metal at $52.17? 14:16
A No, I don't know that I would 14:16
understand the...the distinction being made there. 14:16
Q So that's another inaccuracy; correct? 14:16
MR. PRIAL: Objection. 14:16
A I wouldn't call it an inaccuracy. 14:16
Q But the auto collision repair industry 14:16
doesn't differentiate between "body work" and 14:17
"sheet metal work," does it? 14:17
A Well -- and there are obviously some 14:17
people that either make that distinction or call 14:17
it one or the other. I...I'm not going to guess 14:17
on.... 14:17

Q There's different dollar values -- were you finished, sir? Sir, are you finished? 14:17
A I just said I'm not going to guess as to what that distinction is or why it -- why it's there. 14:17
Q Okay. So you'd have to guess as to why there's a difference between those two different terms; correct? 14:17
A I would have to guess -- 14:17
Q Yes. 14:17
A -- and I'm not going to guess. 14:17
Q Okay. And there's different dollar values for those two different terms; correct? 14:17
A Appears to be the case, yes. 14:17
Q Did you pick up on that before, sir? 14:17
A No, I did not. 14:17
Q Okay. So, directing your attention to the word "framing" and the amount $62.47, framing's not the proper term there, is it, sir? 14:17 14:18
A It's a perfectly adequate way of expressing framework -- 14:18
Q You've seen -- 14:18
A -- in my opinion. 14:18
Q You've seen framework described as framing in another context, sir? 14:18

A I don't know. 14:18
Q Okay. So your characterization of it 14:18
being perfectly good is not based on any 14:18
experience you've had in these issues in the past 14:18
then; correct, sir? 14:18
MR. PRIAL: Objection. 14:18
A You mean in terms of specifically of 14:18
the difference between using the term framework 14:18
versus framing? 14:18
Q Yes. 14:18
A No, I don't -- it meant the same 14:18
thing -- I knew what it meant, and it didn't 14:18
strike me...just like refinish work versus 14:18
refinishing, those seem to be fairly equivalent 14:19
terms. 14:19
Q Okay. Well, if you could look at 14:19
"refinishing" and "painting," in the same 14:19
sentence, by -- the auto collision repair industry 14:19
considers those the same concepts, don't they? 14:19
A I'm not entirely sure of that. 14:19
Q Okay. So did you understand at the 14:19
time that you submitted this report that you 14:19
weren't entirely sure of that? 14:19
A I paid very little attention to the 14:19
body -- auto body rates so I -- it wasn't an issue 14:19

that I was concerned about, so I didn't pay that much attention to it. 14:19

Q Okay. But if refinishing and painting in the auto collision repair industry is the same concept, there's two different values for that on this report, isn't there, sir? 14:19

A That seems to be the case, yes. 14:20

Q Now, I'd like you to turn to the Page 12 of this report from Abacus. 14:20

A Yeah. 14:20

Q Sir, I don't think you're at Page 12. 14:20

A Oh, I'm on Page 13. Excuse me. 14:20

Q So there's a category for "Body Labor Rate," there's a category for "Paint Labor Rate," category for "Frame Labor Rate," not framing, there's a category for Refinish (sic) Labor Rate and there's a category for "Sheet Metal Rate"; do you see that? 14:20 14:21

A Yes. 14:21

Q Now I'd like you to turn to the questions that were presented to the people giving survey responses, and those -- I'd like you to turn to Page 11. You see the Question Number 6, "Do you have a separate posted labor rate for body, paint, refinish or framework"? See that, 14:21

that point.
A Well, that's -- I understand that to be asking for an opinion, and I don't have an opinion on it. I don't know whether I agree with it or not. I don't know enough about it to know.
Q Okay. So there's aspects of Mr. Avellini's report that you don't understand or don't have enough knowledge to rely upon?
MR. PRIAL: Objection.
A His expertise is not the same as my expertise, and I take his report as an expression of his opinion on various aspects of the auto mechanical and auto collision repair industry. And some of the issues that he raises, I don't have enough knowledge to know whether he's right or not but it's his opinion.
Q Sir, was the methodology that you used in your report tested prior to you putting it in your report?
A I'm not quite sure I understand what you mean by the question, was the methodology tested. I don't know what you mean by that.
Q Sir, can the methodology you use in your report be tested?
A Again, I'm not sure what you mean by

testing a methodology. You test hypotheses, but I'm not sure you test methodologies. I'm just -- that's why I'm hesitating. I'm just not -- oop, sorry. I'm just not sure what you mean by the question. 16:08 16:08 16:08 16:08 16:09

Q Has the methodology that you used been the subject of a peer review? 16:09 16:09

A Well, I don't -- I don't believe anything that I did in this report is methodologically controversial, so, you know, in that sense, I think in the literature there are peer-reviewed documentation of the kinds of things I did. But, you know, this particular analysis has not been peer reviewed by anybody in terms of my report. 16:09 16:09 16:09 16:09 16:09 16:09 16:09 16:09 16:09

Q Sir, in your preceding answer, can you please tell me what literature you're referring to? 16:09 16:10 16:10

A There's a lot of literature on the valuation procedure, the transfer pricing methodology for arm's length -- the arm's length standard and the use of comparables; there's a great deal of literature in economics on that, much of it peer reviewed. 16:10 16:10 16:10 16:10 16:10 16:10

Q Can you re -- cite to any authority 16:10

comparison to auto collision repair? 16:22
A Well, the error rate that I -- that 16:22
appears in my report in terms of the 16:22
minimum/maximum around the loss number is based on 16:22
the survey data. The other numbers are numbers 16:22
that are hard numbers. I mean they may be 16:22
debatable issues within those numbers, but those 16:23
are hard numbers. They don't have an error rate 16:23
around them. But the error rate comes from -- or 16:23
the confidence interval comes from the survey data 16:23
and the plus and minus around that 80/20 number as 16:23
of September 2013. 16:23
Q Putting aside the evaluation of the 16:23
error rate and the survey, what is the potential 16:23
error rate for the analysis you did with the 16:23
survey data? 16:23
A Well, as I say, the numbers I have are 16:23
not statistical numbers. They're...they're 16:23
numbers that are based on reality. There's not a 16:24
plus or minus on it. So there's not an error rate 16:24
for those numbers. Error rates come from 16:24
statistical processes. 16:24
Q So error rates or errors in analyzing 16:24
data from the standpoint of economic methodology 16:24
don't exist; is that your testimony? 16:24

A No, I wouldn't say that. What I -- I mean, you know, what you're asking is if you add 2 plus 2 is it 4 plus or minus 1 or is it just 4. And what I'm saying is that under most circumstances it's just 4.

Q Sir, has your methodology with respect to comparing auto mechanical rate and auto collision rates attracted widespread acceptance within the economic community?

A The methods I use are widely accepted within the economic community and used all the time. The specific application that I use those methods for is not something that I've seen someone else use yet.

Q Would you agree with me, sir, that your report embraces several different economic ideas -- strike that.

Isn't it fair to say, sir, that your report offers several economic ideas?

A I guess...I guess the answer would be yes.

Q How would you suggest -- strike that.

How would you offer that those economic ideas help us order or summarize the data?

EXHIBIT B

[redacted]

EXHIBIT "B" TO THE DECLARATION OF MICHAEL R. NELSON IN SUPPORT OF DEFENDANTS' MOTION TO EXCLUDE THE EXPERT REPORT AND PROPOSED TESTIMONY OF FREDERIC B. JENNINGS JR., PH.D., FEBRUARY 12, 2018

CONFIDENTIAL PURSUANT TO THE PARTIES' STIPULATED PROTECTIVE ORDER DATED SEPTEMBER 5, 2013 (ECF NO. 32)

FILED UNDER SEAL IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK 5:12-cv-00777-MAD-ATB

EXHIBIT C

[redacted]

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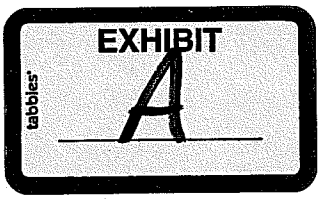
REPORT

An Application of Arm's Length Standards to Auto Collision Repair (ACR) Labor Rates, and Their Associated Loss Implications

Frederic B. Jennings Jr., Ph.D.

23 March 2014



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1. Introduction

EconoLogistics was retained by the Eaves Law Firm in Jackson, MS to address and analyze whether the labor rates paid by Progressive, Geico, and Direct General Insurance Companies (henceforth "the Defendants") to Clinton Body Shop and Clinton Body Shop of Richland (henceforth "the Plaintiffs") for auto collision repairs in consumer transactions reflect the arm's length price of those services in the Jackson, MS (Hinds County) area, in the context of litigation brought by the Plaintiffs against the Defendants. A central question on which this case relies is whether the presence and influence of auto insurers in the auto collision repair (ACR) payment process has affected both the procedures covered and the hourly labor rates paid to providers of ACR services. Furthermore, if these hourly labor rates for ACR work are affected by auto insurers' influence on the payments process, what would the level of hourly ACR labor rates be in the absence of that influence?

The structure of this report is as follows. First, in Part 2, the experience and qualifications of Frederic B. Jennings Jr., author of this report and president of *EconoLogistics*, are briefly summarized. Part 3 is an executive summary of findings and the opinions to be offered. Part 4 is a summary of the rationale and methodology of the argument to be made in this report. Part 5 examines the economic comparability of ACR with auto mechanical repair (or AMR) services, as a means to apply the arm's length standard to ACR labor rates. Part 6 addresses the question of what the ACR hourly labor rate would be in the absence of auto insurers' influence, were ACR labor rates set by independent parties under an arm's length standard. Part 7 examines more specifically the reasons why the prevailing AMR labor rates should be considered a minimum lower bound for the arm's length level of ACR labor rates. Part 8 presents a calculation of the economic losses to the Plaintiffs due to actions of the Defendants based on this analysis. Part 9 is a general summary of findings and conclusions.

Reliance on General Data Inputs: The analysis and conclusions presented here are based on the Plaintiffs' Second Amended Complaint (cf. Exhibit Six) and the ACR claims data provided to *EconoLogistics* by the Plaintiffs through their attorneys at the Eaves Law Firm and Dockins, Turnage and Banks PLLC, as well as on other publicly-available documents specified below in this Report or its Exhibits. *EconoLogistics* has made every attempt to process these data

accurately and consistently using generally-accepted economic practices, on an assumption that the information provided is correct, as of the time these data were conveyed to *EconoLogistics*. When and if additional relevant data become available, this report may be subject to revision.

2. *Frederic B. Jennings Jr., Ph.D.: Professional Experience and Qualifications*

My qualifications are as follows: I have a B.A. in economics (*magna cum laude*) from Harvard College (1968) and an M.A. (1980) and Ph.D. (1985) in economics from Stanford University. I taught microeconomics and other courses at the graduate and undergraduate level (including business ethics) in economics departments at Tufts University (1979-83) and at Bentley College (1985-87) and have over 25 years of experience as a consultant in economic litigation at Charles River Associates (1973-74 and 1988-91), Arthur Andersen (1991-92) and in my own consulting practice, *EconoLogistics*, founded in 1992.

I have had diverse research and consulting experience in the analysis of many industries, including the automotive industry (aftermarket parts, auto manufacturing, used car sales, autoglass and collision repair, etc.), and in transfer pricing analysis (applying the arm's length principle to cross-border transactions within multinational enterprises) both at Charles River Associates and at Arthur Andersen.[1] In summary, I have about 35 years of work experience so far as a professional economist in various capacities (cf. my Curriculum Vita and the accompanying list of cases in which I have testified for further information on my experience and qualifications, attached hereto as Exhibit One).

I am being compensated for research and testimony in this matter at the rate of $250 per hour.

3. *Executive Summary of Findings and Opinions*

The presence and influence of auto insurers in the ACR payment process has the effect of reducing hourly labor rates paid to providers of ACR services. This conclusion is based on the following. First, a survey of hourly labor rates in a closely comparable economic activity, that of the provision of auto mechanical repair (AMR) services, shows that AMR labor rates are almost double the level of ACR labor reimbursement rates in the Jackson, MS area. Second, an examination of the nature and cost of the risks, skills and capital equipment involved in each type of service shows that unadjusted AMR labor rates serve as a minimum lower bound benchmark for the arm's length hourly labor rate for ACR services, and that AMR labor rates – as an unadjusted "comparable uncontrolled price" or CUP for ACR labor rates – would have to be adjusted upward to reflect the true arm's length level of ACR labor rates that would prevail in transactions between independent economic agents on a level competitive field in a fair and free market setting. The question of how and why auto insurers have gained such influence over ACR labor rates is briefly addressed.

Auto insurers are able to influence their policyholders' decisions about where to send their crashed vehicles for ACR work, in spite of anti-steering laws that exist in almost every state.

[1] As the tools and methods of transfer pricing analysis play an important role in the analysis presented here, it may be helpful to offer additional details of my experience in this particular regard. At Charles River Associates, I analyzed the setting of tolls and division of revenues between U.S. and Canadian owners of The Ambassador Bridge in Detroit, MI. At Arthur Andersen, as Senior Manager in our Economic Analysis Group under the Office of Federal Tax Services (OFTS) at the Washington, DC offices of Arthur Andersen, I was involved in several detailed industry studies of transfer pricing practices and their justification, including for General Motors, Oracle, Levi-Strauss, Makita and several other major multinational firms. I've also opined in favor of the auto mechanical repair (or AMR) labor rate as an economic comparable for what the ACR labor rate would be in an uncontrolled ACR market in several litigation matters as an expert witness since starting *EconoLogistics* in 1992.

Many auto insurers have developed direct repair programs (DRPs) by establishing a contractual network of "preferred provider" shops that do ACR work at reduced hourly labor rates in exchange for an expectation of higher volumes of work being directed toward their DRP shops by these affiliated auto insurers. Those low ACR labor rates then are imposed upon independent ACR shops as a 'competitive market rate' despite that these independent shops are not privy to the sales volume benefits afforded to DRP shops, but rather are being deprived of those sales. These steering effects are reinforced by auto insurers' control of the auto collision damage appraisal process through their primary use of internally-employed claims adjusters over independent agencies in the setting of ACR coverage and reimbursement rates and amounts. Both of these factors stand in direct violation of the 1963 Consent Decree discussed in the Second Amended Complaint as well. A general conversion of auto insurers' claims departments into profit centers starting in the early 1990s has led to a well-documented tightening of restrictions and constraints on payments to service providers by a variety of insurers.[2] This offers a context for auto insurers' influence over both the payments for repair procedures and the 'allowed' ACR labor rates analyzed in this report.

The report first describes the well-established economic analysis that is widely used to identify arm's length prices in the context of multinational firms' internal cross-border 'transfer' pricing, which is of vital concern to every national tax authority as a means to avert international corporate tax avoidance and double taxation. These analytical methods are founded on a use of economic comparables as uncontrolled and unencumbered transactions between independent parties operating at arm's length. After a detailed review of various criteria – as specified in U.S. and international tax regulations – for establishing comparability, these criteria are applied to the comparison between AMR and ACR services. Thus they show why AMR services are a close economic comparable for ACR services, such that AMR labor rates serve under the arm's length standard as an economic basis for measuring what the level of ACR labor rates would be in an uncontrolled fair market setting of freely independent transactions, such as are found in the direct dealings between the owners of vehicles and AMR service providers.

Furthermore, the ascertainable differences between AMR and ACR service provision mean that the ACR labor rate should be significantly higher than the AMR labor rates. At a minimum, prevailing AMR labor rates should be seen as a lower bound for what ACR labor rates would be in an uncontrolled market unconstrained by auto insurers' influence over the ACR payment process, such as under the conditions specified in the 1963 Consent Decree. The capital and labor costs borne by ACR service providers exceed those for AMR service providers. Their risks and other costs are higher as well, for reasons discussed below. Under the tax regulations cited, these differences call for an upward adjustment in the AMR labor rates to make them fully comparable to the arm's length ACR labor rate that would prevail in an uncontrolled market setting free of auto insurers' influence. Consequently, the AMR labor rate should be seen as a minimum lower bound for what the true arm's length ACR labor rate would be in a market setting characterized by fully-independent parties transacting on an arm's length basis, such as specified in the 1963 Consent Decree.

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[2] E.g., cf. Jay M. Feinman, *Delay, Deny, Defend: Why Insurance Companies Don't Pay Claims and What You Can Do About It* (Penguin, New York, 2010); David J. Berardinelli, *From Good Hands to Boxing Gloves: The Dark Side of Insurance* (Trial Guides, LLC, Portland, Oregon, 2008); Ray Bourhis, *Insult to Injury: Insurance Fraud, and the Big Business of Bad Faith* (Berrett-Koehler Publishers, San Francisco, 2005); or Wendell Potter, *Deadly Spin: An Insurance Company Insider Speaks Out on How Corporate PR is Killing Health Care and Deceiving Americans* (Bloomsbury Press, New York, 2010).

The report then takes the prevailing AMR labor rates, ascertained through a March 2014 survey of AMR establishments in the Jackson, MS area – after using consumer price index (CPI) data to adjust the currently prevailing rates to what they would have been during the years at issue in this case, namely 2010 through 2013 (see Exhibits Two and Four) – and calculates the minimum lower bound for the losses incurred by the Plaintiffs on the deficient ACR payments made by the Defendants between January 2010 and December 2013. The present value of these calculated minimum losses as of 2014 as a result of the pricing and coverage differentials examined here is **$1,446,008.12** (ranging from $1,275,863.67 to $1,612,954.37, which is plus or minus about $170,000) in reimbursements on labor rates, hours and other repair procedures. It is emphasized that these losses are below what the actual losses would be with a proper adjustment of the arm's length AMR-CUP to reflect the known cost differentials between AMR and ACR services, with respect to: capital equipment; labor skills, training and wages; and economic risks. An additional steering component to these losses has not yet been calculated, which will likely raise these estimated losses by some degree.

4. *Methodology, Analytical Framework and General Overview*

As stated above, the question posed is what would hourly ACR labor rates be in the absence of auto insurers' influence on the provision and pricing of ACR services in consumers' collision repair transactions, had they remained in proper compliance with the 1963 Consent Decree? A typical approach to answering such questions involves a use of economic comparables, such as are regularly employed, for example, in a valuation of real estate property by an appraiser in advance of its sale. The first step in this process is a search for comparable sales, in a similar area and with respect to the property's salient characteristics. For example, two identical homes, one with a quiet waterfront view and the other on a busy street, would not be comparable unless the value of the view were determined independently and used to adjust that property valuation to exceed that of the noisier place downtown. Even a home with a beautifully styled kitchen and polished granite countertops might be compared to one with older cabinets and formica counters, but at a valuation duly adjusted to reflect these differences. A wide use of economic comparables in many contexts to establish a basis of valuation for real estate properties, independently traded goods and various services is well-established. This is the approach taken in this report to resolve the question of what hourly ACR labor rates would be in an uncontrolled market unconstrained by auto insurers' influence over ACR reimbursements.

An important aspect of establishing comparability in such contexts is that the comparable transactions being considered take place on an arm's length basis between independent agents acting in their own interests without familial or relational affiliations or any external control or influential pressures affecting their freely-made decisions, which – when swayed by external pressures – shall not reflect in transacted prices their true economic valuation. For example, a house sold to a son would not qualify as an arm's length transaction, nor would labor performed under threat from some controlling authority. The key element in an arm's length transaction is that the agreed-upon terms are set through a free process of fairly and equally balanced mutual negotiation and consent, without being encumbered by any externally-influential interest or threat on one side or the other that distorts the bargain to favor one party at the other's expense. For a true and proper evaluation of property, goods or services, economically comparable transactions as a benchmark of valuation need to be free of any biasing influences or negotiating advantages for any one side or party over the other. In this particular regard, they must be uncontrolled transactions freely executed by independent parties acting without encumbrances or any unequal or favoring bias.

The arm's length standard, though used in a wide variety of value applications, is most often applied to the assessment of cross-border transfers within multinational firms, for which purpose detailed principles of comparability have been developed by international tax authorities. As a result, well-established methods of economic analysis have been defined for establishing what an uncontrolled price would be in an arm's length setting. These standards were developed and are used to determine fair and equitable prices on multinational firms' internal cross-border transfers. These methods are of vital interest to every national tax authority as well as to all multinational firms, so as to limit double-taxation and to curtail tax-avoidance; they comprise the most well-established and detailed means of valuing goods and services based on the arm's length standard.

These transfer pricing methods are used to identify uncontrolled prices under the arm's length standard, such that they would reflect what two independent parties would accept when dealing with each other on a fair and level competitive field where neither party enjoys any advantage or influence over the other. The arm's length standard is used in contract and tax law to evaluate whether prices set for a transaction reflect an equitable arrangement between the two transacting parties. The arm's length principle is used to confirm that an agreement between two separate and independent parties in a transaction is fair and equitable. As a standard of valuation, the principle means that prices should be the same as they would be were the parties to the transaction negotiating as fully independent and equal agents, without any influence over or relation to each other by contract, familial or business-related ties, or other indirect means of affiliation or control. Within these tax guidelines, there are detailed criteria and procedures to establish and justify economic comparability, as a means to identify acceptably independent transactions used to determine a level of prices or profits satisfying the arm's length standard.

These carefully-specified methods involve a range of profit and pricing criteria, all founded upon a use of economically comparable entities or transactions as a basis for establishing what an uncontrolled price or range of prices (or profit rates) would be for the controlled or encumbered transactions under scrutiny. The preferred standard is the use of a "comparable uncontrolled price" or CUP, if such can be found. This is the method employed in the analysis of this report.

There are five generally-accepted factors that are used to determine comparability of two separate economic activities or entities: (1) functions performed; (2) risks assumed; (3) contract terms; (4) economic conditions; and (5) the nature of the property or services transacted.[3] A brief summary of each of these comparative bases follows.

(1) Functional Analysis: Anything that affects prices or profits is considered economically significant as applied to functions performed. The questions to be asked are whether these two entities or activities are comparable with respect to: when, where, how, why and by whom were these functions performed and under what transactional structure; the comparability of various stages of production; the existence of secondary sales or other relevant ancillary activities; compensation of personnel and its structure along with the level of skills, training and education possessed or required for these personnel; the nature

[3] Cf. U.S. Treasury Regulations, Subchapter A, Section 1.482-1(d)1; IRS Audits – Part 4 Examining Process, Chapter 61. International Audit Guidelines, Section 3. Development of IRC Section 482 Cases, Part 5. Comparability, Paragraph 2; and Department of the Treasury, Internal Revenue Service, "Report on the Application and Administration of Section 482", Chapter 2, Part II, Section A.1.

of the property, plant and equipment employed by each entity or in each activity compared, with regard to its source of acquisition and overall cost and uniqueness.

(2) Risks Assumed: With regard to the risks borne by each of the entities or in each of the activities to be compared, the relevant questions are concerned with who bears what nature of risk under what sorts of control. The types of risks to be considered include: market risks (such as fluctuations in costs, demand, prices and inventories); risks associated with R&D where relevant; financial risks such as due to changing foreign exchange or interest rates; credit and collection risks; product liability risks; and general business risks relating to property ownership (such as of plant and equipment).

(3) Contractual Terms: Contractual terms, especially by which the controlled entity is bound, are important and should be considered, as well as the actual conduct and legal rights of the contracting parties. The contractual terms to be considered include: payment forms; the volume of sales; the scope and terms of warranties provided along with their flexibility and duration; any collateral services offered; and credit and payment terms.

(4) Economic Conditions: The comparability of the economic conditions in the two entities or activities should also be considered, especially in their potential effect on prices and profits. The economic conditions should include: location; market size, level and shares; location-specific costs of productive inputs; market competition; and general industry conditions.

(5) The Nature of the Property or Services Being Transacted: The comparability of the two entities or activities will also be based on the nature of the transactions being compared, as described in product or service descriptions, etc.

Another important issue regards imperfect comparability. An uncontrolled transaction need not be identical to the controlled transaction to be considered economically comparable by these standards. The transactions should be sufficiently similar to facilitate a reliable measure of an arm's length result, where adjustments to the uncontrolled price can be made to incorporate observed material differences between the two entities or activities. Such adjustments serve to increase the comparability where relevant differences exist between these transactions.

5. The Arm's Length Standard and Economic Comparability

As discussed in general terms above, there are five widely-accepted factors that are considered to determine comparability between separate economic activities or prices: functions performed; risks assumed; contractual terms; economic conditions; and the nature of the property or services being transacted, as specified in the tax documents cited in note 3 above. A brief summary of each factor and its relevance to the comparability of ACR and AMR services is offered below.

Functions performed: The functions in both AMR and ACR service activities involve labor and equipment used for automobile repair. AMR work is customarily uniform, standardized and 'programmable': laid out in easily accessible manuals and mostly performed with generalized hand-held tools. ACR work is virtually all customized, as no collision is like any other; it calls for professional judgment along with precise tools and measurements often using heavy-duty equipment. The skill and training requirements of ACR technicians are higher and more rigorous than they are for AMR technicians, *viz.*, ACR workers can shift to AMR work quite easily, while AMR workers cannot as easily shift into ACR work because there is a wider and higher range of skills and training required for customized ACR work than for standardized AMR work. The

nature of the capital equipment required for ACR work is also more complex and costly than that used for AMR work. The relevant differences in skills and training of ACR technicians and in the nature of the capital equipment required for the two activities is often noted by industry experts and appears to be common knowledge in the ACR industry.

Risks Assumed: For the provision of both AMR and ACR services, service providers are expected and legally required to stand behind their work with a guarantee of some sort, so the risks assumed are very similar in that particular regard, although the liabilities of an ACR shop may exceed those of an AMR shop because of the differing and more general nature of the repairs performed and the hazardous chemicals used by each. There are likely additional business-related risks borne by ACR service providers due to uncertainties stemming from the influence and control of auto insurers over their sales, business prospects, and compensation rates. ACR sales are also influenced by other unpredictable factors such as rain, snow and weather. Most of the risks assumed by each type of shop are economically comparable, aside from those mentioned.

Contractual terms: The contracts involved in both of these two sectors are between service providers and vehicle owners or customers. The primary difference in contractual terms between AMR and ACR work is that with AMR work, customers deal directly, exclusively and at arm's length with service providers in most cases, whereas with most ACR work an auto insurer has a contract with the vehicle owner to pay for repairs sufficient to return the vehicle to its pre-accident condition (or to compensate the vehicle owner fully and properly for all collision losses incurred). In other words, there is another financially interested and influential party involved in the provision of ACR services that makes this a controlled transaction in the sense referred to in the transfer pricing regulations, due to the presence and role of auto insurers in the ACR payment process. The main difference in contractual terms between the AMR and ACR sectors, auto insurers' influence over the ACR reimbursement process, is central to this case.

Economic conditions: The economic conditions within which these two types of transactions take place are virtually identical. First, their "markets" are the same: same customers; same vehicles; same geographical areas. Second, the payment processes for services rendered are the same: payments are made for parts and labor time, which payments must cover all of the costs incurred by these shops in the provision of their repair services. Third, except for routine AMR maintenance, which is generally predictable by owners, mechanical automotive breakdowns and auto collisions are unpredictable; they just "happen" and demand immediate attention by service providers. The primary differences between AMR and ACR service provision lie in: (a) the manner in which payments are made to providers; (b) in the type of repair (to be considered under "property or services" below); and (c) in how well-informed consumers are with regard to their choice of providers for AMR and ACR services.

In terms of the manner in which payments are made, for most AMR work – as already noted – payments are made directly by consumers at arm's length for these services, whereas for most ACR work payments are made (on the basis of auto-insurer-controlled ACR damage appraisals, labor rates, parts markups and allowable labor times on different repair procedures) by auto insurers and not directly by vehicle owners. This is the key difference between the uncontrolled arm's length transactions for AMR services and the auto-insurer-controlled transactions found throughout the ACR industry, which comprise the main reason for examining methods to determine the arm's length ACR labor rates.

Another relevant difference lies in how well-informed consumers are about service providers in each of these industries. In general, consumers select a local AMR service provider and develop a long-term and ongoing relationship with that shop and its personnel. For most collision repair services, consumers tend to be ill-informed about ACR service providers and therefore look to their auto insurer (who will likely have marketed their auto insurance services under a theme that they will take good care of their policyholders in the event of an accident) for advice as to where to take their crashed vehicle for ACR services. This "information asymmetry" problem (as defined by economists)[4] yields for auto insurers a significant degree of control over the allocation of ACR sales among different providers. This is especially true where auto insurers maintain networks of "preferred providers" by affiliating with "direct repair program" (DRP) shops that provide ACR services in accord with these auto insurers' standards and directives at contractual labor rates, in exchange for an expected high volume of ACR jobs steered to their shops by those auto insurers.

Property or services: The other significant difference between these two activities lies in the nature of the repairs being performed on these automobiles. As already mentioned, AMR work is typically standardized, with procedures set forth in repair manuals that are performed mostly with standard hand-held tools in a 'bolt off, bolt on' process of replacing particular parts. ACR work is almost entirely customized; every collision is different, so restoring a vehicle to its pre-accident condition calls for specialized skills and equipment that often must be flexibly adapted to fit these unique crash-damage conditions. The process does not involve one specific part in need of replacement; often multiple parts and functions are in need of repair or replacement in ACR work. Furthermore, a certain amount of ACR work includes some AMR work as well.

These significant differences in the nature of repairs performed would justify an adjustment in the "comparable uncontrolled price" (or CUP) for labor time, namely the hourly labor rate, between these two industries. That adjustment might take into account these evident differences: in business risk for each type of shop; in technical skill levels required in each activity; and in the nature, amount and cost of the capital equipment used. These differences indicate that unadjusted AMR labor rates should be seen as a minimum lower bound for what ACR labor rates would be in an ACR market uncontrolled by auto insurers and thus operating on an arm's length basis. The specific adjustments implied by these differences shall be discussed below, once the unadjusted CUP for an uncontrolled ACR labor rate has been determined.

6. Applying an Arm's Length Standard to ACR Labor Rates

The Plaintiffs were paid ACR labor rates of between $50.00 and $76.00 per hour by the Defendants for body, paint, detail, frame and mechanical labor during the period from 2010 to 2013 during which the ACR claims at issue in this case were fulfilled by the Plaintiffs. As explained above, based on the economic comparability of AMR and ACR work, AMR labor rates serve as a minimum CUP for an auto repair service that provides a good economic comparable for ACR work. Consequently, AMR labor rates should be considered a minimum lower bound for what the ACR labor rates would be in an uncontrolled market duly characterized by arm's length transactions. These AMR labor rates serve as a minimum bound for an uncontrolled ACR labor rate because of the ascertainable differences between both the technical skills and the capital equipment required for and the risks undertaken in the provision of AMR vs. ACR services. In this case, a determination of the true arm's length ACR labor rate calls for

[4] Cf. A. Postlewaite. "Asymmetric Information" in John Eatwell, Murray Milgate, Peter Newman, eds., *The New Palgrave: A Dictionary of Economics*, Volume 1, A to D (Macmillan Press Ltd., London, 1987), pp. 133-35.

an upward adjustment in the observed AMR labor rates to adequately account for risk and cost differentials, since both the overall risks and costs of ACR service provision exceed those for AMR services.

The AMR labor rate in the Jackson, MS area, as of March 2014, was found to be as follows. A telephone-based survey was conducted by Mr. Steve Plier of 13 AMR establishments on or around 19 March 2014, revealing a range of AMR rates being charged from $87.00 per hour to $115.00 per hour. Removing those two quotes as the lowest and highest rates, the range of AMR rates reported by the remaining 11 AMR establishments was between $88.50 per hour and $103.00 per hour with an average AMR labor rate of $95.82 per hour. The comparable AMR hourly labor rate of **$95.82 per hour** is therefore taken to be an appropriate unadjusted "comparable uncontrolled price" or CUP for what the minimum hourly ACR labor rate would be in an ACR market unconstrained by auto insurers' influence on the payment process, i.e., in a market characterized by a level playing field of transactions between wholly-independent agents who are associating with each other on an arm's length basis, such as prevails in the market for AMR services. The upper and lower ends of the AMR rates for the 11 AMR establishments remaining (after dropping the two end-points of the 13 establishments surveyed) were used to calculate a minimum and maximum range for the payment losses based on these AMR-CUP labor rates, as an overall minimum measure of what the true arm's length ACR labor rate would be in a market uncontrolled by auto insurers.

This unadjusted CUP pertains to AMR labor rates – and thus to the minimum arm's length ACR labor rate – as of March 2014 in the Jackson, MS area, where the Plaintiffs' shops are located. To derive the equivalent arm's length ACR labor rates for the specific years in which the repairs were performed by the Plaintiffs for each of the ACR claims of concern in this case, consumer price index (CPI) data from the U.S. Treasury Bureau of Labor Statistics for "motor vehicle maintenance and repair" – as adjusted for the relevant region – were used to convert this March 2014 CUP to its equivalent value for the specific year of each annual compilation of claims. The analysis yielding this adjustment is shown in Exhibit Two. Then the present value of each loss was calculated as of the end of 2013 using the statutory interest rate accepted by Mississippi courts of 8.00 percent per annum, applied to claims in the years 2010 through 2013.

The question of whether this unadjusted CUP should be adjusted to account for and therefore reflect the identified cost differentials between these two types of auto repair services (as already discussed above) should also be addressed. Further, if an adjustment is warranted, then the question turns to the appropriate size and direction of any such adjustment, based on the findings of a functional analysis of cost differentials (for risk, labor and equipment differences) found between these activities. It has already been noted that the unadjusted CUP as of March 2014 should be considered a minimum lower bound for what the ACR labor rate would be in an uncontrolled ACR market, due to these various cost differentials. What remains to be done is a quantitative estimate of the relevant size of these cost differentials and what the effect might therefore be on the magnitude of any such adjustment in the CUP determined above. As of the present moment, this analysis has not been performed, though it would reinforce the argument that the AMR labor rate – as a CUP – provides a minimum lower bound for what the true arm's length ACR labor rate would be in an uncontrolled fair market setting, an issue to be discussed in greater detail in the section to follow.

A further related question is how the ACR labor rate for frame work (as compared to body, paint and detail work) should be determined. At the Plaintiffs' shops, the labor rate paid by the

Defendants for frame and mechanical labor time of $76.00 per hour exceeds that paid for body, paint and detail work of $50.00 per hour by about 50 percent, though were these rates at arm's length levels, that percentage difference would likely be lower. A rate differential is therefore used as a basis for establishing an arm's length ACR labor rate for automotive frame and mechanical work of 25 percent above that for ACR labor on body, paint and detail work. Labor time expended on auto glass repair and replacement was not included in this analysis.

7. AMR Labor Rates as a Minimum Lower Bound for Arm's Length ACR Labor Rates

As explained above, the skill requirements for ACR technicians of various kinds exceed those for AMR service technicians, and the capital equipment requirements for the provision of ACR services also exceed those for AMR shops. Further, the risks borne by ACR shops are higher than those for AMR shops due to both the nature of the repairs being performed and the potential influence of auto insurers on ACR reimbursements and profits. These factors in turn imply that the prevailing AMR labor rates as a comparable uncontrolled price or CUP should be seen as a minimum lower bound for what the true arm's length level of ACR labor rates would be in a fair market setting characterized by uncontrolled transactions between independent agents.

With regard to the different skill levels and training requirements for ACR vs. AMR work, one way to consider this difference is in terms of the wages and salaries paid for the two different types of technicians, as an important determinant of the cost differentials between these services. The Bureau of Labor Statistics (BLS) under the U.S. Treasury Department conducts an annual census of wages and salaries for different industries, the Quarterly Census of Employment and Wages (QCEW), which shows that the average weekly wages and annual pay for "Automotive Body and Interior Repair" in the state of Mississippi exceeded those for "Automotive Mechanical and Electrical Repair" by almost 30 percent between 2010 and 2012. In Hinds County, Mississippi, between 2010 and 2012, the same percentage difference varied between 48 and 58 percent. This comparison shows that the costs of employing auto repair technicians at ACR shops exceed those for AMR shops by approximately 50 percent within a range of 48 to 58 percent in Hinds County, MS in which Jackson is located. A detailed summary of these percentage differences in the United States, Mississippi and Hinds County is shown in a spreadsheet in Exhibit Three, accompanied by the supporting U.S. Treasury Bureau of Labor Statistics data on which it rests.

The skills and training requirements for ACR work also exceed those required for AMR work. For example, an ACR technician must be competent in AMR work because mechanical repairs must also be performed in the context of ACR work, along with the various additional technical skills required for ACR work, which include knowing how to repair crash-damaged vehicles in structural and suspension components, body panels, autoglass, and supplemental restraint systems. Furthermore, other specialized skills are required for ACR work as well, such as refinishing, paint preparation and blending, etc. For all of these skills, Automotive Service Excellence (ASE) certification is often a necessary job requirement. The job requirements for AMR work are considerably less stringent.

The capital equipment required for an ACR shop far exceeds that for a typical AMR shop, as in addition to the maintenance of a capacity to perform AMR work, the ACR shop must also have the capacity to paint and straighten auto body parts and frames, along with installed paint and preparation booths, precision frame and unibody measurement and correction equipment, and also to have EPA-approved facilities for the handling of hazardous materials used in many paint operations and in auto glass replacement. For example, an ACR shop must have about 30-

50 percent of additional square footage for paint mixing, preparation and refinishing booths, separate from the repair bays used for car disassembly and assembly. All of these space and equipment requirements far exceed the space and equipment required for AMR work.

The risks borne by ACR shops exceed those for AMR shops, not only due to the greater use of hazardous chemicals in ACR work, particularly associated with paint operations, but also due to a larger chance of repair errors due to the greater complexity of ACR over AMR processes. AMR work is standardized and mostly routine as well as focused on a particular component or function on a vehicle, whereas ACR work is mostly customized since every crash is different, and also ACR work is not limited to particular components since collision damage affects many aspects of automotive function. Furthermore, ACR shops face a financial risk in their inability to pass to customers additional unexpected costs, such as AMR shops can do, as their ACR reimbursements are restricted by auto insurers.

These differences show that the unadjusted AMR labor rate offers a minimum lower bound for what the arm's length ACR labor rate would be in an uncontrolled market characterized by transactions between independent parties. The tax regulations cited provide for adjusted CUPs to improve the comparability of a controlled with an uncontrolled transaction, and one way to improve the comparability of these two sectors would be to adjust the AMR labor rates upward by some measure to incorporate these significant differences in the additional costs and risks borne by ACR service providers over those for AMR services. Due to current time and data constraints, such an adjustment has not been performed at the time of this study, although all of these issues strongly imply that the unadjusted AMR-CUP labor rate should be seen as a minimum lower bound for what the true ACR labor rate would be in an uncontrolled market setting of independent transactions executed on an arm's length basis. Consequently, the findings on losses to the Plaintiffs presented below, which are based on an unadjusted CUP, should be regarded as a minimum measure of their actual level.

8. The Economic Losses Incurred by the Plaintiffs on ACR Work Insured by Defendants

The AMR labor rates shown in the March 2014 AMR labor rates survey were then examined to identify a rate or range of rates by AMR shops in the Jackson, MS area. The AMR labor rate used as the "comparable uncontrolled price" or CUP for the arm's length ACR labor rate in the analysis of losses to follow will be that for the used sample of 11 AMR shops in this survey, namely, **$95.82 per hour** as of March 2014. Since the ACR claims being considered were repaired during a period from 2010 through 2013, this March 2014 CUP was adjusted in the following way to reflect what that AMR labor rate would have been for each month in question.

Exhibit Four shows the results of this calculation, based on the CPI conversion in Exhibit Two, which includes the BLS data on which this CPI conversion rests. Exhibit Two shows the input data on page one, and page two presents its conversion from a basis in 1982-84 to a March 2014 basis.[5] The regional adjustment factors based on converting U.S. City Averages to those for the Jackson, MS area are shown at the bottom of page one, and those regional factors are then applied to the U.S. City Averages for "Motor Vehicle Maintenance and Repair" to derive an equivalent region-specific consumer price index for "Motor Vehicle Maintenance and Repair" based on March 2014 for the Jackson, MS area at the bottom of page two in Exhibit Two. That

[5] As CPI data for March 2014 were not available at the time of the writing of this report, the ratio of March CPI data for the years 2011 to 2013 were divided by the CPI data for the months of October to December for the years 2010 to 2012, and then that ratio was applied to the CPI data for October to December of 2013 to derive an estimated value for the CPI in each series for the month of March 2014.

index is then applied to the **<u>$95.82 per hour</u>** AMR-CUP to yield annual (and monthly) equivalent AMR labor rates for the Jackson, MS area for the relevant years during which these repairs were performed by the Plaintiffs, as shown in <u>Exhibit Four</u>. Then the lower and higher AMR rates from the survey of **$88.50** per hour and **$103.00** per hour are used to calculate a range of losses stemming from these labor rate shortfalls. These three AMR-CUP labor rates are then used to calculate the relevant losses associated with the labor hour and rate shortfalls and therewith the economic losses incurred by the Plaintiffs on ACR work for the Defendants' policyholders over the four year period from 2010 through 2013.

Those deficiency calculations are shown in <u>Exhibit Five</u> for all annual ACR claims by policyholders whose crash-damaged vehicles were repaired by the Plaintiffs during this 2010-2013 period. <u>Exhibit Five</u> then applies the unadjusted AMR-CUP labor rate as determined above, adjusted for that particular year, to the labor time and labor rate shortfalls shown in those claims, to calculate the total losses associated with these claims for each of the four years at issue. Then the losses stated on claims for each year are converted into their present dollar values as of 2014 by using the number of years between the repairs and the current year of 2014, applying an annual interest rate of eight percent to those figures over the number of years so indicated. The total present value of the losses due to labor rate shortfalls, labor time shortages and inadequately-compensated repair procedures on the ACR claims at issue incurred by the Plaintiffs as of 2014 are calculated to be **<u>$1,446,008.12</u>** by these methods, within an estimated range of plus or minus about $170,000 and between $1,275,863.67 and $1,612,954.37 in amount). This finding is presented to the court as a minimum estimate of these losses with a reasonable degree of economic certainty by the author of this report.

<u>9. Summary and Conclusions</u>

Based on the economic comparability of ACR and AMR services, an arm's length ACR labor rate was calculated for the Jackson, MS area, from a survey of AMR labor rates in March 2014. Those AMR labor rates are used as a "comparable uncontrolled price" or CUP for what ACR labor rates would be in a market unconstrained by the influence of auto insurers on ACR reimbursements. Due to the higher costs and risks borne by ACR over AMR shops, this unadjusted CUP is seen as a minimum lower bound for what the true ACR labor rate would be in an uncontrolled market setting characterized by independent arm's length transactions, such as occur in the AMR services market. On the basis of this analysis, the minimum economic losses incurred by the Plaintiffs during the years 2010 through 2013 on the ACR claims at issue are found to be **<u>$1,446,008.12</u>** in present value terms as of 2014, plus or minus about $170,000 within a range between $1,275,863.67 and $1,612,954.37 in amount. These economic conclusions are hereby presented with a reasonable degree of economic certainty as an estimate of the losses so described. It is also noted that they may be subject to further revision as additional information is acquired and analyzed prior to trial, in particular to incorporate steering effects into these results.

<u>Signed:</u> [signature] *<u>Date: 23 March 2014</u>*

Frederic B. Jennings, Jr., Ph.D.

LIST OF EXHIBITS

EXHIBIT ONE:	*"FREDERIC B. JENNINGS JR.: CURRICULUM VITA AND TESTIMONY EXPERIENCE, 1993 TO PRESENT"*
EXHIBIT TWO:	*"CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES" (WITH BUREAU OF LABOR STATISTICS SOURCE DATA)*
EXHIBIT THREE:	*"ACR VS. AMR WAGE RATES, 2002 - 2012" (WITH BUREAU OF LABOR STATISTICS SOURCE DATA)*
EXHIBIT FOUR:	*"CONVERSION OF AMR-CUP TO RELEVANT PERIODS"*
EXHIBIT FIVE:	*"SHORT PAY, LABOR RATE SHORTFALL AND LABOR SHORTAGE LOSS CALCULATIONS"*
EXHIBIT SIX:	*SECOND AMENDED COMPLAINT*

EXHIBIT ONE

FREDERIC B. JENNINGS JR.

A. Curriculum Vita

B. Testimony Experience, 1993 to the present

FREDERIC B. JENNINGS, JR.

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Post Office Box 946
Ipswich, MA 01938

PHONE: (978) 356-2188 (w)
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EDUCATION

STANFORD UNIVERSITY — **Ph.D.** (1985), **M.A.** (1980) — Economics

DISSERTATION: Public Policy, Planning Horizons and Organizational Breakdown: A Post-Mortem on British Canals and Their Failure

HARVARD COLLEGE — **B.A.,** ***magna cum laude*** (1968) — Economics

HONORS THESIS: Competition Theory and the Welfare Optimum: A Methodological Analysis

PROFESSIONAL EXPERIENCE

CONSULTING AND ACADEMIC RESEARCH:

1992-present — President and Founder — ***ECONOLOGISTICS***, Ipswich, MA

- *specializing in antitrust analysis, economic litigation, transfer pricing and business consulting*

1991-92 — Sr. Mgr., Office of Fedl Tax Svcs — **ARTHUR ANDERSEN & CO.**, Washington, DC

- *analyzed transfer pricing policies of multinational firms in auto, tool, apparel & software industries*
- *developed proposals for internal systems improvements and a practice development marketing plan*

1988-91 — Economic and Business Consultant — **CHARLES RIVER ASSOCIATES, Inc.**, Boston, MA

- *prepared documentation and testimony for FTC antitrust hearings on merger proposals and other issues*
- *prepared documentation and testimony for antitrust cases in various industries (appliances, paper, etc.)*
- *analyzed tax implications of transfer pricing policies between multinational firms and subsidiaries*
- *evaluated demand forecasts and researched pricing by electric utilities in major bond fraud case*
- *prepared documentation and testimony on US Census data collection and processing schedules*

1988 — Economic and Business Consultant — **MAC RESEARCH GROUP, Inc.**, Cambridge, MA

- *prepared testimony in tax matter on technical obsolescence of plants in auto industry*

1976-77 — Research Assistant — **STANFORD ECONOMICS DEPT.**, Palo Alto, CA

- *gathered and processed statistical data for various projects and studies in economic history*
- *verified statistical and mathematical analyses in the preparation of manuscripts for publication*

1976-77 — Summer Research Fellow — **INST. FOR HUMANE STUDIES**, Menlo Park, CA

- *analyzed construction costs data for British canal system as part of dissertation proposal*
- *developed a general systems (monopolistic competition) model of transport pricing decisions*

1973-74 — Research Assistant — **CHARLES RIVER ASSOCIATES**, Cambridge, MA

- *conducted statistical and theoretical analyses of antitrust issues in broadcast industry*
- *prepared studies relating to the regulation and profitability of transportation alternatives*

1969-72 — Independent Research Fellow — **INST. FOR HUMANE STUDIES**, Menlo Park, CA

- *pursued a self-designed study program in economics, philosophy, psychology, and the sciences*

1968-69 — Junior Medicare Accountant — **MASS. BLUE CROSS-BLUE SHIELD**, Boston, MA

- *worked with professional accountants to coordinate and verify hospital medicare audit procedures*

EDUCATION AND TEACHING:

1985-87 Assistant Professor of Economics **BENTLEY COLLEGE**, Waltham, MA

- *taught courses in introductory and intermediate microeconomics and macroeconomics*
- *team taught in an interdisciplinary business ethics course called "Values and Choices"*

1979-83 Instructor of Economics **TUFTS UNIVERSITY**, Medford, MA

- *taught courses in introductory, intermediate and graduate microeconomics*
- *developed and taught a course in "The Roots of Modern (20th Century) Economics"*

1976-78 Educational Consultant **STANFORD CTR. FOR TEACHING & LEARNING**

- *videotaped classes and counselled teachers on pedagogical approaches and techniques*
- *assisted in program development and the training of educational counsellors*

1975-78 Teaching Fellow in Economics **STANFORD UNIVERSITY**, Palo Alto, CA

- *developed and taught a workshop in teaching techniques and problem-solving approaches*
- *teaching assistant in economic principles and comparative economic systems courses*

ADMINISTRATIVE LEADERSHIP:

2006-present Member, Board of Directors **GREATER BOSTON TROUT UNLIMITED**
2013-present Chapter Vice President **GREATER BOSTON TROUT UNLIMITED**
2012-present Member, Board of Directors **NOR'EAST CHAPTER TROUT UNLIMITED**
2014-present Chapter President **NOR'EAST CHAPTER TROUT UNLIMITED**

- *involved in numerous projects to promote cold-water fisheries conservation in relevant regional areas*

2003-present MA State Co-Chair **MA CHAPTER OF STRIPERS FOREVER**

- *involved in working to achieve gamefish status for striped bass in MA and along the Atlantic Coast*
- *worked to promote legislative initiatives on gamefish, health and the economics of striped bass fishery*

1986-87 Founder/Organizer **THE BENTLEY PARTICIPANTS**

- *organized a three-semester series of formal discussions on topics such as: personal differences, human rights, education, death, injustice, creativity, arms race, personal and organizational growth*

1978-79 Resident Associate **STANFORD OFFICE OF RESIDENTIAL EDUCN.**

- *managed a high-rise apartment building housing 250 graduate students on the Stanford campus*
- *initiated, wrote, edited, and published a biweekly newsletter for building residents*
- *organized a year-long series of educational, social, and recreational activities for residents*

1977-79 Founder and First President **STANFORD GRADUATE STUDENT ASSN.**

- *created a university-wide graduate student organization with a fully-staffed committee structure*
- *worked to encourage more graduate student involvement with and financial aid from Stanford*

1977-78 Chair of Special Commission **A.S.S.U. ELECTION REVIEW BOARD**

- *resolved a constitutional crisis over student senate elections during the fall quarter of 1977-78*
- *designed and secured the Board's unanimous support for a new system of student representation*
- *prepared, authored, and published a 212-page report on our deliberations and recommendations*

1976-77 Student Body Co-President **ASSOCIATED STUDENTS OF STANFORD UNIV.**

- *participated in a successful effort to establish an official university-wide course evaluation system*
- *initiated a successful proposal for a budgeted program for teaching improvement at Stanford*
- *drafted and developed a proposal for a much-needed Graduate Student Association at Stanford*

1974-76 Chairperson and Representative **STANFORD GRADUATE STUDENT COUNCIL**

- *economics department representative for two years; chairperson during the second of those years*
- *conducted and coordinated detailed studies of graduate aid and teacher training proposals*
- *prepared and published a report on alternative forms of graduate financial aid at Stanford*

SELECTED PUBLICATIONS, PREPARATIONS, AND PRESENTATIONS

Numerous confidential reports, market analyses, industry studies and prepared testimony on various matters for private consulting clients and attorneys in antitrust, transfer pricing and other cases since 1988

"The Culture of Complementarity," to be presented at the 2014 Association for Institutional Thought (AFIT) conference, Albuquerque, NM, April 2014.

"Atoms, Bits and Wits: A New Economics for the 21st Century," presented at the 2013 Association for Institutional Thought (AFIT) conference, Denver, CO, April 2013; to be published in the *Forum for Social Economics* (forthcoming).

"Addressing Sustainability: Integrating Macro Goals and Micro Techniques with Meso Analysis," presented at the 2013 Association for Institutional Thought (AFIT) conference, Denver, CO, April 2013.

"A Theory of Planning Horizons (2): The Foundation for an Ethical Economics," *Journal of Philosophical Economics*, Vol. VI, Issue 1, Autumn 2012.

"Planning Horizons as Social Conscience: The Foundation for an Ethical Economics," presented at the Association for Social Economics (ASE) 2012 World Congress, University of Glasgow, Glasgow, Scotland, June 2012.

"Planning Horizons, Conscience and the Ethics of Externalities: Organizational Theory and the Emergence of Social Responsibility," presented at the American Social Science Associations (ASSA) Conference in an Association for Social Economics (ASE) session, Chicago, IL, January 2012, at the 2012 Annual Conference of the International Network for Economic Research (INFER), Coimbra, Portugal, May 2012, and at the Association for Social Economics (ASE) 2012 World Congress, University of Glasgow, Glasgow, Scotland, June 2012.

"Estimating the Cost of Monopsony Power Abuse Imposed by a Single U.S. Auto Insurer upon a Large Individual Auto Body Repair Shop," presented at the 2012 Annual Conference of the International Network for Economic Research (INFER), Coimbra, Portugal, May 2012.

"A Theory of Planning Horizons (1): Market Design in a Post-Neoclassical World," *Journal of Philosophical Economics*, Vol. V, Issue 2, Spring 2012.

"Toward a Horizonal Theory of Justice: Efficiency, Equity, Rights and Capabilities in a Free Market Economy," *Forum for Social Economics*, January 2010.

"The Design of Free-Market Economies in a Post-Neoclassical World" presented at the School of Oriental and Asian Studies Conference on Law and Economics, September 2007; also presented at: the 2009 Annual Conference of the International Network for Economic Research (INFER), University of Stirling, Scotland, September 2009; the 2010 Allied Social Sciences Associations Meetings for the Association for Evolutionary Economics, Atlanta, GA, January 2010; the Association for Institutional Thought (AFIT) Conference, Salt Lake City, UT, April 2011; the International Consortium of Associations for Pluralism in Economics (ICAPE), Amherst, MA, November 2011.

"Atoms, Bits and Wits: The Elements of Economics" presented at the 2010 Conference of the Association for Institutional Thought, Reno, NV, April 2010; also presented at the International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011 and at the Association for Heterodox Economics Conference, Nottingham, U.K., July 2011.

"The Economic Cultures of Fear and Love," presented at the World Congress of the Association for Social Economics, Montreal, Canada, June/July 2010; also presented at the Association for Heterodox Economics Conference, Nottingham, U.K., July 2011

"'The Hicksian Getaway' and 'The Hirshleifer Rescue': Increasing Returns from Clapham to Kaldor" presented at the European Association for Evolutionary Political Economy Annual Conference, Rome, Italy, November 2008; also presented at: the Association for Institutional Thought Meetings at the Western Social Science Association Annual Conference, Albuquerque, New Mexico, April 2009; the European Society for the History of Economic Thought Annual Conference, Istanbul, Turkey, May 2011; International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011

"The Joust and the Potlatch as Social Alternatives" presented at the Association for Social Economics Congress in Albertville, France, June 2004; also presented at the Association for Institutional Thought, 2010 Conference, Reno, NV, April 2010

"Six Choice Metaphors and their Social Implications," *Journal of Philosophical Economics*, Vol. II, Issue 2, Spring, 2009

"A New Economics of Complementarity, Increasing Returns and Planning Horizons" in Wolfram Elsner and Hardy Hanappi (eds.), *Varieties of Capitalism and New Institutional Deals: Regulation, Welfare and the New Economy*, Edward Elgar, Cheltenham, England, 2008

Regional Economic Policy in Europe: New Challenges for Theory, Empirics and Normative Interventions, Ulrike Stierle-von Schutz, Michael H. Stierle, Frederic B. Jennings Jr. and Adrian T.H. Kuah (eds.), Edward Elgar, Cheltenham, England, 2008

"A Horizonal Theory of Pricing in the New Information Economy" in Christian Richter (ed.), *Bounded Rationality in Economics and Finance*, LIT Verlag, Berlin, 2008

"A Cognitive View of Scale and Growth" in Robert L. Chapman (ed.), *Creating Sustainability Within Our Midst: Challenges for the 21st Century*, Pace University Press, New York, NY, 2008

"Horizon Effects, Sustainability, Education and Ethics: Toward an Economics of Foresight" in Christian Richter (ed.), *Bounded Rationality in Economics and Finance*, LIT Verlag, Berlin, 2008

"Six Choice Metaphors and their Economic Implications" first presented at the Association for Institutional Thought Meetings at the Western Social Science Association Annual Conference, Denver, Colorado, April 2008; also at the International Network for Economic Research Annual Conference, Evora, Portugal, September 2008

"Does Competition Advance or Retard Economic Development? – An Institutional View" presented at the European Association for Evolutionary Political Economy Conference, Porto, Portugal, November 2007; also presented at: a Conference on "Theory and Evidence of Growth, Trade and Economic Development, with Special Reference to Latin America" at the Instituto Polytechnica Nazionale, Mexico City, Mexico, September 2008; International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011

"The Economics of Conscience and the Ethics of Externalities" presented at the International Network for Economic Research Annual Conference, Cork, Ireland, October 2007; published in Christian Richter, Antonio Caleiro, and Carlos and Isabel Vieira, eds., *Challenges for Economic Policy Design: Lessons from the Financial Crisis*, Lambert Academic Publishing, Saarbrucken, Germany, 2009

"The Economics of Love" presented at the International Network for Economic Research Annual Conference, Cork, Ireland, October 2007; published in Christian Richter, Antonio Caleiro, and Carlos and Isabel Vieira, eds., *Challenges for Economic Policy Design: Lessons from the Financial Crisis*, Lambert Academic Publishing, Saarbrucken, Germany, 2009

"Competition or Collaboration? – The Interrelations of Firms and Agents in Regional Economic Development" presented at the International Network for Economic Research Workshop on Regional Economic Development, University of Wooster, Wooster, Ohio, July 2007

"Toward an Ethical Economics of Planning Horizons and Complementarity" presented at the Association for Social Economics Congress in Amsterdam, The Netherlands, June 2007; published in John B. Davis, ed., *Global Social Economy: Development, Work and Policy*, Routledge (Springer), New York, 2009

"Hammers, Nails and New Constructions – Orthodoxy or Pluralism?: An Institutional View" first presented at the Conference of the International Consortium of Associations for Pluralism in Economics, University of Utah, Salt Lake City, UT, June 2007; also presented at the Association for Institutional Thought Meetings at the Western Social Science Association Annual Conference, Denver, Colorado, April 2008

"Horizon Effects and the British Canals: An Institutional View" in Frank Fichert, Justus Haucap, Kai Rommel (eds.), *Competition Policy in Network Industries*, LIT Verlag, Berlin, 2007

"A Horizonal Challenge to Orthodox Theory: Competition and Cooperation in Transportation Networks" in Michael Pickhardt and Jordi Sarda Pons (eds.), *Perspectives on Competition in Transportation*, LIT Verlag, Berlin, 2006

"Time, Knowledge and Pricing: Toward a Horizonal Theory of Choice" presented at the International Network for Economic Research Annual Conference, London, England, October 2005

"Planning Horizons as an Ordinal Entropic Measure of Organization" presented at the Conference on Complex Systems, Liverpool, England, September 2005; also presented at the International Network for Economic Research Annual Conference, Evora, Portugal, September 2008 and at the United States Society for Ecological Economics Conference, Washington, DC, June 2009

"The Privatization of Ocean Fisheries: A Paradigmatic Systems View" presented at the United States Society for Ecological Economics (USSEE) Conference, Olympia, WA, July 2005; and the Association for Institutional Thought (AFIT) Conference, Salt Lake City, UT, April 2011

"How Efficiency/Equity Tradeoffs Resolve Through Horizon Effects," *Journal of Economic Issues*, June 2005

"A Horizonal View of Competition in Transportation Networks" presented at the International Network for Economic Research Workshop on Competition and Networks, Reus, Spain, October 2004

"Interdependence, Horizon Effects and Ecological Economics," in Raimund Bleischwitz and Oliver Budzinski, eds., *Environmental Economics: Institutions, Competition and Rationality*, VWF (Verlag fur Wissenschaft und Forschung), Berlin and Wuppertal Institute, Wuppertal, Germany, September 2004

"Economic Analysis in a Complexly Interdependent Ecology" presented at the International Society for Ecological Economics in Montreal, Canada, July 2004

"Horizon Effects, Sustainability, Education and Ethics" prepared for the Australia – New Zealand Society for Ecological Economics Meetings in Auckland, New Zealand, December 2003

"The Ecological Economics of Horizon Effects" presented at the Canadian Society for Ecological Economics Meetings in Jasper Park, Canada, November 2003

"Ecology, Economics and Values," *Environmental Health*, June 2003

"Four Choice Metaphors for Economic Systems Analysis" presented at the New England Complex Systems Institute's International Conference on Complex Systems, Manchester, NH, June 2000

"The Answer to Steering: Educate Consumers!" (*Beyond Parts & Equipment*, June 2000)

"Imitation Sheetmetal: An Economist Views MA Hearings" and "Practical Ways to Manage Imitation Parts Problems" (*Beyond Parts & Equipment*, May 2000)

"A Flyfishing Ecology" (essay), *Sea Winds*, Spring 2000

"The Privatization of Ocean Fisheries: An Institutional View" presented at the Association for Evolutionary Economics Meetings, January 2000

"Scaring the Fish": A Critique of the NRC's Justification for Individual Transferable Quotas (ITQs) and a 'Systems Analysis' of Their Likely Effects (a joint CEEEE/Greenpeace publication, November 1999)

"Four Choice Metaphors and their Pricing and Growth Implications" presented at the Atlantic Economic Society Meetings, New York, January 1995

"Autoglass/DRP Networks: 'Efficiency' or 'Market Power'?" (*Hammer & Dolly, Beyond Parts & Equipment, NAGC Update*, 1994)

"The Proposed New Transfer Pricing Rules: New Wine in an Old Bottle?" (*Tax Notes*, 2/10/92, w/ G. Carlson et al.: I drafted the "arm's length" and "intangibles" sections and helped pull the whole thing together)

"The 'Hicksian Getaway' and the 'Hirshleifer Rescue': The Debate on Increasing Returns (1922-1972)" (a paper in process presented before the Kress Society, Harvard University, February 1991)

"Time, Knowledge and Pricing: Toward a Horizonal Theory of Choice" (written for the *Atlantic Economic Society*, Boston MA, August 1986; revised for *Western Economic Association*, Seattle WA, June 1991; revised for INFER Annual Conference 2005, London, UK, 8 October 2005)

"Public Policy, Planning Horizons and Organizational Failure: A Post-Mortem on British Canals" (Summary of Dissertation, November 1984; revised for *Western Economic Association*, Seattle, WA, June 1991; revised for INFER Competition Workshop on "Competition Policy in Network Industries", London, UK, 30 October 2005)

Public Policy, Planning Horizons and Organizational Breakdown: A Post-Mortem on British Canals and Their Failure (Ph.D. Dissertation, Stanford University, 1985)

"Academy, Society and Personal Growth: Some Thoughts on Our Modern Malaise -- For My Students" (*Tufts Meridian*, April 1983; *Bentley Vanguard*, November 1986)

"'Whither Our Education?' -- A Lament" (*Tufts Meridian*, October 1983; *Bentley Vanguard*, April 1986)

Democracy in Disarray: The Failures of Stanford's Student Government -- A Call for Structural Change (ASSU Publication, May 1978)

"The 'Rand-Polanyi Synthesis' and its Methodological Relevance to Economic Theory" (presented at the University of Delaware at Newark's *Symposium on Scientific Methodology*, November 1977)

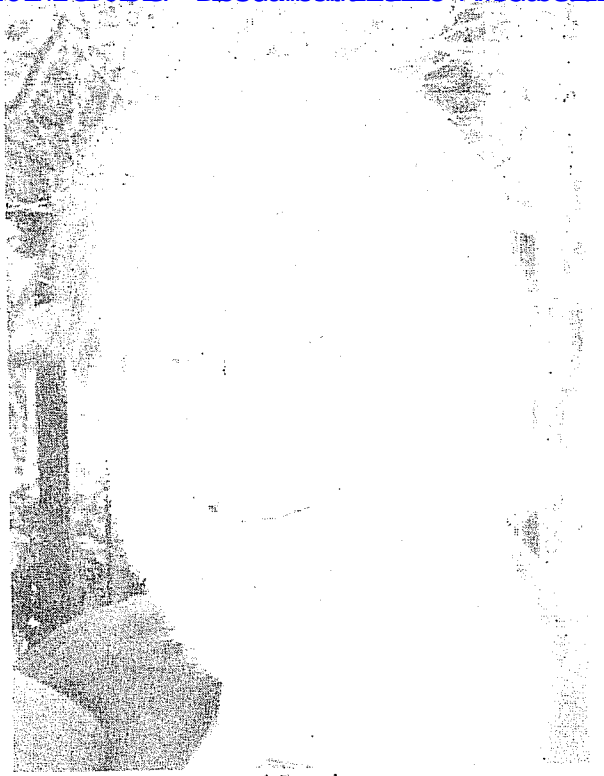
A Report on Graduate Financial Aid in the School of Humanities and Sciences (jointly published by the ASSU and the Dean of Graduate Studies, Stanford University, November 1976)

Competition Theory and the Welfare Optimum: A Methodological Analysis (undergraduate honors thesis, Harvard Economics Department, March 1968)

"Value, Exchange and Profit: The Bedrock of Economic Science" (*The Freeman*, September 1966; reprinted in two other journals and at least one anthology)

PROFESSIONAL INTERESTS

Industrial Organization
Public Policy and Regulation
Transport and Communications
Public Finance and Taxation
Intercompany Pricing Analysis
Social/Environmental Economics
Productivity/Economic Growth
Technology and Systems Theory
Economic/Industrial History



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Frederic B. Jennings, Jr., Ph.D.

Depositions and Testimony Experience, 1993 to present

1. *Area Auto Glass of Virginia v. Allstate Insurance Company (Civil Action No. 2:93-CV-384, U.S. District Court, Eastern District of Virginia, Norfolk Division): **deposition** on behalf of plaintiff (9/93)*
2. *Pond Reload & Storage Corp. v. Western Mass. Truss Company, Inc. et al. (Civil Action No. 95-173, Hampden Superior Court, Springfield, Mass.): **testimony** on behalf of plaintiff (7/97)*
3. *Daniel O'Connell, et al. v. Corcoran Jennison Co., Inc., et al. (Suffolk Superior Court Civil Action No.: 95-6151, Boston, Mass.): **testimony** on behalf of plaintiff (9/97)*
4. *Cambridge Camera, Inc. v. Konica U.S.A. (U.S. District Court No. 97-11448 DPW): **deposition** on behalf of plaintiff (5/13/99)*
5. *Tomaselli and Mangia, Inc. v. Family Bank and Salisbury (Essex Superior Court Civil Action No. 97-0481): **deposition** on behalf of plaintiffs (9/17/99)*
6. *Merrimak Packaging Corp. v. OfficeMax, Inc. (U.S. Bankruptcy Court, Dist. Of Mass., Eastern Div., Chapter 11, Case No. 98-10911-JNF, Adversary Proceeding No. 98-1062): **testimony** on behalf of plaintiffs (January 2000)*
7. *Tomaselli and Mangia, Inc. v. Family Bank and Salisbury (Essex Superior Court Civil Action No. 97-0481): **testimony** for plaintiffs (February 2000)*
8. *Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **deposition** for defense (March 2001)*
9. *Tufts Electronics Group v. Visiplex Instruments, Ltd. Et al. (Civil Action No. ??): **deposition** for plaintiff (May 2001)*
10. *Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **testimony** for defense in Daubert proceeding (August-September, 2001)*
11. *Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **testimony** for defense at trial (December 2001)*
12. *Fred W. Kolling, III v. American Power Conversion Corporation (U.S. District Court, Civil Action No.: 99CV11953RCL): **deposition** for plaintiff (January, 2002)*
13. *Peter Wojtkun, D.M.D. and Susan Wojtkun v. John Wolkonocki (Essex County Civil Action No.: 98-2362-C): **testimony** for plaintiff (February 2002)*
14. *Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **deposition** for plaintiffs on class certification issue (June 2006)*
15. *Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **deposition** for plaintiffs (August 2008)*
16. *Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **testimony** for plaintiffs (November 2009)*
17. *Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **deposition** for plaintiffs (December 2009)*
18. *Oliveri v. Oliveri (Plymouth, MA Probate and Family Court, Docket No.03D-1669-DV1): **testimony** for plaintiff (September/October 2010)*
19. *Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **deposition** for plaintiffs (July 2011)*
20. *Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **testimony** for plaintiffs in Daubert Hearing (September 2011)*
21. *Nick's Garage, Inc. v. Nationwide Insurance Companies (United States District Court, Northern District of New York, Civil Action No. 12-CV-0568): **deposition** for plaintiffs (February 2014)*
22. *LimoLiner, Inc. v. Datteo, Inc. (Commonwealth of Massachusetts, Superior Court Civil Action No. ???): **testimony** for plaintiffs (March 2014)*

EXHIBIT TWO

CPI ANALYSIS OF AMR LABOR RATES

A. Spreadsheet Analysis

B. Bureau of Labor Statistics Source Data

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES — EXHIBIT TWO — PAGE ONE OF TWO

Consumer Price Index Category

UNADJUSTED CPI DATA
US City Averages (1982-84 = 100)
All Items

Year: / Month	2010	2011	2012	2013	2014
January	216.687	220.223	226.665	230.280	233.916
February	216.741	221.309	227.663	232.166	
March	217.631	223.467	229.392	232.773	236.760
April	218.009	224.906	230.085	232.531	
May	218.178	225.964	229.815	232.945	
June	217.965	225.722	229.478	233.504	
July	218.011	225.922	229.104	233.596	
August	218.312	226.545	230.379	233.877	
September	218.439	226.889	231.407	234.149	
October	218.711	226.421	231.317	233.546	685.632
November	218.803	226.230	230.221	233.069	2026.155
December	219.179	225.672	229.601	233.049	0.3383907
ANNUAL	**218.056**	**224.939**	**229.594**	**232.957**	

UNADJUSTED CPI DATA
US City Averages (1982-84 = 100)
Motor Vehicle Maintenance and Repair

Year: / Month	2010	2011	2012	2013	2014
January	245.567	250.726	256.405	259.752	263.718
February	245.969	250.851	256.968	260.234	
March	246.624	250.820	256.616	260.156	264.123
April	247.355	251.458	256.544	260.341	
May	247.311	252.376	257.372	261.065	
June	247.635	252.529	257.629	261.360	
July	247.536	252.769	257.423	262.229	
August	248.390	253.337	257.641	262.497	
September	249.231	255.244	258.024	262.960	
October	249.824	255.774	258.578	263.085	767.592
November	249.872	255.663	258.943	262.934	2293.277
December	250.134	255.644	258.845	263.081	0.334714
ANNUAL	**247.954**	**253.099**	**257.582**	**261.641**	

UNADJUSTED CPI DATA
South Urban (1982-84 = 100)
All Items

Year: / Month	2010	2011	2012	2013	2014
January	210.056	213.589	220.497	223.933	227.673
February	210.020	214.735	221.802	225.874	
March	211.216	217.214	223.314	226.628	231.093
April	211.528	218.820	224.275	226.202	
May	211.423	219.820	223.356	226.289	
June	211.232	219.318	223.004	227.148	
July	210.988	219.682	222.667	227.548	
August	211.308	220.471	223.919	227.837	
September	211.775	220.371	225.052	227.876	
October	212.026	219.969	224.504	227.420	667.156
November	211.996	219.961	223.404	226.811	1966.926
December	212.488	219.469	223.109	227.082	0.3391871
ANNUAL	**211.338**	**218.618**	**223.242**	**226.721**	

Regional Adjustment Factors for CPI
South Urban (March 2014 = 1.00)
Motor Vehicle Maintenance and Repair (est.)

Year: / Month	2010	2011	2012	2013	2014
January	0.993	0.994	0.997	0.996	0.997
February	0.993	0.994	0.998	0.997	
March	0.994	0.996	0.997	0.997	1.000
April	0.994	0.997	0.999	0.997	
May	0.993	0.997	0.996	0.995	
June	0.993	0.995	0.996	0.997	
July	0.992	0.996	0.996	0.998	
August	0.992	0.997	0.996	0.998	
September	0.993	0.995	0.996	0.997	
October	0.993	0.995	0.994	0.998	
November	0.993	0.996	0.994	0.997	
December	0.993	0.996	0.996	0.996	
ANNUAL	**0.993**	**0.996**	**0.996**	**0.997**	

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES — EXHIBIT TWO —

Consumer Price Index Category
(normalized to September 2013)

UNADJUSTED CPI DATA
US City Averages (March 2014 = 100)
All Items

Year: / Month	2010	2011	2012	2013	2014
January	91.522	93.015	95.736	97.263	98.799
February	91.545	93.474	96.158	98.060	
March	91.921	94.386	96.888	98.316	100.000
April	92.080	94.993	97.181	98.214	
May	92.152	95.440	97.067	98.389	
June	92.062	95.338	96.924	98.625	
July	92.081	95.422	96.766	98.664	
August	92.208	95.686	97.305	98.782	
September	92.262	95.831	97.739	98.897	
October	92.377	95.633	97.701	98.643	
November	92.416	95.553	97.238	98.441	
December	92.574	95.317	96.976	98.433	
ANNUAL	92.100	95.007	96.973	98.394	

UNADJUSTED CPI DATA
US City Averages (March 2014 = 100)
Motor Vehicle Maintenance and Repair

Year: / Month	2010	2011	2012	2013	2014
January	92.975	94.928	97.078	98.345	99.847
February	93.127	94.975	97.291	98.526	
March	93.375	94.963	97.158	98.498	100.000
April	93.651	95.205	97.131	98.568	
May	93.635	95.553	97.444	98.842	
June	93.758	95.610	97.541	98.954	
July	93.720	95.701	97.463	99.283	
August	94.043	95.916	97.546	99.384	
September	94.362	96.638	97.691	99.560	
October	94.586	96.839	97.901	99.607	
November	94.604	96.797	98.039	99.550	
December	94.704	96.790	98.002	99.606	
ANNUAL	93.878	95.826	97.524	99.060	

UNADJUSTED CPI DATA
South Urban (March 2014 = 100)
All Items

Year: / Month	2010	2011	2012	2013	2014
January	90.897	92.426	95.415	96.902	98.520
February	90.881	92.922	95.980	97.742	
March	91.399	93.994	96.634	98.068	100.000
April	91.534	94.689	97.050	97.884	
May	91.488	95.122	96.652	97.921	
June	91.406	94.905	96.500	98.293	
July	91.300	95.062	96.354	98.466	
August	91.439	95.404	96.896	98.591	
September	91.641	95.360	97.386	98.608	
October	91.749	95.187	97.149	98.411	
November	91.736	95.183	96.673	98.147	
December	91.949	94.970	96.545	98.265	
ANNUAL	91.452	94.602	96.603	98.108	

UNADJUSTED CPI DATA
South Urban (March 2014 = 100)
Motor Vehicle Maintenance and Repair (est.)

Year: / Month	2010	2011	2012	2013	2014
January	92.340	94.326	96.752	97.980	99.565
February	92.452	94.414	97.111	98.208	
March	92.845	94.570	96.903	98.250	100.000
April	93.096	94.900	97.000	98.237	
May	92.961	95.234	97.028	98.373	
June	93.090	95.176	97.114	98.621	
July	92.925	95.340	97.045	99.064	
August	93.258	95.634	97.136	99.192	
September	93.727	96.164	97.338	99.269	
October	93.944	96.387	97.347	99.373	
November	93.909	96.423	97.469	99.253	
December	94.064	96.436	97.566	99.435	
ANNUAL	93.217	95.417	97.151	98.773	

Databases, Tables & Calculators by Subject

FONT SIZE:

Change Output Options: From: 2004 To: 2014

include graphs

More Formatting Options

Data extracted on: March 15, 2014 (3:07:18 PM)

Consumer Price Index - All Urban Consumers

```
Series Id:     CUUR0000SA0
Not Seasonally Adjusted
Area:          U.S. city average
Item:          All items
Base Period:   1982-84=100
```

Download: .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	187.6	190.2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	205.709	208.976
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	214.429	216.177
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537	213.139	215.935
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	224.939	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	229.594	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.957	232.366	233.548
2014	233.916														

Series Id: CUUR0000SETD
Not Seasonally Adjusted
Area: U.S. city average
Item: Motor vehicle maintenance and repair
Base Period: 1982-84=100

Download: xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2004	198.2	198.2	198.5	198.6	199.0	199.7	200.3	200.8	200.7	201.7	202.9	203.3	200.2		
2005	204.0	203.9	204.7	205.0	205.6	206.1	206.7	207.3	208.7	209.8	210.5	210.7	206.9		
2006	211.2	212.9	213.4	213.9	214.9	215.5	216.7	216.2	217.0	218.5	218.5	218.8	215.6		
2007	219.262	220.530	221.160	221.508	221.999	222.553	223.487	224.019	224.302	224.939	225.672	226.120	222.963		
2008	227.732	228.731	229.765	230.528	231.730	233.162	234.788	236.125	237.121	238.227	239.048	239.356	233.859		
2009	241.076	241.689	242.118	242.649	242.488	242.683	243.031	243.494	244.493	245.393	245.511	245.417	243.337		
2010	245.567	245.969	246.624	247.355	247.311	247.635	247.536	248.390	249.231	249.824	249.872	250.134	247.954		
2011	250.726	250.851	250.820	251.458	252.376	252.529	252.769	253.337	255.244	255.774	255.663	255.644	253.099		
2012	256.405	256.968	256.616	256.544	257.372	257.629	257.423	257.641	258.024	258.578	258.943	258.845	257.582		
2013	259.752	260.234	260.156	260.341	261.065	261.360	262.229	262.497	262.960	263.085	262.934	263.081	261.641		
2014	263.718														

Series Id: CUUR0300SA0
Not Seasonally Adjusted
Area: South urban
Item: All items
Base Period: 1982-84=100

Download: xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2004	178.2	179.1	180.1	180.9	182.0	182.9	182.6	182.6	182.8	183.7	183.7	183.3	181.8	180.5	183.1
2005	183.6	184.7	185.9	187.3	187.3	187.8	188.5	189.4	192.0	192.5	190.7	190.1	188.3	186.1	190.5
2006	191.5	191.8	192.8	194.7	195.5	196.3	197.0	197.1	195.8	194.7	194.3	194.8	194.7	193.8	195.6
2007	195.021	195.950	197.904	199.618	200.804	201.675	201.571	201.041	201.697	202.155	203.437	203.457	200.361	198.495	202.226
2008	204.510	205.060	206.676	208.085	210.006	212.324	213.304	212.387	212.650	210.108	205.559	203.501	208.681	207.777	209.585
2009	204.283	205.343	206.001	206.657	207.265	209.343	208.819	209.000	208.912	209.292	209.738	209.476	207.845	206.483	209.206
2010	210.056	210.020	211.216	211.528	211.423	211.232	210.988	211.308	211.775	212.026	211.996	212.488	211.338	210.913	211.764
2011	213.589	214.735	217.214	218.820	219.820	219.318	219.682	220.471	220.371	219.969	219.961	219.469	218.618	217.249	219.987
2012	220.497	221.802	223.314	224.275	223.356	223.004	222.667	223.919	225.052	224.504	223.404	223.109	223.242	222.708	223.776
2013	223.933	225.874	226.628	226.202	226.289	227.148	227.548	227.837	227.876	227.420	226.811	227.082	226.721	226.012	227.429
2014	227.673														

EXHIBIT THREE

ACR VS. AMR WAGE RATES, 2002 – 2012

A. Spreadsheet

B. Bureau of Labor Statistics Source Data

U.S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS DATA ON ABR VS. AMR WAGE RATES, 2002 - 2012

EXHIBIT THREE

UNITED STATES NATIONWIDE COMPARISON (Source: Quarterly Census of Employment and Wages)	NAICS Code Number	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Weekly Wage (for Private Industry)												
Automotive Body and Interior Repair	811121	$629.00	$646.00	$664.00	$681.00	$709.00	$735.00	$755.00	$761.00	$771.00	$790.00	$804.00
Automotive Mechanical and Electrical Repair	81111	$541.00	$556.00	$575.00	$592.00	$613.00	$632.00	$647.00	$651.00	$660.00	$671.00	$683.00
Percentage Rate Differential (ABR over AMR):		16.3%	16.2%	15.5%	15.0%	15.7%	16.3%	16.7%	16.9%	16.8%	17.7%	17.7%
Average Annual Pay (for Private Industry)												
Automotive Body and Interior Repair	811121	$32,696.00	$33,595.00	$34,509.00	$35,412.00	$36,872.00	$38,218.00	$39,239.00	$39,584.00	$40,090.00	$41,083.00	$41,797.00
Automotive Mechanical and Electrical Repair	81111	$28,151.00	$28,906.00	$29,880.00	$30,775.00	$31,885.00	$32,879.00	$33,644.00	$33,835.00	$34,312.00	$34,906.00	$35,492.00
Percentage Rate Differential (ABR over AMR):		16.1%	16.2%	15.5%	15.1%	15.6%	16.2%	16.6%	17.0%	16.8%	17.7%	17.8%

MISSISSIPPI STATEWIDE COMPARISON (Source: Quarterly Census of Employment and Wages)	NAICS Code Number	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Weekly Wage (for Private Industry)												
Automotive Body and Interior Repair	811121	$530.00	$543.00	$565.00	$576.00	$617.00	$639.00	$673.00	$685.00	$686.00	$700.00	$721.00
Automotive Mechanical and Electrical Repair	81111	$434.00	$445.00	$460.00	$472.00	$495.00	$503.00	$511.00	$524.00	$534.00	$542.00	$563.00
Percentage Rate Differential (ABR over AMR):		22.1%	22.0%	22.8%	22.0%	24.6%	27.0%	31.7%	30.7%	28.5%	29.2%	28.1%
Average Annual Pay (for Private Industry)												
Automotive Body and Interior Repair	811121	$27,584.00	$28,239.00	$29,375.00	$29,963.00	$32,076.00	$33,250.00	$35,012.00	$35,618.00	$35,686.00	$36,419.00	$37,467.00
Automotive Mechanical and Electrical Repair	81111	$22,563.00	$23,132.00	$23,900.00	$24,566.00	$25,715.00	$26,132.00	$26,547.00	$27,268.00	$27,743.00	$28,163.00	$29,282.00
Percentage Rate Differential (ABR over AMR):		22.3%	22.1%	22.9%	22.0%	24.7%	27.2%	31.9%	30.6%	28.6%	29.3%	28.0%

HINDS COUNTY, MISSISSIPPI COMPARISON (Source: Quarterly Census of Employment and Wages)	NAICS Code Number	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Average Weekly Wage (for Private Industry)												
Automotive Body and Interior Repair	811121	$671.00	$707.00	$739.00	$653.00	$671.00	$707.00	$715.00	$726.00	$831.00	$803.00	$808.00
Automotive Mechanical and Electrical Repair	81111	$442.00	$455.00	$474.00	$482.00	$499.00	$508.00	$499.00	$520.00	$525.00	$528.00	$546.00
Percentage Rate Differential (ABR over AMR):		51.8%	55.4%	55.9%	35.5%	34.5%	39.2%	43.3%	39.6%	58.3%	52.1%	48.0%
Average Annual Pay (for Private Industry)												
Automotive Body and Interior Repair	811121	$34,905.00	$36,778.00	$38,423.00	$33,982.00	$34,880.00	$36,746.00	$37,184.00	$37,754.00	$43,211.00	$41,778.00	$42,025.00
Automotive Mechanical and Electrical Repair	81111	$22,979.00	$23,658.00	$24,629.00	$25,039.00	$25,953.00	$26,418.00	$25,930.00	$27,056.00	$27,305.00	$27,454.00	$28,415.00
Percentage Rate Differential (ABR over AMR):		51.9%	55.5%	56.0%	35.7%	34.4%	39.1%	43.4%	39.5%	58.3%	52.2%	47.9%

Databases, Tables & Calculators by Subject

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Data extracted on: March 16, 2014 (2:30:00 PM)

Quarterly Census of Employment and Wages

```
Series Id:   ENU2800040581111
State:       Mississippi
Area:        Mississippi -- Statewide
Industry:    NAICS 81111 Automotive mechanical and electrical repair
Owner:       Private
Size:        All establishment sizes
Type:        Average Weekly Wage
```

Download: .xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002					434
2003					445
2004					460
2005					472
2006					495
2007					503
2008					511
2009					524
2010					534
2011					542
2012					563

```
Series Id:   ENU28000405811121
State:       Mississippi
Area:        Mississippi -- Statewide
Industry:    NAICS 811121 Automotive body and interior repair
Owner:       Private
Size:        All establishment sizes
Type:        Average Weekly Wage
```

Download: .xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002					530
2003					543
2004					565
2005					576
2006					617
2007					639
2008					673

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2009					685
2010					686
2011					700
2012					721

Series Id: ENU2800050581111
State: Mississippi
Area: Mississippi -- Statewide
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: .xls

Year	Annual
2002	22563
2003	23132
2004	23900
2005	24566
2006	25715
2007	26132
2008	26547
2009	27268
2010	27743
2011	28163
2012	29282

Series Id: ENU28000505811121
State: Mississippi
Area: Mississippi -- Statewide
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: .xls

Year	Annual
2002	27584
2003	28239
2004	29375
2005	29963
2006	32076
2007	33250
2008	35012
2009	35618
2010	35686
2011	36419
2012	37467

Series Id: ENU2804940581111
State: Mississippi
Area: Hinds County, Mississippi
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Download: .xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002					442
2003					455
2004					474
2005					482
2006					499
2007					508
2008					499
2009					520
2010					525
2011					528
2012					546

Series Id: ENU28049405811121
State: Mississippi
Area: Hinds County, Mississippi
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Download: .xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002					671
2003					707
2004					739
2005					653
2006					671
2007					707
2008					715
2009					726
2010					831
2011					803
2012					808

Series Id: ENU2804950581111
State: Mississippi
Area: Hinds County, Mississippi
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: .xls

Year	Annual
2002	22979

Year	Annual
2003	23658
2004	24629
2005	25039
2006	25953
2007	26418
2008	25930
2009	27056
2010	27305
2011	27454
2012	28415

Series Id: ENU28049505811121
State: Mississippi
Area: Hinds County, Mississippi
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: .xls

Year	Annual
2002	34905
2003	36778
2004	38423
2005	33982
2006	34880
2007	36746
2008	37184
2009	37754
2010	43211
2011	41778
2012	42025

Series Id: ENUUS00040581111
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 8111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Download: .xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002	522	536	544	563	541
2003	534	548	558	584	556
2004	546	565	573	613	575
2005	550	586	612	620	592
2006	594	607	613	640	613
2007	615	625	631	659	632
2008	630	641	644	674	647
2009	624	642	649	688	651
2010	613	650	666	709	660
2011	626	663	698	697	671

P : Preliminary.

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2012	666	677	679	708	683
2013	673(P)	690(P)			

P : Preliminary.

Series Id: ENUUS0004081111121
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Download: xls

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2002	611	623	623	658	629
2003	623	640	642	680	646
2004	634	648	657	715	664
2005	635	671	704	715	681
2006	690	700	701	746	709
2007	717	725	727	771	735
2008	737	744	748	792	755
2009	733	744	755	815	761
2010	719	753	771	841	771
2011	732	774	823	830	790
2012	781	792	801	842	804
2013	787(P)	810(P)			

P : Preliminary.

Series Id: ENUUS0008081111
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: xls

Year	Annual
2002	28151
2003	28906
2004	29880
2005	30775
2006	31885
2007	32879
2008	33644
2009	33835
2010	34312
2011	34906
2012	35492

Series Id: ENUUS000505811121
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Download: xls

Year	Annual
2002	32696
2003	33595
2004	34509
2005	35412
2006	36872
2007	38218
2008	39239
2009	39584
2010	40090
2011	41083
2012	41797

EXHIBIT FOUR

A. CONVERSION OF AMR-CUP TO RELEVANT MONTHS AND YEARS

B. SUMMARY OF RESULTS FOR JACKSON, MS LABOR RATE SURVEY, MARCH 2014

EXHIBIT FOUR: CONVERSION OF SEPTEMBER 2013 AMR-CUP TO RELEVANT MONTHS FOR DEFICIENCY CLAIMS

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES

ADJUSTED HOURLY ACR LABOR RATES
South Urban (March 2014 = 1.00)
Motor Vehicle Maintenance and Repair (est.)

MEAN CUP-AMR LABOR RATE ($95.82)

Year:	2010	2011	2012	2013	2014
Month					
January	$88.48	$90.38	$92.71	$93.88	$95.40
February	$88.59	$90.47	$93.05	$94.10	
March	$88.96	$90.62	$92.85	$94.14	*$95.82*
April	$89.20	$90.93	$92.95	$94.13	
May	$89.08	$91.25	$92.97	$94.26	
June	$89.20	$91.20	$93.05	$94.50	
July	$89.04	$91.35	$92.99	$94.94	
August	$89.36	$91.64	$93.08	$95.05	
September	$89.81	$92.14	$93.27	$95.12	
October	$90.02	$92.36	$93.28	$95.22	
November	$89.98	$92.39	$93.39	$95.10	
December	$90.13	$92.41	$93.49	$95.28	
ANNUAL	**$89.32**	**$91.43**	**$93.09**	**$94.64**	

ADJUSTED HOURLY ACR LABOR RATES
South Urban (March 2014 = 1.00)
Motor Vehicle Maintenance and Repair (est.)

MINIMUM CUP-AMR LABOR RATE ($88.50)

Year:	2010	2011	2012	2013	2014
Month					
January	$81.72	$83.48	$85.63	$86.71	$88.12
February	$81.82	$83.56	$85.94	$86.91	
March	$82.17	$83.69	$85.76	$86.95	*$88.50*
April	$82.39	$83.99	$85.84	$86.94	
May	$82.27	$84.28	$85.87	$87.06	
June	$82.38	$84.23	$85.95	$87.28	
July	$82.24	$84.38	$85.89	$87.69	
August	$82.53	$84.64	$85.97	$87.78	
September	$82.95	$85.11	$86.14	$87.85	
October	$83.14	$85.30	$86.15	$87.95	
November	$83.11	$85.33	$86.26	$87.84	
December	$83.25	$85.35	$86.35	$88.00	
ANNUAL	**$82.50**	**$84.44**	**$85.98**	**$87.41**	

ADJUSTED HOURLY ACR LABOR RATES
South Urban (March 2014 = 1.00)
Motor Vehicle Maintenance and Repair (est.)

MAXIMUM CUP-AMR LABOR RATE ($103.00)

Year:	2010	2011	2012	2013	2014
Month					
January	$95.11	$97.16	$99.65	$100.92	$102.55
February	$95.23	$97.25	$100.02	$101.15	
March	$95.63	$97.41	$99.81	$101.20	*$103.00*
April	$95.89	$97.75	$99.91	$101.18	
May	$95.75	$98.09	$99.94	$101.32	
June	$95.88	$98.03	$100.03	$101.58	
July	$95.71	$98.20	$99.96	$102.06	
August	$96.06	$98.50	$100.05	$102.17	
September	$96.54	$99.05	$100.26	$102.25	
October	$96.76	$99.28	$100.27	$102.35	
November	$96.73	$99.32	$100.39	$102.23	
December	$96.89	$99.33	$100.49	$102.42	
ANNUAL	$96.01	$98.28	$100.07	$101.74	

Mechanical Survey Jackson, Mississippi Metro Area completed March 19, 2014:

Repairers surveyed by telephone call from Consumer Auto Repair Excellence President Steve Plier.

1) Upton Tire Pros [4 locations] - $99/mechanical hour
2) Gateway Tire [4 locations] - $90/mechanical hour
3) Goodyear Auto Service - $87/mechanical hour
4) Firestone Complete Auto Care - $95/mechanical hour
5) Midas Car Care [2 locations] - $88.50/mechanical hour
6) Buck Sullivan Inc. - $95/mechanical hour
7) Big Ten Tire State Street Jackson - $100/mechanical hour
8) Big Ten Tire Highway 80 East Pearl - $95/mechanical hour
9) Car Care - $99/mechanical hour
10) Herren- Gear Chevrolet - $103/mechanical hour
11) Gray Daniels Ford - $94.50/mechanical hour
12) Wilson Kia - $95/mechanical hour
13) Herren-Gear BMW - $115/mechanical hour

If high quote and low quote removed with remaining 11 quotes totaled and divided to determine average of 11 quotes noted the average quote = $95.82.

If all 13 quotes are totaled and divided by 13 the resulting average = $96.62

EXHIBIT FIVE

SHORT PAY AMOUNTS, LABOR RATE SHORTFALL AND LABOR SHORTAGE LOSS CALCULATIONS

A. Loss Spreadsheet

B. Data Check Spreadsheet on Labor Hour Inputs

C. Sampling Analysis of Short Pay Data

D. Claims Summary Sheets

SHORT PAYS ON PARTS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS -- ANNUAL LOSSES — EXHIBIT FIVE, PAGE ONE

MEAN LABOR RATE ANALYSIS

ANALYSIS OF ALLEGED SHORT PAY DEFICIENCIES ON INSURER CLAIMS — PROGRESSIVE

Year of Deficiency:	2010	2011	2012	2013
Mean Unadjusted CUP/AMR Labor Rate:	*$89.32*	*$91.43*	*$93.09*	*$94.64*
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS): (Labor hours calculated at labor rates paid by insurer)	$63,977.00	$63,240.00	$54,437.00	$77,511.00
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS				
Paid Total Labor Hours:	1,371.5	575.4	564.2	290.0
Paid Total Frame/Mechanical Labor Hours:	50.0	32.7	39.7	15.6
Paid Total Body/Paint/Detail Labor Hours:	*1,321.5*	*542.7*	*524.5*	*274.4*
Paid plus Unpaid (Adjusted) Total Labor Hours:	1,603.4	691.5	643.2	329.0
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	*1,524.9*	*657.2*	*603.2*	*313.1*
Estimated Unpaid Total Labor Hours:	231.9	116.1	79.0	39.0
Estimated Unpaid Frame/Mechanical Labor Hours:	28.5	1.6	0.3	0.3
Estimated Unpaid Body/Paint/Detail Labor Hours:	203.4	114.5	78.7	38.7
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$111.65*	*$114.29*	*$116.36*	*$118.30*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$35.65*	*$38.29*	*$40.36*	*$42.30*
Total Deficiency on Frame/Mechanical Labor Hours:	*$2,798.53*	*$1,313.26*	*$1,614.50*	*$672.57*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,524.9	657.2	603.2	313.1
Body/Paint/Detail Labor Rate CUP:	*$89.32*	*$91.43*	*$93.09*	*$94.64*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$39.32*	*$41.43*	*$43.09*	*$44.64*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$59,959.07*	*$27,227.80*	*$25,991.89*	*$13,976.78*
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	*$62,757.59*	*$28,541.06*	*$27,606.39*	*$14,649.35*
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS				
Paid Total Body/Paint/Detail Labor Hours:	1,654.3	1,885.9	2,514.9	2,743.9
Paid Total Frame/Mechanical Labor Hours:	124.1	159.7	122.8	127.4
Paid Total Labor Hours:	*1,778.4*	*2,045.6*	*2,637.7*	*2,871.3*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Paid plus Unpaid (Adjusted) Total Labor Hours:	*2,103.8*	*2,451.3*	*3,016.0*	*3,260.7*
Estimated Unpaid Body/Paint/Detail Labor Hours:	254.6	397.9	377.4	387.0
Estimated Unpaid Frame/Mechanical Labor Hours:	70.7	7.8	0.9	2.5
Estimated Unpaid Total Labor Hours:	*325.4*	*405.7*	*378.3*	*389.4*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Body/Paint/Detail Labor Rate CUP:	*$89.32*	*$91.43*	*$93.09*	*$94.64*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$39.32*	*$41.43*	*$43.09*	*$44.64*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$75,058.86*	*$94,617.47*	*$124,627.26*	*$139,762.75*
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$111.65*	*$114.29*	*$116.36*	*$118.30*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$35.65*	*$38.29*	*$40.36*	*$42.30*
Total Deficiency on Frame/Mechanical Labor Hours:	*$6,945.94*	*$6,413.69*	*$4,993.97*	*$5,492.66*
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	*$82,004.80*	*$101,031.16*	*$129,621.23*	*$145,255.40*

SUMMARY	2010	2011	2012	2013
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS):	$63,977.00	$63,240.00	$54,437.00	$77,511.00
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	$62,757.59	$28,541.06	$27,606.39	$14,649.35
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	$82,004.80	$101,031.16	$129,621.23	$145,255.40
TOTAL LOSSES ON UNPAID PROCEDURES AND ALL LABOR HOURS:	*$208,739.39*	*$192,812.22*	*$211,664.62*	*$237,415.76*

PRESENT VALUE CONVERSION AT 8% PER ANNUM

Month (or Year) of Deficiency Notice:	2010	2011	2012	2013
Number of Years before 2014:	*4*	*3*	*2*	*1*
TOTAL PARTS AND LABOR HOURS AND RATE DEFICIENCIES:	*$208,739.39*	*$192,812.22*	*$211,664.62*	*$237,415.76*
Present Value Coefficient to 2014:	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
PRESENT VALUE OF TOTAL REVISED LOSS BY MONTH:	*$283,987.64*	*$242,887.87*	*$246,885.61*	*$256,409.02*
TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$1,030,170.14*			
GRAND TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$1,446,008.12*			

SHORT PAYS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS – ANNUAL LOSSES

MEAN LABOR RATE ANALYSIS

GEICO				DATA GENERAL			
2010	2011	2012	2013	2010	2011	2012	2013
$89.32	$91.43	$93.09	$94.64	$89.32	$91.43	$93.09	$94.64
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS

582.6	269.2	188.1	265.3	47.3	76.9	58.0	95.6
55.0	20.6	15.0	13.4	0.0	0.0	3.5	2.5
527.6	*248.6*	*173.1*	*251.9*	*47.3*	*76.9*	*54.5*	*93.1*
702.4	322.0	232.0	309.0	69.5	89.8	66.4	108.5
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
635.3	*296.6*	*210.5*	*295.6*	*69.5*	*89.8*	*62.9*	*106.0*
119.8	52.8	43.9	43.7	22.2	12.9	8.4	12.9
12.1	4.8	6.5	0.0	0.0	0.0	0.0	0.0
107.7	48.0	37.4	43.7	22.2	12.9	8.4	12.9
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
$111.65	*$114.29*	*$116.36*	*$118.30*	*$111.65*	*$114.29*	*$116.36*	*$118.30*
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$35.65	*$38.29*	*$40.36*	*$42.30*	*$35.65*	*$38.29*	*$40.36*	*$42.30*
$2,392.12	*$972.50*	*$867.79*	*$566.82*	*$0.00*	*$0.00*	*$141.27*	*$105.75*
635.3	296.6	210.5	295.6	69.5	89.8	62.9	106.0
$89.32	*$91.43*	*$93.09*	*$94.64*	*$89.32*	*$91.43*	*$93.09*	*$94.64*
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$39.32	*$41.43*	*$43.09*	*$44.64*	*$39.32*	*$41.43*	*$43.09*	*$44.64*
$24,980.00	*$12,288.14*	*$9,070.45*	*$13,195.58*	*$2,732.74*	*$3,720.41*	*$2,710.36*	*$4,731.84*
$27,372.11	*$13,260.64*	*$9,938.24*	*$13,762.40*	*$2,732.74*	*$3,720.41*	*$2,851.63*	*$4,837.59*

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS

269.5	249.3	339.4	1,021.9	165.4	168.6	270.7	493.1
14.9	28.2	24.1	9.1	12.7	6.0	19.1	35.5
284.4	*277.5*	*363.5*	*1,031.0*	*178.1*	*174.6*	*289.8*	*528.6*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
342.7	*332.2*	*447.3*	*1,208.3*	*255.7*	*202.9*	*331.5*	*596.9*
55.0	48.1	73.3	177.3	77.6	28.3	41.7	68.3
3.3	6.6	10.4	0.0	0.0	0.0	0.0	0.0
58.3	*54.7*	*83.8*	*177.3*	*77.6*	*28.3*	*41.7*	*68.3*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
$89.32	*$91.43*	*$93.09*	*$94.64*	*$89.32*	*$91.43*	*$93.09*	*$94.64*
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$39.32	*$41.43*	*$43.09*	*$44.64*	*$39.32*	*$41.43*	*$43.09*	*$44.64*
$12,759.87	*$12,322.74*	*$17,784.57*	*$53,531.43*	*$9,555.92*	*$8,156.85*	*$13,462.29*	*$25,061.98*
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
$111.65	*$114.29*	*$116.36*	*$118.30*	*$111.65*	*$114.29*	*$116.36*	*$118.30*
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$35.65	*$38.29*	*$40.36*	*$42.30*	*$35.65*	*$38.29*	*$40.36*	*$42.30*
$648.05	*$1,331.29*	*$1,394.26*	*$384.93*	*$452.76*	*$229.73*	*$770.92*	*$1,501.65*
$13,407.92	*$13,654.03*	*$19,178.83*	*$53,916.36*	*$10,008.68*	*$8,386.58*	*$14,233.21*	*$26,563.63*

2010	2011	2012	2013	2010	2011	2012	2013
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00
$27,372.11	$13,260.64	$9,938.24	$13,762.40	$2,732.74	$3,720.41	$2,851.63	$4,837.59
$13,407.92	$13,654.03	$19,178.83	$53,916.36	$10,008.68	$8,386.58	$14,233.21	$26,563.63
$63,171.03	*$38,686.67*	*$42,895.06*	*$96,680.76*	*$20,601.42*	*$20,206.99*	*$24,561.84*	*$41,278.22*

2010	2011	2012	2013	2010	2011	2012	2013
4	*3*	*2*	*1*	*4*	*3*	*2*	*1*
$63,171.03	*$38,686.67*	*$42,895.06*	*$96,680.76*	*$20,601.42*	*$20,206.99*	*$24,561.84*	*$41,278.22*
1.36048896	*1.25971200*	*1.16640000*	*1.08000000*	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
$85,943.49	*$48,734.06*	*$50,032.80*	*$104,415.23*	*$28,028.00*	*$25,454.99*	*$28,648.93*	*$44,580.48*
$289,125.58				*$126,712.40*			

SHORT PAYS ON PARTS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS -- ANNUAL LOSSES — EXHIBIT FIVE, PAGE THREE

MINIMUM LABOR RATE ANALYSIS

ANALYSIS OF ALLEGED SHORT PAY DEFICIENCIES ON INSURER CLAIMS — PROGRESSIVE

Year of Deficiency:	2010	2011	2012	2013
Minimum Unadjusted CUP/AMR Labor Rate:	*$82.50*	*$84.44*	*$85.98*	*$87.41*
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS): (Labor hours calculated at labor rates paid by insurer)	$63,977.00	$63,240.00	$54,437.00	$77,511.00
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS				
Paid Total Labor Hours:	1,371.5	575.4	564.2	290.0
Paid Total Frame/Mechanical Labor Hours:	50.0	32.7	39.7	15.6
Paid Total Body/Paint/Detail Labor Hours:	*1,321.5*	*542.7*	*524.5*	*274.4*
Paid plus Unpaid (Adjusted) Total Labor Hours:	1,603.4	691.5	643.2	329.0
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	*1,524.9*	*657.2*	*603.2*	*313.1*
Estimated Unpaid Total Labor Hours:	231.9	116.1	79.0	39.0
Estimated Unpaid Frame/Mechanical Labor Hours:	28.5	1.6	0.3	0.3
Estimated Unpaid Body/Paint/Detail Labor Hours:	203.4	114.5	78.7	38.7
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$103.13*	*$105.55*	*$107.48*	*$109.26*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$27.13*	*$29.55*	*$31.48*	*$33.26*
Total Deficiency on Frame/Mechanical Labor Hours:	*$2,129.31*	*$1,013.57*	*$1,259.00*	*$528.87*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,524.9	657.2	603.2	313.1
Body/Paint/Detail Labor Rate CUP:	*$82.50*	*$84.44*	*$85.98*	*$87.41*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$32.50*	*$34.44*	*$35.98*	*$37.41*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$49,559.25*	*$22,633.97*	*$21,703.14*	*$11,713.07*
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	*$51,688.56*	*$23,647.53*	*$22,962.14*	*$12,241.94*
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS				
Paid Total Body/Paint/Detail Labor Hours:	1,654.3	1,885.9	2,514.9	2,743.9
Paid Total Frame/Mechanical Labor Hours:	124.1	159.7	122.8	127.4
Paid Total Labor Hours:	*1,778.4*	*2,045.6*	*2,637.7*	*2,871.3*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Paid plus Unpaid (Adjusted) Total Labor Hours:	*2,103.8*	*2,451.3*	*3,016.0*	*3,260.7*
Estimated Unpaid Body/Paint/Detail Labor Hours:	254.6	397.9	377.4	387.0
Estimated Unpaid Frame/Mechanical Labor Hours:	70.7	7.8	0.9	2.5
Estimated Unpaid Total Labor Hours:	*325.4*	*405.7*	*378.3*	*389.4*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Body/Paint/Detail Labor Rate CUP:	*$82.50*	*$84.44*	*$85.98*	*$87.41*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$32.50*	*$34.44*	*$35.98*	*$37.41*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$62,040.01*	*$78,653.77*	*$104,063.33*	*$117,126.44*
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$103.13*	*$105.55*	*$107.48*	*$109.26*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$27.13*	*$29.55*	*$31.48*	*$33.26*
Total Deficiency on Frame/Mechanical Labor Hours:	*$5,284.95*	*$4,950.04*	*$3,894.34*	*$4,319.14*
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	*$67,324.96*	*$83,603.81*	*$107,957.67*	*$121,445.58*

SUMMARY	2010	2011	2012	2013
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS):	$63,977.00	$63,240.00	$54,437.00	$77,511.00
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	$51,688.56	$23,647.53	$22,962.14	$12,241.94
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	$67,324.96	$83,603.81	$107,957.67	$121,445.58
TOTAL LOSSES ON UNPAID PROCEDURES AND ALL LABOR HOURS:	*$182,990.52*	*$170,491.34*	*$185,356.80*	*$211,198.52*

PRESENT VALUE CONVERSION AT 8% PER ANNUM

Month (or Year) of Deficiency Notice:	2010	2011	2012	2013
Number of Years before 2014:	*4*	*3*	*2*	*1*
TOTAL PARTS AND LABOR HOURS AND RATE DEFICIENCIES:	*$182,990.52*	*$170,491.34*	*$185,356.80*	*$211,198.52*
Present Value Coefficient to 2014:	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
PRESENT VALUE OF TOTAL REVISED LOSS BY MONTH:	*$248,956.58*	*$214,769.99*	*$216,200.18*	*$228,094.40*
TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$908,021.15*			
GRAND TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$1,275,863.67*			

SHORT PAYS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS – ANNUAL LOSSES — *EXHIBIT FIVE, PAGE FOUR*

MINIMUM LABOR RATE ANALYSIS

GEICO				DATA GENERAL			
2010	2011	2012	2013	2010	2011	2012	2013
$82.50	*$84.44*	*$85.98*	*$87.41*	*$82.50*	*$84.44*	*$85.98*	*$87.41*
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS

582.6	269.2	188.1	265.3	47.3	76.9	58.0	95.6
55.0	20.6	15.0	13.4	0.0	0.0	3.5	2.5
527.6	*248.6*	*173.1*	*251.9*	*47.3*	*76.9*	*54.5*	*93.1*
702.4	322.0	232.0	309.0	69.5	89.8	66.4	108.5
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
635.3	*296.6*	*210.5*	*295.6*	*69.5*	*89.8*	*62.9*	*106.0*
119.8	52.8	43.9	43.7	22.2	12.9	8.4	12.9
12.1	4.8	6.5	0.0	0.0	0.0	0.0	0.0
107.7	48.0	37.4	43.7	22.2	12.9	8.4	12.9
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
$103.13	***$105.55***	***$107.48***	***$109.26***	***$103.13***	***$105.55***	***$107.48***	***$109.26***
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$27.13	*$29.55*	*$31.48*	*$33.26*	*$27.13*	*$29.55*	*$31.48*	*$33.26*
$1,820.09	***$750.57***	***$676.71***	***$445.72***	***$0.00***	***$0.00***	***$110.16***	***$83.16***
635.3	296.6	210.5	295.6	69.5	89.8	62.9	106.0
$82.50	***$84.44***	***$85.98***	***$87.41***	***$82.50***	***$84.44***	***$85.98***	***$87.41***
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$32.50	*$34.44*	*$35.98*	*$37.41*	*$32.50*	*$34.44*	*$35.98*	*$37.41*
$20,647.25	***$10,214.90***	***$7,573.79***	***$11,058.40***	***$2,258.75***	***$3,092.71***	***$2,263.14***	***$3,965.46***
$22,467.34	***$10,965.47***	***$8,250.50***	***$11,504.11***	***$2,258.75***	***$3,092.71***	***$2,373.30***	***$4,048.62***

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS

269.5	249.3	339.4	1,021.9	165.4	168.6	270.7	493.1
14.9	28.2	24.1	9.1	12.7	6.0	19.1	35.5
284.4	*277.5*	*363.5*	*1,031.0*	*178.1*	*174.6*	*289.8*	*528.6*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
342.7	*332.2*	*447.3*	*1,208.3*	*255.7*	*202.9*	*331.5*	*596.9*
55.0	48.1	73.3	177.3	77.6	28.3	41.7	68.3
3.3	6.6	10.4	0.0	0.0	0.0	0.0	0.0
58.3	*54.7*	*83.8*	*177.3*	*77.6*	*28.3*	*41.7*	*68.3*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
$82.50	***$84.44***	***$85.98***	***$87.41***	***$82.50***	***$84.44***	***$85.98***	***$87.41***
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$32.50	*$34.44*	*$35.98*	*$37.41*	*$32.50*	*$34.44*	*$35.98*	*$37.41*
$10,546.69	***$10,243.67***	***$14,850.05***	***$44,861.35***	***$7,898.46***	***$6,780.64***	***$11,240.96***	***$21,002.88***
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
$103.13	***$105.55***	***$107.48***	***$109.26***	***$103.13***	***$105.55***	***$107.48***	***$109.26***
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$27.13	*$29.55*	*$31.48*	*$33.26*	*$27.13*	*$29.55*	*$31.48*	*$33.26*
$493.08	***$1,027.48***	***$1,087.25***	***$302.69***	***$344.49***	***$177.30***	***$601.17***	***$1,180.82***
$11,039.77	***$11,271.15***	***$15,937.31***	***$45,164.04***	***$8,242.95***	***$6,957.94***	***$11,842.14***	***$22,183.70***

2010	2011	2012	2013	2010	2011	2012	2013
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00
$22,467.34	$10,965.47	$8,250.50	$11,504.11	$2,258.75	$3,092.71	$2,373.30	$4,048.62
$11,039.77	$11,271.15	$15,937.31	$45,164.04	$8,242.95	$6,957.94	$11,842.14	$22,183.70
$55,898.11	*$34,008.62*	*$37,965.81*	*$85,670.16*	*$18,361.70*	*$18,150.65*	*$21,692.44*	*$36,109.32*

2010	2011	2012	2013	2010	2011	2012	2013
4	*3*	*2*	*1*	*4*	*3*	*2*	*1*
$55,898.11	*$34,008.62*	*$37,965.81*	*$85,670.16*	*$18,361.70*	*$18,150.65*	*$21,692.44*	*$36,109.32*
1.36048896	*1.25971200*	*1.16640000*	*1.08000000*	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
$76,048.76	*$42,841.07*	*$44,283.32*	*$92,523.77*	*$24,980.89*	*$22,864.59*	*$25,302.06*	*$38,998.06*
$255,696.91				*$112,145.61*			

SHORT PAYS ON PARTS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS – ANNUAL LOSSES — *EXHIBIT FIVE, PAGE FIVE*

MAXIMUM LABOR RATE ANALYSIS

ANALYSIS OF ALLEGED SHORT PAY DEFICIENCIES ON INSURER CLAIMS — PROGRESSIVE

Year of Deficiency:	2010	2011	2012	2013
Maximum Unadjusted CUP/AMR Labor Rate:	*$96.01*	*$98.28*	*$100.07*	*$101.74*
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS): (Labor hours calculated at labor rates paid by insurer)	$63,977.00	$63,240.00	$54,437.00	$77,511.00
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS				
Paid Total Labor Hours:	1,371.5	575.4	564.2	290.0
Paid Total Frame/Mechanical Labor Hours:	50.0	32.7	39.7	15.6
Paid Total Body/Paint/Detail Labor Hours:	*1,321.5*	*542.7*	*524.5*	*274.4*
Paid plus Unpaid (Adjusted) Total Labor Hours:	1,603.4	691.5	643.2	329.0
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	*1,524.9*	*657.2*	*603.2*	*313.1*
Estimated Unpaid Total Labor Hours:	231.9	116.1	79.0	39.0
Estimated Unpaid Frame/Mechanical Labor Hours:	28.5	1.6	0.3	0.3
Estimated Unpaid Body/Paint/Detail Labor Hours:	203.4	114.5	78.7	38.7
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	78.5	34.3	40.0	15.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$120.01*	*$122.85*	*$125.09*	*$127.18*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$44.01*	*$46.85*	*$49.09*	*$51.18*
Total Deficiency on Frame/Mechanical Labor Hours:	*$3,454.98*	*$1,606.96*	*$1,963.50*	*$813.68*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,524.9	657.2	603.2	313.1
Body/Paint/Detail Labor Rate CUP:	*$96.01*	*$98.28*	*$100.07*	*$101.74*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$46.01*	*$48.28*	*$50.07*	*$51.74*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$70,160.65*	*$31,729.62*	*$30,202.22*	*$16,199.79*
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	*$73,615.63*	*$33,336.57*	*$32,165.72*	*$17,013.48*
DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS				
Paid Total Body/Paint/Detail Labor Hours:	1,654.3	1,885.9	2,514.9	2,743.9
Paid Total Frame/Mechanical Labor Hours:	124.1	159.7	122.8	127.4
Paid Total Labor Hours:	*1,778.4*	*2,045.6*	*2,637.7*	*2,871.3*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Paid plus Unpaid (Adjusted) Total Labor Hours:	*2,103.8*	*2,451.3*	*3,016.0*	*3,260.7*
Estimated Unpaid Body/Paint/Detail Labor Hours:	254.6	397.9	377.4	387.0
Estimated Unpaid Frame/Mechanical Labor Hours:	70.7	7.8	0.9	2.5
Estimated Unpaid Total Labor Hours:	*325.4*	*405.7*	*378.3*	*389.4*
Paid plus Unpaid (Adjusted) Body/Paint/Detail Labor Hours:	1,908.9	2,283.8	2,892.3	3,130.9
Body/Paint/Detail Labor Rate CUP:	*$96.01*	*$98.28*	*$100.07*	*$101.74*
Body/Paint/Detail Labor Rate Paid by Insurer:	$50.00	$50.00	$50.00	$50.00
Body/Paint/Detail Hourly Labor Rate Deficiency:	*$46.01*	*$48.28*	*$50.07*	*$51.74*
Total Deficiency on Body/Paint/Detail Labor Hours:	*$87,829.56*	*$110,261.44*	*$144,815.20*	*$161,992.04*
Paid plus Unpaid (Adjusted) Frame/Mechanical Labor Hours:	194.8	167.5	123.7	129.9
Frame/Mechanical Labor Rate CUP (AMR rate x 1.25):	*$120.01*	*$122.85*	*$125.09*	*$127.18*
Frame/Mechanical Labor Rate Paid by Insurer:	$76.00	$76.00	$76.00	$76.00
Frame/Mechanical Hourly Labor Rate Deficiency:	*$44.01*	*$46.85*	*$49.09*	*$51.18*
Total Deficiency on Frame/Mechanical Labor Hours:	*$8,575.26*	*$7,848.03*	*$6,073.50*	*$6,645.07*
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	*$96,404.82*	*$118,109.47*	*$150,888.70*	*$168,637.11*

SUMMARY	2010	2011	2012	2013
ESTIMATED TOTAL FOR UNPAID PROCEDURES (LABOR AND PARTS):	$63,977.00	$63,240.00	$54,437.00	$77,511.00
TOTAL LABOR RATE DEFICIENCY ON SHORT PAY SAMPLE OF CLAIMS:	$73,615.63	$33,336.57	$32,165.72	$17,013.48
TOTAL LABOR RATE DEFICIENCY ON ALL OTHER (NON-SAMPLED) CLAIMS:	$96,404.82	$118,109.47	$150,888.70	$168,637.11
TOTAL LOSSES ON UNPAID PROCEDURES AND ALL LABOR HOURS:	*$233,997.45*	*$214,686.04*	*$237,491.42*	*$263,161.59*

PRESENT VALUE CONVERSION AT 8% PER ANNUM

Month (or Year) of Deficiency Notice:	2010	2011	2012	2013
Number of Years before 2014:	*4*	*3*	*2*	*1*
TOTAL PARTS AND LABOR HOURS AND RATE DEFICIENCIES:	*$233,997.45*	*$214,686.04*	*$237,491.42*	*$263,161.59*
Present Value Coefficient to 2014:	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
PRESENT VALUE OF TOTAL REVISED LOSS BY MONTH:	*$318,350.95*	*$270,442.59*	*$277,009.99*	*$284,214.51*
TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$1,150,018.04*			
GRAND TOTAL PRESENT VALUE OF LOSSES (AS OF DECEMBER 2013):	*$1,612,954.37*			

SHORT PAYS, LABOR HOURS SHORTAGE AND LABOR RATE SHORTFALLS -- ANNUAL LOSSES

MAXIMUM LABOR RATE ANALYSIS

GEICO				DATA GENERAL			
2010	2011	2012	2013	2010	2011	2012	2013
$96.01	*$98.28*	*$100.07*	*$101.74*	*$96.01*	*$98.28*	*$100.07*	*$101.74*
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON SHORT PAY SAMPLE OF CLAIMS

582.6	269.2	188.1	265.3	47.3	76.9	58.0	95.6
55.0	20.6	15.0	13.4	0.0	0.0	3.5	2.5
527.6	*248.6*	*173.1*	*251.9*	*47.3*	*76.9*	*54.5*	*93.1*
702.4	322.0	232.0	309.0	69.5	89.8	66.4	108.5
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
635.3	*296.6*	*210.5*	*295.6*	*69.5*	*89.8*	*62.9*	*106.0*
119.8	52.8	43.9	43.7	22.2	12.9	8.4	12.9
12.1	4.8	6.5	0.0	0.0	0.0	0.0	0.0
107.7	48.0	37.4	43.7	22.2	12.9	8.4	12.9
67.1	25.4	21.5	13.4	0.0	0.0	3.5	2.5
$120.01	*$122.85*	*$125.09*	*$127.18*	*$120.01*	*$122.85*	*$125.09*	*$127.18*
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$44.01	*$46.85*	*$49.09*	*$51.18*	*$44.01*	*$46.85*	*$49.09*	*$51.18*
$2,953.24	*$1,189.99*	*$1,055.38*	*$685.75*	*$0.00*	*$0.00*	*$171.81*	*$127.94*
635.3	296.6	210.5	295.6	69.5	89.8	62.9	106.0
$96.01	*$98.28*	*$100.07*	*$101.74*	*$96.01*	*$98.28*	*$100.07*	*$101.74*
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$46.01	*$48.28*	*$50.07*	*$51.74*	*$46.01*	*$48.28*	*$50.07*	*$51.74*
$29,230.15	*$14,319.85*	*$10,539.74*	*$15,294.34*	*$3,197.70*	*$4,335.54*	*$3,149.40*	*$5,484.44*
$32,183.39	*$15,509.84*	*$11,595.12*	*$15,980.09*	*$3,197.70*	*$4,335.54*	*$3,321.21*	*$5,612.38*

DETAIL OF LABOR HOURS AND LABOR RATE DEFICIENCIES ON ALL OTHER (NON-SAMPLED) CLAIMS

269.5	249.3	339.4	1,021.9	165.4	168.6	270.7	493.1
14.9	28.2	24.1	9.1	12.7	6.0	19.1	35.5
284.4	*277.5*	*363.5*	*1,031.0*	*178.1*	*174.6*	*289.8*	*528.6*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
342.7	*332.2*	*447.3*	*1,208.3*	*255.7*	*202.9*	*331.5*	*596.9*
55.0	48.1	73.3	177.3	77.6	28.3	41.7	68.3
3.3	6.6	10.4	0.0	0.0	0.0	0.0	0.0
58.3	*54.7*	*83.8*	*177.3*	*77.6*	*28.3*	*41.7*	*68.3*
324.5	297.4	412.7	1,199.2	243.0	196.9	312.4	561.4
$96.01	*$98.28*	*$100.07*	*$101.74*	*$96.01*	*$98.28*	*$100.07*	*$101.74*
$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00
$46.01	*$48.28*	*$50.07*	*$51.74*	*$46.01*	*$48.28*	*$50.07*	*$51.74*
$14,930.87	*$14,360.17*	*$20,665.43*	*$62,045.61*	*$11,181.79*	*$9,505.50*	*$15,643.00*	*$29,048.09*
18.2	34.8	34.5	9.1	12.7	6.0	19.1	35.5
$120.01	*$122.85*	*$125.09*	*$127.18*	*$120.01*	*$122.85*	*$125.09*	*$127.18*
$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00	$76.00
$44.01	*$46.85*	*$49.09*	*$51.18*	*$44.01*	*$46.85*	*$49.09*	*$51.18*
$800.06	*$1,629.02*	*$1,695.65*	*$465.69*	*$558.96*	*$281.10*	*$937.57*	*$1,816.71*
$15,730.93	*$15,989.18*	*$22,361.08*	*$62,511.31*	*$11,740.75*	*$9,786.60*	*$16,580.57*	*$30,864.80*

2010	2011	2012	2013	2010	2011	2012	2013
$22,391.00	$11,772.00	$13,778.00	$29,002.00	$7,860.00	$8,100.00	$7,477.00	$9,877.00
$32,183.39	$15,509.84	$11,595.12	$15,980.09	$3,197.70	$4,335.54	$3,321.21	$5,612.38
$15,730.93	$15,989.18	$22,361.08	$62,511.31	$11,740.75	$9,786.60	$16,580.57	$30,864.80
$70,305.32	*$43,271.02*	*$47,734.19*	*$107,493.40*	*$22,798.45*	*$22,222.14*	*$27,378.78*	*$46,354.18*

2010	2011	2012	2013	2010	2011	2012	2013
4	*3*	*2*	*1*	*4*	*3*	*2*	*1*
$70,305.32	*$43,271.02*	*$47,734.19*	*$107,493.40*	*$22,798.45*	*$22,222.14*	*$27,378.78*	*$46,354.18*
1.36048896	*1.25971200*	*1.16640000*	*1.08000000*	*1.36048896*	*1.25971200*	*1.16640000*	*1.08000000*
$95,649.61	*$54,509.03*	*$55,677.16*	*$116,092.87*	*$31,017.03*	*$27,993.50*	*$31,934.61*	*$50,062.52*
$321,928.67				*$141,007.65*			

DATA CHECK ON LABOR HOURS INPUTS FOR CLINTON BODY SHOPS IN MOSLEY CASE

PAGE ONE

PROGRESSIVE

	Clinton Body Shop 2010	2011	2012	2013	Sum	Total	Clinton Body Shop - Richland 2010	2011	2012	2013	Sum	Total
Labor paid at $50/hour												
Body	1,006.3	980.9	1,189.7	1,227.3	*4,404.2*	**4,404.2**	26.1	204.8	347.8	451.0	*1,029.7*	**1,029.7**
Detail	1.2	1.5	2.8	3.5	*9.0*	**9.0**	0.0	0.0	0.0	0.0	*0.0*	**0.0**
Refinish	609.8	548.2	707.6	795.5	*2,661.1*	**2,661.1**	10.9	148.4	232.0	254.3	*645.6*	**645.6**
Refinish (no materials)	0.0	0.0	15.0	5.8	*20.8*	**20.8**	0.0	2.1	20.0	6.5	*28.6*	**28.6**
Labor paid at $75/hour												
Frame	52.5	50.5	48.5	25.0	*176.5*	**176.5**	0.0	7.0	8.5	12.0	*27.5*	**27.5**
Mechanical	70.3	83.9	51.9	70.2	*276.3*	**276.3**	1.3	18.3	13.9	20.2	*53.7*	**53.7**
Structural	0.0	0.0	0.0	0.0	*0.0*	**0.0**	0.0	0.0	0.0	0.0	*0.0*	**0.0**
Labor omitted from analysis												
Glass	15.7	5.4	5.0	35.5	*61.6*	**61.6**	0.0	0.0	0.0	8.0	*8.0*	**8.0**
Sheet Totals:	1,755.8	1,670.4	2,020.5	2,162.8	7,609.5	7,609.5	38.3	380.6	622.2	752.0	1,793.1	1,793.1

GEICO

	Clinton Body Shop 2010	2010	2010	Sum	2011	2011	2011	Sum	2012	2012	2012	Sum	2013	2013
Labor paid at $50/hour														
Body	28.1	24.1	83.0	**135.2**	42.3	74.5	0.0	**116.8**	6.3	87.5	0.0	**93.8**	53.9	0.0
Detail	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0
Refinish	13.4	18.7	24.2	**56.3**	36.6	48.0	0.0	**84.6**	9.0	63.3	0.0	**72.3**	61.3	0.0
Refinish (no materials)	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	1.2	3.6	0.0	**4.8**	0.0	0.0
Labor paid at $75/hour														
Frame	0.0	0.0	2.5	**2.5**	2.0	6.0	0.0	**8.0**	0.0	6.0	0.0	**6.0**	0.0	0.0
Mechanical	0.0	0.0	1.4	**1.4**	10.9	5.3	0.0	**16.2**	0.0	16.1	0.0	**16.1**	0.0	0.0
Structural	0.0	7.5	0.0	**7.5**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0
Labor omitted from analysis														
Glass	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**	0.0	0.0
Sheet Totals:	41.5	50.3	111.1	202.9	91.8	133.8	0.0	225.6	16.5	176.5	0.0	193.0	115.2	0.0

PROGRESSIVE GRAND TOTAL
5,433.9
9.0
3,306.7
49.4
204.0
330.0
0.0
69.6
9,402.6

2013	Sum	Total	Total	Total	SUM	SUM TOTAL
128.0	181.9	130.6	24.1	373.0	527.7	527.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0
100.9	162.2	120.3	18.7	236.4	375.4	375.4
0.0	0.0	1.2	0.0	3.6	4.8	4.8
0.0	0.0	2.0	0.0	14.5	16.5	16.5
1.3	1.3	10.9	0.0	24.1	35.0	35.0
0.0	0.0	0.0	7.5	0.0	7.5	7.5
4.8	4.8	0.0	0.0	4.8	4.8	4.8
235.0	350.2	265.0	50.3	656.4	971.7	971.7

Clinton Body Shop - Richland						GEICO GRAND TOTAL
2010	2011	2012	2013	Sum	Total	
57.1	37.4	99.0	450.3	643.8	643.8	1,171.5
0.0	0.0	0.0	0.5	0.5	0.5	0.5
20.9	10.5	60.9	219.0	311.3	311.3	686.7
0.0	0.0	8.6	8.0	16.6	16.6	21.4
3.0	2.5	2.0	0.0	7.5	7.5	24.0
0.5	1.5	0.0	7.8	9.8	9.8	44.8
0.0	0.0	0.0	0.0	0.0	0.0	7.5
0.0	0.0	0.0	4.0	4.0	4.0	8.8
81.5	51.9	170.5	689.6	993.5	993.5	1,965.2

DATA CHECK ON LABOR HOURS INPUTS FOR CLINTON BODY SHOPS IN MOSLEY CASE (continued)

DIRECT GENERAL

Clinton Body Shop

	2010	2010	Sum	2011	2011	Sum	2012	2012	Sum	2013	2013	Sum	Total
Labor paid at $50/hour													
Body	41.9	40.3	***82.2***	55.8	25.6	***81.4***	68.7	60.3	***129.0***	130.2	0.0	***130.2***	296.6
Detail	1.0	0.0	***1.0***	0.0	0.0	***0.0***	0.0	0.0	***0.0***	0.0	0.0	***0.0***	1.0
Refinish	27.6	37.9	***65.5***	47.5	22.5	***70.0***	53.4	36.7	***90.1***	118.5	0.0	***118.5***	247.0
Refinish (no materials)	0.0	0.0	***0.0***	0.0	0.0	***0.0***	2.3	0.0	***2.3***	1.1	0.0	***1.1***	3.4
Labor paid at $75/hour													
Frame	3.0	4.0	***7.0***	0.0	5.0	***5.0***	12.5	2.5	***15.0***	1.0	0.0	***1.0***	16.5
Mechanical	0.0	5.7	***5.7***	1.0	0.0	***1.0***	2.4	1.7	***4.1***	19.8	0.0	***19.8***	23.2
Structural	0.0	0.0	***0.0***	0.0	0.0	***0.0***	0.0	0.0	***0.0***	3.0	0.0	***3.0***	3.0
Labor omitted from analysis													
Glass	1.3	0.0	***1.3***	0.0	0.0	***0.0***	0.2	0.0	***0.2***	0.0	0.0	***0.0***	1.5
Sheet Totals:	74.8	87.9	*162.7*	104.3	53.1	*157.4*	139.5	101.2	*240.7*	273.6	0.0	*273.6*	592.2

PROGRESSIVE GRAND TOTALS

	2010	2011	2012	2013	Sum	Total
Labor paid at $50/hour						
Body	1,032.4	1,185.7	1,537.5	1,678.3	*5,433.9*	5,433.9
Detail	1.2	1.5	2.8	3.5	*9.0*	9.0
Refinish	620.7	696.6	939.6	1,049.8	*3,306.7*	3,306.7
Refinish (no materials)	0.0	2.1	35.0	12.3	*49.4*	49.4
	1,654.3	*1,885.9*	*2,514.9*	*2,743.9*	*8,799.0*	8,799.0
Labor paid at $75/hour						
Frame	52.5	57.5	57.0	37.0	*204.0*	204.0
Mechanical	71.6	102.2	65.8	90.4	*330.0*	330.0
Structural	0.0	0.0	0.0	0.0	*0.0*	0.0
	124.1	*159.7*	*122.8*	*127.4*	*534.0*	534.0
Labor omitted from analysis						
Glass	15.7	5.4	5.0	43.5	*69.6*	69.6
Totals without Glass:	1,778.4	2,045.6	2,637.7	2,871.3	9,333.0	9,333.0
Totals:	1,794.1	2,051.0	2,642.7	2,914.8	9,402.6	9,402.6

GEICO GRAND TOTALS

	2010	2011	2012	2013	Sum	Total
Labor paid at $50/hour						
Body	192.3	154.2	192.8	632.2	*1,171.5*	1,171.5
Detail	0.0	0.0	0.0	0.5	*0.5*	0.5
Refinish	77.2	95.1	133.2	381.2	*686.7*	686.7
Refinish (no materials)	0.0	0.0	13.4	8.0	*21.4*	21.4
	269.5	*249.3*	*339.4*	*1,021.9*	*1,880.1*	1,880.1
Labor paid at $75/hour						
Frame	5.5	10.5	8.0	0.0	*24.0*	24.0
Mechanical	1.9	17.7	16.1	9.1	*44.8*	44.8
Structural	7.5	0.0	0.0	0.0	*7.5*	7.5
	14.9	*28.2*	*24.1*	*9.1*	*76.3*	76.3
Labor omitted from analysis						
Glass	0.0	0.0	0.0	8.8	*8.8*	8.8
Totals without Glass:	284.4	277.5	363.5	1,031.0	1,956.4	1,956.4
Totals:	284.4	277.5	363.5	1,039.8	1,965.2	1,965.2

PAGE FOUR

Total	SUM	SUM TOTAL	2010	2011	2012	2013	Sum	Total	DIRECT GENERAL GRAND TOTAL
			Clinton Body Shop - Richland						
126.2	422.8	422.8	8.3	7.8	35.9	149.5	201.5	201.5	624.3
0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
97.1	344.1	344.1	7.4	9.4	12.9	88.8	118.5	118.5	462.6
0.0	3.4	3.4	1.0	0.0	0.5	5.0	6.5	6.5	9.9
11.5	28.0	28.0	0.0	0.0	0.0	4.0	4.0	4.0	32.0
7.4	30.6	30.6	0.0	0.0	0.0	5.7	5.7	5.7	36.3
0.0	3.0	3.0	0.0	0.0	0.0	2.0	2.0	2.0	5.0
0.0	1.5	1.5	0.0	0.0	2.0	0.0	2.0	2.0	3.5
242.2	834.4	834.4	16.7	17.2	51.3	255.0	340.2	340.2	1,174.6

DIRECT GENERAL GRAND TOTALS

2010	2011	2012	2013	Sum	Total
90.5	89.2	164.9	279.7	624.3	624.3
1.0	0.0	0.0	0.0	1.0	1.0
72.9	79.4	103.0	207.3	462.6	462.6
1.0	0.0	2.8	6.1	9.9	9.9
165.4	168.6	270.7	493.1	1,097.8	1,097.8
7.0	5.0	15.0	5.0	32.0	32.0
5.7	1.0	4.1	25.5	36.3	36.3
0.0	0.0	0.0	5.0	5.0	5.0
12.7	6.0	19.1	35.5	73.3	73.3
1.3	0.0	2.2	0.0	3.5	3.5
178.1	174.6	289.8	528.6	1,171.1	1,171.1
179.4	174.6	292.0	528.6	1,174.6	1,174.6

CLINTON BODY SHOP, INC.
SHORT PAY LABOR ANALYSIS OF SAMPLES

	2010	2011	2012	2013	TOTAL
SUMMARY OF ORIGINAL TOTAL LABOR HOURS					
PROGRESSIVE	1371.5	575.4	564.2	290	2801.1
GEICO INSURANCE COMPANY	582.6	269.2	188.1	265.3	1305.2
DIRECT GENERAL	47.3	76.9	58	95.6	277.8
TOTALS	2001.4	921.5	810.3	650.9	4384.1
SUMMARY OF M/F LABOR HOURS INCLUDED IN ORIGINAL TOTAL LABOR HOURS					
PROGRESSIVE	50	32.7	39.7	15.6	138
GEICO INSURANCE COMPANY	55	20.6	15	13.4	104
DIRECT GENERAL	0	0	3.5	2.5	6
TOTALS	105	53.3	58.2	31.5	248
SUMMARY OF ADJUSTED TOTAL LABOR HOURS					
PROGRESSIVE	1603.4	691.5	643.2	329	3267.1
GEICO INSURANCE COMPANY	702.4	322	232	309	1565.4
DIRECT GENERAL	69.5	89.8	66.4	108.5	334.2
TOTALS	2375.3	1103.3	941.6	746.5	5166.7
SUMMARY OF M/F LABOR HOURS INCLUDED IN ADJUSTED TOTAL LABOR HOURS					
PROGRESSIVE	78.5	34.3	40	15.9	168.7
GEICO INSURANCE COMPANY	67.1	25.4	21.5	13.4	127.4
DIRECT GENERAL	0	0	3.5	2.5	6
TOTALS	145.6	59.7	65	31.8	302.1

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
SUMMARY OF SHORT PAY LOSS INCURRED CALCULATION
PROGRESSIVE INSURANCE

	2010	2011	2012	2013	Total
CALCULATION BASED ON YEARLY % ON TESTED REPAIR ORDERS					
Total Actual Insurance Payments	386,267	332,300	361,040	436,077	1,515,684
Calculated Estimated Short Pay Based on Yearly Calculated %	16.5628%	19.0310%	15.0779%	17.7745%	XXXXXXXXX
Estimated Total Short Pay	63,977	63,240	54,437	77,511	259,164

	Total
CALCULATION BASED ON 4 YEAR CUMULATED % ON TESTED REPAIR ORDERS	
Total Acutal Insurance Payments	1,515,684
Calcualted Estimated Short Pay Based on 4 Year Combined Calculated %	16.9237%
Estimated Total Short Pay	256,510

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
INSURNCE SHORT PAY SCHEDULE OF SMAPLE ROS
PROGRESSIVE INSURANCE

YEAR	RO	INS PMT	SHORT PAY	SHOP ADJ INV	% SHORT
2010	43150	1,219.98	202.66	1,422.64	16.6117%
2010	43360	1,655.99	622.18	2,278.17	37.5715%
2010	43136	2,130.33	515.50	2,645.83	24.1981%
2010	43326	4,684.83	854.21	5,539.04	16.2335%
2010	43373	5,210.45	504.17	5,714.62	9.6761%
2010	43503	731.45	298.85	1,030.30	40.8572%
2010	43567	2,858.56	368.94	3,227.50	12.9065%
2010	36817	2,822.77	306.04	3,128.81	10.8418%
2010	43309	6,003.88	671.15	6,675.03	11.1786%
2010	43992	928.10	210.86	1,138.96	22.7195%
2010	44010	1,514.52	267.23	1,781.75	17.6445%
2010	43440	4,226.71	406.66	4,633.37	9.6212%
2010	43729	4,551.05	559.35	5,110.40	12.2906%
2010	43781	9,049.73	945.14	9,994.87	10.4438%
2010	43974	801.32	240.69	1,042.01	30.0367%
2010	43889	1,498.54	293.72	1,792.26	19.6004%
2010	44078	1,591.08	284.99	1,876.07	17.9117%
2010	44129	1,789.50	378.08	2,167.58	21.1277%
2010	44203	2,177.82	678.37	2,856.19	31.1490%
2010	44066	4,404.96	777.43	5,182.39	17.6490%
2010	44236	3,501.74	1,213.66	4,715.40	34.6588%
2010	44365	2,501.95	306.99	2,808.94	12.2700%
2010	44375	3,352.50	622.03	3,974.53	18.5542%
2010	44427	2,280.10	319.44	2,599.54	14.0099%
2010	44498	10,642.25	1,433.75	12,076.00	13.4722%
2010	44431	2,289.29	357.94	2,647.23	15.6354%
2010	44529	2,936.38	552.69	3,489.07	18.8222%
2010	44588	3,480.87	530.74	4,011.61	15.2473%
2010	44616	2,870.41	518.98	3,389.39	18.0603%
2010	44480	4,914.72	399.61	5,314.33	8.1309%
2010	44991	2,537.01	898.26	3,435.27	35.4062%
2010	44879	1,846.82	291.96	2,138.78	15.8088%
2010	45188	4,588.92	1,262.44	5,851.36	27.5106%
2010	45233	2,559.85	720.65	3,280.50	28.1520%
2010	45618	1,001.33	134.16	1,135.49	13.3962%
2010	45651	528.58	243.83	772.41	46.1293%
2010	45802	4,073.91	477.57	4,551.48	11.7226%
2010	45787	12,363.70	1,419.46	13,783.16	11.4809%
2010	45971	6,805.88	1,091.75	7,897.63	16.0413%
2010	46072	838.88	179.43	1,018.31	21.3892%
2010	46330	1,181.82	464.04	1,645.86	39.2649%
2010	46018	5,345.54	348.68	5,694.22	6.5228%
2010	2805	3,879.21	745.81	4,625.02	19.2258%
2010	3006	1,833.35	389.06	2,222.41	21.2213%
2010	3077	1,979.98	486.92	2,466.90	24.5922%
2010	3174	851.42	132.28	983.70	15.5364%
2010	2985	3,872.83	1,049.32	4,922.15	27.0944%
2010	2881	732.45	110.93	843.38	15.1451%
2010	2869	958.63	118.09	1,066.92	12.1689%
2010	2868	973.71	287.93	1,261.64	29.5704%
2010	2834	4,222.06	486.99	4,709.05	11.5344%
2010	2716	3,513.40	436.61	4,050.01	12.0831%
2010	2628	1,845.48	252.68	2,098.16	13.6918%
TOTALS		167,056.74	27,670.90	194,737.64	16.5628%
AVERAGE PER INVOICE					686.90
% ROS TESTED					30.61%
2011	47914	935.31	174.44	1,109.75	18.6505%
2011	48064	7,453.71	1,112.59	8,566.30	14.9267%
2011	47636	3,898.74	987.18	4,885.92	25.3205%
2011	47746	2,681.57	750.82	3,432.39	27.9993%
2011	47451	6,147.44	3,254.05	9,401.49	36.6685%
2011	47602	2,362.17	785.95	3,148.12	32.1535%
2011	47594	1,756.24	125.06	1,881.30	7.1209%
2011	49236	7,780.92	709.70	8,490.62	9.1210%
2011	48286	4,150.54	870.38	5,020.92	20.9703%
2011	48361	1,213.55	353.79	1,567.34	29.1533%
2011	48744	7,733.15	305.20	8,038.35	3.9466%
2011	48350	3,758.55	484.11	4,242.66	12.8802%

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
PROGRESSIVE INSURANCE
LABOR ANALYSIS FROM SAMPLES

ORIG TOTAL LABOR	M/F LABOR INCL	ADJ TO LABOR	M/F LABOR INCL ADJ	TOTAL ADJ LABOR	TOTAL ADJ M/F LABOR INCL
11.1	0	1.5	0	12.6	0
24.2	0	7.3	2.4	31.5	2.4
18.1	2.4	4.9	2.4	23	4.8
29.9	0	5.5	1	35.4	1
35.5	5.1	2.3	0	37.8	5.1
10.1	0	0.5	0	10.6	0
20.1	6.6	1.7	0	21.8	6.6
15.8	0.8	4.5	2.4	20.3	3.2
36.6	0	3.6	0	40.2	0
7.7	0	1.1	0	8.8	0
17.9	0	2.4	0	20.3	0
23.7	0	1.5	0	25.2	0
25.5	3	3.9	0	29.4	3
70.8	7.3	7.9	2.4	78.7	9.7
6.2	0	1.1	0	7.3	0
19	0	3	0	22	0
9.3	0	1.5	0	10.8	0
16.8	0	2.1	0	18.9	0
22.1	0	4.8	0	26.9	0
17.5	0	2.5	0	20	0
46.5	0	8.3	0	54.8	0
24.7	3	1.7	0	26.4	3
36.1	0	8.7	2.4	44.8	2.4
22.1	0	6	0	28.1	0
85.2	0.5	12.8	1.4	98	1.9
13	0	1.5	0	14.5	0
20	2	5.6	2.4	25.6	4.4
28.3	2.5	5.8	2.4	34.1	4.9
20.8	0.5	5.6	1.4	26.4	1.9
38	0	3.4	0	41.4	0
36.8	0	6.9	0	43.7	0
14.5	0	2.3	0	16.8	0
57	1.5	11.8	2.4	68.8	3.9
26.9	0	7.8	0	34.7	0
8.4	0	0.5	0	8.9	0
8	0	1.4	0	9.4	0
33	0	3.7	0	36.7	0
91	11.9	13.2	1	104.2	12.9
64.5	0.8	7.5	2.4	72	3.2
5.5	0	0.5	0	6	0
18	0	2.9	0	20.9	0
32.4	0	1.5	0	33.9	0
33	0	5.8	0	38.8	0
19.1	0	5.4	0	24.5	0
21.3	0	5.5	0	26.8	0
5.4	0	1	0	6.4	0
37	0	12.4	0	49.4	0
5.8	0	1.5	0	7.3	0
5.5	0	1	0	6.5	0
10.3	0	3.2	0	13.5	0
20.7	0	5.3	2.1	26	2.1
29.3	2.1	5.1	0	34.4	2.1
15.5	0	2.7	0	18.2	0
1,371.50	50.00	231.90	28.50	1,603.40	78.50
6.4	0	0.6	0	7	0
79.5	4	7.5	0	87	4
46	1.5	9.4	0	55.4	1.5
33.6	0	5.9	0	39.5	0
75.5	0	14.5	0	90	0
28.1	1.4	6.3	0	34.4	1.4
11.6	1.5	0.9	0	12.5	1.5
48.2	7.8	7	0	55.2	7.8
40	4	5.5	0	45.5	4
9.4	0	1.6	0	11	0
40.4	9.4	1.7	0	42.1	9.4
22.3	0	3.1	0	25.4	0

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
INSURNCE SHORT PAY SCHEDULE OF SMAPLE ROS
PROGRESSIVE INSURANCE

YEAR	RO	INS PMT	SHORT PAY	SHOP ADJ INV	% SHORT
2011	3278	5,500.75	507.05	6,007.80	9.2178%
2011	3384	1,327.07	227.43	1,554.50	17.1378%
2011	3476	1,326.11	250.92	1,577.03	18.9215%
2011	3523	962.79	228.06	1,190.85	23.6874%
2011	3552	4,925.79	1,629.92	6,555.71	33.0895%
2011	3553	1,764.31	766.45	2,530.76	43.4419%
TOTALS		65,698.71	12,503.10	78,201.81	19.0310%
AVERAGE PER INVOICE					1,047.93
% ROS TESTED					13.74%
2012	50182	1,874.21	598.60	2,472.81	31.9388%
2012	50302	4,971.83	396.74	5,368.57	7.9798%
2012	50375	2,441.84	553.08	2,994.92	22.6501%
2012	50463	3,635.95	374.59	4,010.54	10.3024%
2012	52495	715.62	189.36	904.98	26.4610%
2012	52323	7,783.88	468.65	8,252.53	6.0208%
2012	52141	2,941.69	661.71	3,603.40	22.4942%
2012	51623	618.63	349.73	968.36	56.5330%
2012	51627	1,149.31	216.21	1,365.52	18.8122%
2012	51817	7,220.08	821.31	8,041.39	11.3754%
2012	52852	2,866.06	292.00	3,158.06	10.1882%
2012	49924	7,431.52	989.09	8,420.61	13.3094%
2012	51242	714.97	241.63	956.60	33.7958%
2012	50872	4,979.49	633.62	5,613.11	12.7246%
2012	50623	1,540.59	598.25	2,138.84	38.8325%
2012	50913	2,874.60	765.57	3,640.17	26.6322%
2012	50949	2,603.10	300.70	2,903.80	11.5516%
2012	50836	5,822.69	690.12	6,512.81	11.8523%
2012	50793	4,674.14	940.15	5,614.29	20.1139%
TOTALS		66,860.20	10,081.11	76,941.31	15.0779%
AVERAGE PER INVOICE					530.58
% ROS TESTED					13.19%
2013	54576	1,010.29	395.27	1,405.56	39.1244%
2013	54476	7,692.35	1,552.69	9,245.04	20.1849%
2013	54369	5,918.16	358.03	6,276.19	6.0497%
2013	53635	2,885.76	308.74	3,194.50	10.6987%
2013	52764	9,057.39	1,291.26	10,348.65	14.2564%
2013	52990	2,668.32	428.63	3,096.95	16.0637%
2013	54113	1,435.16	213.96	1,649.12	14.9084%
2013	53798	4,259.86	1,383.92	5,643.78	32.4875%
2013	54726	2,499.80	406.96	2,906.76	16.2797%
2013	54600	2,160.69	755.58	2,916.27	34.9694%
2013	54262	3,047.20	925.86	3,973.06	30.3840%
2013	52852	3,906.11	254.89	4,161.00	6.5254%
2013	52782	4,115.44	484.03	4,599.47	11.7613%
2013	53002	2,542.00	695.97	3,237.97	27.3788%
TOTALS		53,198.53	9,455.79	62,654.32	17.7745%
AVERAGE PER INVOICE					675.41
% ROS TESTED					8.75%
TOTALS ALL YEARS		352,824.18	59,710.90	412,535.08	16.9237%
AVERAGE PER INVOICE					694.31
% ROS TESTED					17.13%

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
PROGRESSIVE INSURANCE
LABOR ANALYSIS FROM SAMPLES

ORIG TOTAL LABOR	M/F LABOR INCL	ADJ TO LABOR	M/F LABOR INCL ADJ	TOTAL ADJ LABOR	TOTAL ADJ M/F LABOR INCL
33.3	3.1	10.7	1.6	44	4.7
11.7	0	4	0	15.7	0
12.6	0	3.8	0	16.4	0
11.1	0	3.5	0	14.6	0
49	0	23.9	0	72.9	0
16.7	0	6.2	0	22.9	0
575.40	32.70	116.10	1.60	691.50	34.30
16.6	0	4.5	0	21.1	0
28.8	3.2	3.5	0	32.3	3.2
21.3	0	6.7	0	28	0
23.8	0	3.4	0	27.2	0
5	0	0.5	0	5.5	0
45.2	6.4	0.9	0	46.1	6.4
15.4	0	1.6	0	17	0
8	0	0.8	0	8.8	0
13.1	0	0	0	13.1	0
77.6	4.1	5.4	0	83	4.1
10.2	0	2	0	12.2	0
63.6	1.2	10.3	0	73.9	1.2
4.8	0	5.3	0	10.1	0
43.1	10.5	7.4	0.3	50.5	10.8
23.4	0	3.7	0	27.1	0
38.9	0	9.2	0	48.1	0
40.6	0	4.6	0	45.2	0
45.8	10.8	4.7	0	50.5	10.8
39	1.5	4.5	0	43.5	1.5
564.20	39.70	79.00	0.30	643.20	40.00
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
55	4.5	7.3	0	62.3	4.5
14.5	2.5	2.3	0.3	16.8	2.8
19	0	0.6	0	19.6	0
39.2	0	7.4	0	46.6	0
21.8	0	2.3	0	24.1	0
20.2	0	3.5	0	23.7	0
37.7	0	4.9	0	42.6	0
16	6	1.4	0	17.4	6
29.8	2.6	2.2	0	32	2.6
36.8	0	7.1	0	43.9	0
290.00	15.60	39.00	0.30	329.00	15.90
2,801.10	138.00	466.00	30.70	3,267.10	168.70

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
SUMMARY OF SHORT PAY LOSS INCURRED CALCULATION
GEICO INSURANCE COMPANY

	2010	2011	2012	2013	Total
CALCULATION BASED ON YEARLY % ON TESTED REPAIR ORDERS					
Total Actual Insurance Payments	117,766	72,155	72,263	204,743	466,927
Calculated Estimated Short Pay Based on Yearly Calculated %	19.0130%	16.3153%	19.0667%	14.1649%	XXXXXXXXX
Estimated Total Short Pay	22,391	11,772	13,778	29,002	76,943

	Total
CALCULATION BASED ON 4 YEAR CUMULATED % ON TESTED REPAIR ORDERS	
Total Acutal Insurance Payments	466,927
Calcualted Estimated Short Pay Based on 4 Year Combined Calculated %	17.2334%
Estimated Total Short Pay	80,467

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
INSURNCE SHORT PAY SCHEDULE OF SAMPLE ROS
GEICO INSURANCE COMPANY

YEAR	RO	INS PMT	SHORT PAY	SHOP ADJ INV	% SHORT
2010	45201	2,288.63	242.27	2,530.90	10.5858%
2010	43937	8,447.26	1,620.95	10,068.21	19.1891%
2010	43912	1,673.61	441.84	2,115.45	26.4004%
2010	44278	4,471.80	1,748.87	6,220.67	39.1099%
2010	45494	3,076.90	555.29	3,632.19	18.0471%
2010	45586	10,833.40	1,361.46	12,194.86	12.5672%
2010	45133	7,647.96	879.42	8,527.38	11.4988%
2010	43065	4,051.03	245.68	4,296.71	6.0646%
2010	44376	2,887.36	614.55	3,501.91	21.2841%
2010	44414	2,272.31	377.07	2,649.38	16.5941%
2010	44466	1,602.92	1,725.01	3,327.93	107.6167%
2010	44490	3,423.39	122.09	3,545.48	3.5563%
2010	44492	3,423.39	658.80	4,082.19	19.2441%
2010	2616	947.08	200.53	1,147.61	21.1735% r
2010	2827	6,475.40	1,182.99	7,658.39	18.2690%
2010	2860	11,883.84	1,654.62	13,538.46	13.9233%
2010	2872	3,039.69	686.05	3,725.74	22.5697%
2010	2966	1,414.55	309.01	1,723.56	21.8451%
2010	2988	827.39	261.07	1,088.46	31.5534%
2010	3132	1,814.59	664.44	2,479.03	36.6165%
2010	3165	6,160.38	1,305.46	7,465.84	21.1912%
TOTALS		88,662.88	16,857.47	105,520.35	19.0130%
AVERAGE PER INVOICE					802.74
% ROS TESTED					65.63%
2011	46612	5,099.65	1,050.72	6,150.37	20.6038%
2011	46903	1,901.17	632.95	2,534.12	33.2927%
2011	48473	2,911.34	213.62	3,124.96	7.3375%
2011	48392	5,580.76	685.70	6,266.46	12.2869%
2011	48887	1,956.43	589.77	2,546.20	30.1452%
2011	3,786	9,801.20	1,457.67	11,258.87	14.8724%
2011	3,859	6,622.55	896.08	7,518.63	13.5307%
TOTALS		33,873.10	5,526.51	39,399.61	16.3153%
AVERAGE PER INVOICE					789.50
% ROS TESTED					24.14%
2012	50588	6,767.13	240.94	7,008.07	3.5604%
2012	50444	7,037.68	1,815.74	8,853.42	25.8003%
2012	49990	3,007.66	559.91	3,567.57	18.6161%
2012	49912	1,036.51	527.19	1,563.70	50.8620%
2012	4085	5,417.48	1,483.03	7,900.51	23.1092%
TOTALS		24,266.46	4,626.61	28,893.27	19.0667%
AVERAGE PER INVOICE					925.36
% ROS TESTED					19.23%
2013	53576	4,326.92	335.10	4,662.02	7.7445%
2013	53407	4,493.02	824.62	5,317.64	18.3534%
2013	53979	7,752.61	725.14	8,477.75	9.3535%
2013	52713	5,548.90	881.40	6,430.30	15.8842%
2013	53200	3,357.40	482.11	3,839.51	14.3596%
2013	54341	5,122.72	741.03	5,863.75	14.4656%
2013	54085	3,923.32	843.84	4,767.16	21.5083%
2013	54424	1,197.76	420.43	1,618.19	35.1014%
2013	54579	5,701.35	733.38	6,434.73	12.9633%
2013	55065	2,856.40	404.31	3,260.71	14.1545%
2013	55107	5,677.60	117.76	5,795.36	2.0741%
2013	4677	1,331.51	487.33	1,818.84	35.5998%
2013	4868	4,493.86	905.19	5,399.05	20.1428%

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
GEICO INSURANCE
LABOR ANALYSIS FROM SAMPLES

ORIG TOTAL LABOR	M/F LABOR INCL	ADJ TO LABOR	M/F LABOR INCL ADJ	TOTAL ADJ LABOR	TOTAL ADJ M/F LABOR INCL
16.9	0	2.9	0.5	19.8	0.5
61.4	6.3	12	3	73.4	9.3
17	0	3.1	0	20.1	0
60.6	1.3	10.7	0.5	71.3	1.8
31	9.6	6	0.5	37	10.1
62.1	8.5	11.8	2.9	73.9	11.4
53.8	8.9	8.9	2.9	62.7	11.8
23.8	7.4	2	0	25.8	7.4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
6.3	0	1	0	7.3	0
46.1	4.7	8.2	0	54.3	4.7
71.5	8.3	18.1	1.8	89.6	10.1
29.6	0	8.5	0	38.1	0
14.9	0	3	0	17.9	0
10.6	0	4.4	0	15	0
15.8	0	6.6	0	22.4	0
61.2	0	12.6	0	73.8	0
582.60	55.00	119.80	12.10	702.40	67.10
42.7	5.7	5.5	0	48.2	5.7
24.7	0	5.9	0	30.6	0
17.5	0	3	0	20.5	0
56.2	3	9.8	0	66	3
16.6	0	3.5	0	20.1	0
61.5	6.8	13.6	2.4	75.1	9.2
50	5.1	11.5	2.4	61.5	7.5
269.20	20.60	52.80	4.80	322.00	25.40
17.6	2.8	3.9	1.7	21.5	4.5
59.5	3	15	2.4	74.5	5.4
34.8	5.2	6.3	0	41.1	5.2
12.4	0	3.9	2.4	16.3	2.4
63.8	4	14.8	0	78.6	4
186.10	15.00	43.90	6.50	232.00	21.50
12.6	0	3.5	0	16.1	0
38.4	2	5.5	0	43.9	2
46.8	1	7.3	0	54.1	1
42.2	6.2	8	0	50.2	6.2
27.5	3.9	4.3	0	31.8	3.9
38.4	0.3	4.7	0	43.1	0.3
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
12.5	0	3.1	0	15.6	0
46.9	0	7.3	0	54.2	0

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
INSURNCE SHORT PAY SCHEDULE OF SAMPLE ROS
GEICO INSURANCE COMPANY

YEAR	RO	INS PMT	SHORT PAY	SHOP ADJ INV	% SHORT
TOTALS		55,783.37	7,901.64	63,685.01	14.1649%
AVERAGE PER INVOICE					607.82
% ROS TESTED					21.31%
TOTALS					
ALL YEARS		202,585.81	34,912.43	237,498.24	17.2334%
AVERAGE PER INVOICE					758.97
% ROS TESTED					31.0811%

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
GEICO INSURANCE
LABOR ANALYSIS FROM SAMPLES

ORIG TOTAL LABOR	M/F LABOR INCL	ADJ TO LABOR	M/F LABOR INCL ADJ	TOTAL ADJ LABOR	TOTAL ADJ M/F LABOR INCL
265.30	13.40	43.70	-	309.00	13.40
1,305.20	104.00	260.20	23.40	1,565.40	127.40

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
SUMMARY OF SHORT PAY LOSS INCURRED CALCULATION
DIRECT GENERAL

	2010	2011	2012	2013	Total
CALCULATION BASED ON YEARLY % ON TESTED REPAIR ORDERS					
Total Actual Insurance Payments	34,075	47,330	51,306	78,768	211,479
Calculated Estimated Short Pay Based on Yearly Calculated %	23.0654%	17.1143%	14.5735%	12.5397%	XXXXXXXXX
Estimated Total Short Pay	7,860	8,100	7,477	9,877	33,314

	Total
CALCULATION BASED ON 4 YEAR CUMULATED % ON TESTED REPAIR ORDERS	
Total Acutal Insurance Payments	211,479
Calcualted Estimated Short Pay Based on 4 Year Combined Calculated %	16.4360%
Estimated Total Short Pay	34,759

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
INSURNCE SHORT PAY SCHEDULE OF SAMPLE ROS
DIRECT GENERAL

YEAR	RO	INS PMT	SHORT PAY	SHOP ADJ INV	% SHORT
2010	44249	1,995.10	284.63	2,279.73	14.2665%
2010	44650	2,767.94	472.00	3,239.94	17.0524%
2010	45778	2,310.59	206.77	2,517.36	8.9488%
2010	2941	1,994.05	631.28	2,625.33	31.6582%
2010	2806	2,065.28	973.18	3,038.46	47.1210%
TOTALS		11,132.96	2,567.86	13,700.82	23.0654%
AVERAGE PER INVOICE					513.57
% ROS TESTED					22.73%
2011	47218	3,180.25	495.80	3,676.05	15.5900%
2011	46917	2,255.17	484.90	2,740.07	21.5017%
2011	47017	3,465.36	256.84	3,722.20	7.4116%
2011	47084	4,435.93	1,288.21	5,724.14	29.0404%
2011	48267	6,970.59	735.03	7,705.62	10.5447%
2011	3411	2,237.44	597.60	2,835.04	26.7091%
TOTALS		22,544.74	3,858.38	26,403.12	17.1143%
AVERAGE PER INVOICE					643.06
% ROS TESTED					26.09%
2012	50323	3,434.06	584.40	4,018.46	17.0178%
2012	50417	708.55	273.57	982.12	38.6098%
2012	49994	2,779.36	386.48	3,165.84	13.9054%
2012	51690	2,938.76	386.38	3,325.14	13.1477%
2012	52529	936.46	50.43	986.89	5.3852%
2012	4191	2,604.37	271.82	2,876.19	10.4371%
TOTALS		13,401.56	1,953.08	15,354.64	14.5735%
AVERAGE PER INVOICE					325.51
% ROS TESTED					26.09%
2013	53721	5,256.31	409.07	5,665.38	7.7825%
2013	55075	5,001.64	669.90	5,671.54	13.3936%
2013	53104	3,164.10	319.35	3,483.45	10.0929%
2013	53114	2,378.73	470.88	2,849.61	19.7954%
2013	54056	660.56	195.01	855.57	29.5219%
TOTALS		16,461.34	2,064.21	18,525.55	12.5397%
AVERAGE PER INVOICE					412.84
% ROS TESTED					22.73%
TOTALS					
ALL YEARS		63,540.60	10,443.53	73,984.13	18.4360%
AVERAGE PER INVOICE					474.71
% ROS TESTED					24.44%

CLINTON BODY SHOP, INC./CLINTON BODY SHOP OF RICHLAND, INC.
DIRECT GENERAL INSURANCE
LABOR ANALYSIS FROM SAMPLES

ORIG TOTAL LABOR	M/F LABOR INCL	ADJ TO LABOR	M/F LABOR INCL ADJ	TOTAL ADJ LABOR	TOTAL ADJ M/F LABOR INCL
15.6	0	2.3	0	17.9	0
0	0	0	0	0	0
0	0	0	0	0	0
18.6	0	10.4	0	29	0
13.1	0	9.5	0	22.6	0
47.30	-	22.20	-	69.50	-
38	0	3.9	0	41.9	0
17.5	0	3	0	20.5	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
21.4	0	6	0	27.4	0
76.90	-	12.90	-	89.80	-
22.4	0	3.6	0	26	0
5.7	0	0.5	0	6.2	0
9.1	2.5	0.9	0	10	2.5
0	0	0	0	0	0
0	0	0	0	0	0
20.8	1	3.4	0	24.2	1
58.00	3.50	8.40	-	66.40	3.50
47.2	2.5	4.5	0	51.7	2.5
48.4	0	8.4	0	56.8	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
95.60	2.50	12.90	-	108.50	2.50
277.80	6.00	56.40	-	334.20	6.00

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: PROGRESSIVE INSURANCE

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	78,305.53	0.0	48,637.92	0.0	29,667.61	37.89
Parts, Domestic	4020.02	107,997.57	0.0	67,125.15	0.0	40,872.42	37.85
Parts, Foreign	4030.03	156,467.47	0.0	109,680.73	0.0	46,786.74	29.90
Parts, Glass	4050.05	7,298.75	0.0	349.16	0.0	6,949.59	95.22
Parts, LKQ	4040.04	29,961.03	0.0	22,368.96	0.0	7,592.07	25.34
Parts, Other	4010.01	7,738.75	0.0	4,941.79	0.0	2,796.96	36.14
		387,769.10	**0.00**	**253,103.71**	**0.00**	**134,665.39**	**34.73**
Labor							
Labor, Body	4110.06	211,248.00	4,404.2	77,021.37	0.0	134,226.63	63.54
Labor, Detail	4150.10	439.20	9.0	0.00	0.0	439.20	100.00
Labor, Frame	4140.09	12,751.00	176.5	126.00	0.0	12,625.00	99.01
Labor, Glass	4160.11	2,963.60	61.6	24.84	0.0	2,938.76	99.16
Labor, Mechanical	4120.07	20,061.60	276.3	415.98	0.0	19,645.62	97.93
		247,463.40	**4,927.60**	**77,588.19**	**0.00**	**169,875.21**	**68.65**
Paint							
Labor, Refinish (no mat)	4180.13	1,039.20	20.8	0.00	0.0	1,039.20	100.00
Labor, Refinish	4180.13	127,735.00	2,661.1	39,666.15	0.0	88,068.85	68.95
		128,774.20	**2,681.90**	**39,666.15**	**0.00**	**89,108.05**	**69.20**
Other							
Car Rental	4510.28	2,828.31	0.0	1,716.81	0.0	1,111.50	39.30
Hazardous Waste	4430.27	395.80	0.0	0.00	0.0	395.80	100.00
Labor, Misc	4530.30	2,689.89	0.0	0.00	0.0	2,689.89	100.00
Materials, Paint	4410.25	95,801.71	0.0	0.00	0.0	95,801.71	100.00
Materials, Shop	4420.26	1,850.05	0.0	173.87	0.0	1,676.18	90.60
Misc.(Taxed)	4520.29	6,585.00	0.0	0.00	0.0	6,585.00	100.00
Storage, Inside	4290.22	30.00	0.0	0.00	0.0	30.00	100.00
Storage, Outside	4300.23	26,865.00	0.0	0.00	0.0	26,865.00	100.00
Sublet Labor	4240.17	35,341.99	0.0	1,331.31	0.0	34,010.68	96.23
Sublet Other	4250.18	638.25	0.0	0.00	0.0	638.25	100.00
Towing	4310.24	24,495.19	0.0	0.00	0.0	24,495.19	100.00
		197,521.19	**0.00**	**3,221.99**	**0.00**	**194,299.20**	**98.37**
		961,527.89	7,609.5	373,580.04	0.0	587,947.85	61.15
	Total Tax	67,235.65					
	Total	1,028,763.54					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: PROGRESSIVE INSURANCE

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	13,811.45	0.0	8,535.59	0.0	5,275.86	38.20
Parts, Domestic	4020.02	24,961.55	0.0	15,719.32	0.0	9,242.23	37.03
Parts, Foreign	4030.03	34,629.74	0.0	23,793.49	0.0	10,836.25	31.29
Parts, Glass	4050.05	595.85	0.0	0.00	0.0	595.85	100.00
Parts, LKQ	4040.04	9,258.76	0.0	7,382.01	0.0	1,876.75	20.27
Parts, Other	4010.01	1,449.25	0.0	1,010.52	0.0	438.73	30.27
		84,706.60	**0.00**	**56,440.93**	**0.00**	**28,265.67**	**33.37**
Labor							
Labor, Body	4110.06	46,257.40	1,006.3	16,913.88	0.0	29,343.52	63.44
Labor, Detail	4150.10	55.20	1.2	0.00	0.0	55.20	100.00
Labor, Frame	4140.09	3,675.00	52.5	126.00	0.0	3,549.00	96.57
Labor, Glass	4160.11	703.00	15.7	24.84	0.0	678.16	96.47
Labor, Mechanical	4120.07	4,921.00	70.3	25.20	0.0	4,895.80	99.49
		55,611.60	**1,146.00**	**17,089.92**	**0.00**	**38,521.68**	**69.27**
Paint							
Labor, Refinish	4180.13	28,050.80	609.8	9,006.57	0.0	19,044.23	67.89
		28,050.80	**609.80**	**9,006.57**	**0.00**	**19,044.23**	**67.89**
Other							
Car Rental	4510.28	545.00	0.0	317.79	0.0	227.21	41.69
Hazardous Waste	4430.27	21.00	0.0	0.00	0.0	21.00	100.00
Labor, Misc	4530.30	279.98	0.0	0.00	0.0	279.98	100.00
Materials, Paint	4410.25	20,145.50	0.0	0.00	0.0	20,145.50	100.00
Materials, Shop	4420.26	183.50	0.0	0.00	0.0	183.50	100.00
Misc.(Taxed)	4520.29	1,785.00	0.0	0.00	0.0	1,785.00	100.00
Storage, Inside	4290.22	30.00	0.0	0.00	0.0	30.00	100.00
Storage, Outside	4300.23	5,340.00	0.0	0.00	0.0	5,340.00	100.00
Sublet Labor	4240.17	9,905.68	0.0	0.00	0.0	9,905.68	100.00
Sublet Other	4250.18	50.00	0.0	0.00	0.0	50.00	100.00
Towing	4310.24	7,847.97	0.0	0.00	0.0	7,847.97	100.00
		46,133.63	**0.00**	**317.79**	**0.00**	**45,815.84**	**99.31**
		214,502.63	1,755.8	82,855.21	0.0	131,647.42	61.37
	Total Tax	15,015.21					
	Total	229,517.84					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: PROGRESSIVE INSURANCE

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	22,246.99	0.0	13,384.92	0.0	8,862.07	39.83
Parts, Domestic	4020.02	20,717.90	0.0	10,267.67	0.0	10,450.23	50.44
Parts, Foreign	4030.03	48,761.08	0.0	32,952.68	0.0	15,808.40	32.42
Parts, Glass	4050.05	1,046.55	0.0	0.00	0.0	1,046.55	100.00
Parts, LKQ	4040.04	6,504.31	0.0	4,736.72	0.0	1,767.59	27.18
Parts, Other	4010.01	2,083.00	0.0	1,312.69	0.0	770.31	36.98
		101,359.83	**0.00**	**62,654.68**	**0.00**	**38,705.15**	**38.19**
Labor							
Labor, Glass	4160.11	248.40	5.4	0.00	0.0	248.40	100.00
Labor, Frame	4140.09	3,535.00	50.5	0.00	0.0	3,535.00	100.00
Labor, Mechanical	4120.07	5,906.00	83.9	69.30	0.0	5,836.70	98.83
Labor, Body	4110.06	45,083.00	980.9	15,846.66	0.0	29,236.34	64.85
Labor, Detail	4150.10	69.00	1.5	0.00	0.0	69.00	100.00
		54,841.40	**1,122.20**	**15,915.96**	**0.00**	**38,925.44**	**70.98**
Paint							
Labor, Refinish	4180.13	25,193.60	548.2	7,811.91	0.0	17,381.69	68.99
		25,193.60	**548.20**	**7,811.91**	**0.00**	**17,381.69**	**68.99**
Other							
Sublet Other	4250.18	42.50	0.0	0.00	0.0	42.50	100.00
Car Rental	4510.28	328.60	0.0	184.00	0.0	144.60	44.00
Hazardous Waste	4430.27	8.00	0.0	0.00	0.0	8.00	100.00
Labor, Misc	4530.30	234.97	0.0	0.00	0.0	234.97	100.00
Materials, Paint	4410.25	18,630.50	0.0	0.00	0.0	18,630.50	100.00
Materials, Shop	4420.26	236.06	0.0	39.16	0.0	196.90	83.41
Misc.(Taxed)	4520.29	1,500.00	0.0	0.00	0.0	1,500.00	100.00
Storage, Outside	4300.23	5,130.00	0.0	0.00	0.0	5,130.00	100.00
Sublet Labor	4240.17	2,318.09	0.0	626.58	0.0	1,691.51	72.97
Towing	4310.24	4,828.00	0.0	0.00	0.0	4,828.00	100.00
		33,256.72	**0.00**	**849.74**	**0.00**	**32,406.98**	**97.44**
		214,651.55	**1,670.4**	**87,232.29**	**0.0**	**127,419.26**	**59.36**
	Total Tax	**15,025.63**					
	Total	**229,677.18**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: PROGRESSIVE INSURANCE

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	21,164.87	0.0	13,428.92	0.0	7,735.95	36.55
Parts, Domestic	4020.02	25,715.98	0.0	17,626.07	0.0	8,089.91	31.46
Parts, Foreign	4030.03	31,716.54	0.0	23,340.48	0.0	8,376.06	26.41
Parts, Glass	4050.05	1,034.39	0.0	0.00	0.0	1,034.39	100.00
Parts, LKQ	4040.04	6,865.96	0.0	4,630.42	0.0	2,235.54	32.56
Parts, Other	4010.01	1,947.50	0.0	1,157.14	0.0	790.36	40.58
		88,445.24	**0.00**	**60,183.03**	**0.00**	**28,262.21**	**31.95**
Labor							
Labor, Body	4110.06	59,104.60	1,189.7	20,746.53	0.0	38,358.07	64.90
Labor, Detail	4150.10	140.00	2.8	0.00	0.0	140.00	100.00
Labor, Frame	4140.09	3,659.00	48.5	0.00	0.0	3,659.00	100.00
Labor, Glass	4160.11	248.40	5.0	0.00	0.0	248.40	100.00
Labor, Mechanical	4120.07	3,916.20	51.9	78.66	0.0	3,837.54	97.99
		67,068.20	**1,297.90**	**20,825.19**	**0.00**	**46,243.01**	**68.95**
Paint							
Labor, Refinish (no mat)	4180.13	750.00	15.0	0.00	0.0	750.00	100.00
Labor, Refinish	4180.13	35,202.80	707.6	11,028.15	0.0	24,174.65	68.67
		35,952.80	**722.60**	**11,028.15**	**0.00**	**24,924.65**	**69.33**
Other							
Car Rental	4510.28	770.41	0.0	593.53	0.0	176.88	22.96
Hazardous Waste	4430.27	120.00	0.0	0.00	0.0	120.00	100.00
Labor, Misc	4530.30	1,247.00	0.0	0.00	0.0	1,247.00	100.00
Materials, Paint	4410.25	25,437.73	0.0	0.00	0.0	25,437.73	100.00
Materials, Shop	4420.26	943.11	0.0	67.57	0.0	875.54	92.84
Misc.(Taxed)	4520.29	1,200.00	0.0	0.00	0.0	1,200.00	100.00
Storage, Outside	4300.23	8,015.00	0.0	0.00	0.0	8,015.00	100.00
Sublet Labor	4240.17	1,308.16	0.0	214.52	0.0	1,093.64	83.60
Sublet Other	4250.18	243.75	0.0	0.00	0.0	243.75	100.00
Towing	4310.24	5,521.60	0.0	0.00	0.0	5,521.60	100.00
		44,806.76	**0.00**	**875.62**	**0.00**	**43,931.14**	**98.05**
		236,273.00	**2,020.5**	**92,911.99**	**0.0**	**143,361.01**	**60.68**
	Total Tax	**16,482.44**					
	Total	**252,755.44**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: PROGRESSIVE INSURANCE

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	21,082.22	0.0	13,288.49	0.0	7,793.73	36.97
Parts, Domestic	4020.02	36,602.14	0.0	23,512.09	0.0	13,090.05	35.76
Parts, Foreign	4030.03	41,360.11	0.0	29,594.08	0.0	11,766.03	28.45
Parts, Glass	4050.05	4,621.96	0.0	349.16	0.0	4,272.80	92.45
Parts, LKQ	4040.04	7,332.00	0.0	5,619.81	0.0	1,712.19	23.35
Parts, Other	4010.01	2,259.00	0.0	1,461.44	0.0	797.56	35.31
		113,257.43	**0.00**	**73,825.07**	**0.00**	**39,432.36**	**34.82**
Labor							
Labor, Body	4110.06	60,803.00	1,227.3	23,514.30	0.0	37,288.70	61.33
Labor, Detail	4150.10	175.00	3.5	0.00	0.0	175.00	100.00
Labor, Frame	4140.09	1,882.00	25.0	0.00	0.0	1,882.00	100.00
Labor, Glass	4160.11	1,763.80	35.5	0.00	0.0	1,763.80	100.00
Labor, Mechanical	4120.07	5,318.40	70.2	242.82	0.0	5,075.58	95.43
		69,942.20	**1,361.50**	**23,757.12**	**0.00**	**46,185.08**	**66.03**
Paint							
Labor, Refinish (no mat)	4180.13	289.20	5.8	0.00	0.0	289.20	100.00
Labor, Refinish	4180.13	39,287.80	795.5	11,819.52	0.0	27,468.28	69.92
		39,577.00	**801.30**	**11,819.52**	**0.00**	**27,757.48**	**70.14**
Other							
Car Rental	4510.28	1,184.30	0.0	621.49	0.0	562.81	47.52
Hazardous Waste	4430.27	246.80	0.0	0.00	0.0	246.80	100.00
Labor, Misc	4530.30	927.94	0.0	0.00	0.0	927.94	100.00
Materials, Paint	4410.25	31,587.98	0.0	0.00	0.0	31,587.98	100.00
Materials, Shop	4420.26	487.38	0.0	67.14	0.0	420.24	86.22
Misc.(Taxed)	4520.29	2,100.00	0.0	0.00	0.0	2,100.00	100.00
Storage, Outside	4300.23	8,380.00	0.0	0.00	0.0	8,380.00	100.00
Sublet Labor	4240.17	21,810.06	0.0	490.21	0.0	21,319.85	97.75
Sublet Other	4250.18	302.00	0.0	0.00	0.0	302.00	100.00
Towing	4310.24	6,297.62	0.0	0.00	0.0	6,297.62	100.00
		73,324.08	**0.00**	**1,178.84**	**0.00**	**72,145.24**	**98.39**
		296,100.71	**2,162.8**	**110,580.55**	**0.0**	**185,520.16**	**62.65**
	Total Tax	**20,712.37**					
	Total	**316,813.08**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: GEICO

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	3,966.52	0.0	2,611.82	0.0	1,354.70	34.15
Parts, Domestic	4020.02	7,200.17	0.0	4,584.75	0.0	2,615.42	36.32
Parts, Foreign	4030.03	3,306.92	0.0	1,925.41	0.0	1,381.51	41.78
Parts, LKQ	4040.04	731.25	0.0	910.00	0.0	-178.75	-24.44 *
Parts, Other	4010.01	307.94	0.0	-160.18	0.0	468.12	152.02
		15,512.80	**0.00**	**9,871.80**	**0.00**	**5,641.00**	**36.36**
Labor							
Labor, Body	4110.06	6,248.40	130.6	2,097.27	0.0	4,151.13	66.44
Labor, Frame	4140.09	140.00	2.0	0.00	0.0	140.00	100.00
Labor, Mechanical	4120.07	763.00	10.9	69.30	0.0	693.70	90.92
		7,151.40	**143.50**	**2,166.57**	**0.00**	**4,984.83**	**69.70**
Paint							
Labor, Refinish	4180.13	5,815.00	120.3	2,056.05	0.0	3,758.95	64.64
Labor, Refinish (no mat)	4180.13	60.00	1.2	0.00	0.0	60.00	100.00
		5,875.00	**121.50**	**2,056.05**	**0.00**	**3,818.95**	**65.00**
Other							
Car Rental	4510.28	482.79	0.0	327.99	0.0	154.80	32.06
Hazardous Waste	4430.27	36.00	0.0	0.00	0.0	36.00	100.00
Labor, Misc	4530.30	70.00	0.0	0.00	0.0	70.00	100.00
Materials, Paint	4410.25	4,414.64	0.0	0.00	0.0	4,414.64	100.00
Materials, Shop	4420.26	10.20	0.0	0.00	0.0	10.20	100.00
Misc.(Taxed)	4520.29	150.00	0.0	0.00	0.0	150.00	100.00
Storage, Outside	4300.23	1,355.00	0.0	0.00	0.0	1,355.00	100.00
Sublet Labor	4240.17	3,004.38	0.0	267.50	0.0	2,736.88	91.10
Towing	4310.24	596.88	0.0	0.00	0.0	596.88	100.00
		10,119.89	**0.00**	**595.49**	**0.00**	**9,524.40**	**94.12**
		38,659.09	**265.0**	**14,689.91**	**0.0**	**23,969.18**	**62.00**
	Total Tax	**2,701.94**					
	Total	**41,361.03**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: GEICO

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	33.34	0.0	18.75	0.0	14.59	43.76
Parts, Domestic	4020.02	269.11	0.0	215.29	0.0	53.82	20.00
Parts, Foreign	4030.03	356.56	0.0	235.70	0.0	120.86	33.90
		659.01	**0.00**	**469.74**	**0.00**	**189.27**	**28.72**
Labor							
Labor, Body	4110.06	1,292.60	28.1	581.67	0.0	710.93	55.00
		1,292.60	**28.10**	**581.67**	**0.00**	**710.93**	**55.00**
Paint							
Labor, Refinish	4180.13	616.40	13.4	122.13	0.0	494.27	80.19
		616.40	**13.40**	**122.13**	**0.00**	**494.27**	**80.19**
Other							
Car Rental	4510.28	40.00	0.0	0.00	0.0	40.00	100.00
Hazardous Waste	4430.27	6.00	0.0	0.00	0.0	6.00	100.00
Materials, Paint	4410.25	469.00	0.0	0.00	0.0	469.00	100.00
Misc.(Taxed)	4520.29	75.00	0.0	0.00	0.0	75.00	100.00
Storage, Outside	4300.23	180.00	0.0	0.00	0.0	180.00	100.00
Towing	4310.24	196.88	0.0	0.00	0.0	196.88	100.00
		966.88	**0.00**	**0.00**	**0.00**	**966.88**	**100.00**
		3,534.89	**41.5**	**1,173.54**	**0.0**	**2,361.35**	**66.80**
	Total Tax	**247.44**					
	Total	**3,782.33**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: GEICO

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	1,669.30	0.0	1,024.37	0.0	644.93	38.63
Parts, Domestic	4020.02	4,507.20	0.0	3,057.80	0.0	1,449.40	32.16
Parts, Foreign	4030.03	446.57	0.0	317.62	0.0	128.95	28.88
Parts, LKQ	4040.04	625.00	0.0	500.00	0.0	125.00	20.00
		7,248.07	**0.00**	**4,899.79**	**0.00**	**2,348.28**	**32.40**
Labor							
Labor, Body	4110.06	1,945.80	42.3	424.35	0.0	1,521.45	78.19
Labor, Frame	4140.09	140.00	2.0	0.00	0.0	140.00	100.00
Labor, Mechanical	4120.07	763.00	10.9	69.30	0.0	693.70	90.92
		2,848.80	**55.20**	**493.65**	**0.00**	**2,355.15**	**82.67**
Paint							
Labor, Refinish	4180.13	1,683.60	36.6	736.92	0.0	946.68	56.23
		1,683.60	**36.60**	**736.92**	**0.00**	**946.68**	**56.23**
Other							
Hazardous Waste	4430.27	15.00	0.0	0.00	0.0	15.00	100.00
Labor, Misc	4530.30	50.00	0.0	0.00	0.0	50.00	100.00
Materials, Paint	4410.25	1,233.00	0.0	0.00	0.0	1,233.00	100.00
Storage, Outside	4300.23	930.00	0.0	0.00	0.0	930.00	100.00
Sublet Labor	4240.17	494.38	0.0	267.50	0.0	226.88	45.89
Towing	4310.24	275.00	0.0	0.00	0.0	275.00	100.00
		2,997.38	**0.00**	**267.50**	**0.00**	**2,729.88**	**91.08**
		14,777.85	**91.8**	**6,397.86**	**0.0**	**8,379.99**	**56.71**
	Total Tax	**1,034.45**					
	Total	**15,812.30**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: GEICO

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	901.62	0.0	524.88	0.0	376.74	41.78
		901.62	**0.00**	**524.88**	**0.00**	**376.74**	**41.78**
Labor							
Labor, Body	4110.06	315.00	6.3	141.75	0.0	173.25	55.00
		315.00	**6.30**	**141.75**	**0.00**	**173.25**	**55.00**
Paint							
Labor, Refinish	4180.13	450.00	9.0	202.50	0.0	247.50	55.00
Labor, Refinish (no mat)	4180.13	60.00	1.2	0.00	0.0	60.00	100.00
		510.00	**10.20**	**202.50**	**0.00**	**307.50**	**60.29**
Other							
Hazardous Waste	4430.27	3.00	0.0	0.00	0.0	3.00	100.00
Materials, Paint	4410.25	342.00	0.0	0.00	0.0	342.00	100.00
Materials, Shop	4420.26	10.20	0.0	0.00	0.0	10.20	100.00
Storage, Outside	4300.23	140.00	0.0	0.00	0.0	140.00	100.00
		495.20	**0.00**	**0.00**	**0.00**	**495.20**	**100.00**
		2,221.82	**16.5**	**869.13**	**0.0**	**1,352.69**	**60.88**
	Total Tax	**151.33**					
	Total	**2,373.15**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: GEICO

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %	
Parts								
Parts, Aftermarket	4010.01	2,263.88	0.0	1,568.70	0.0	695.18	30.71	
Parts, Domestic	4020.02	2,423.86	0.0	1,311.66	0.0	1,112.20	45.89	
Parts, Foreign	4030.03	1,602.17	0.0	847.21	0.0	754.96	47.12	
Parts, LKQ	4040.04	106.25	0.0	410.00	0.0	-303.75	-285.88	*
Parts, Other	4010.01	307.94	0.0	-160.18	0.0	468.12	152.02	
		6,704.10	**0.00**	**3,977.39**	**0.00**	**2,726.71**	**40.67**	
Labor								
Labor, Body	4110.06	2,695.00	53.9	949.50	0.0	1,745.50	64.77	
		2,695.00	**53.90**	**949.50**	**0.00**	**1,745.50**	**64.77**	
Paint								
Labor, Refinish	4180.13	3,065.00	61.3	994.50	0.0	2,070.50	67.55	
		3,065.00	**61.30**	**994.50**	**0.00**	**2,070.50**	**67.55**	
Other								
Car Rental	4510.28	442.79	0.0	327.99	0.0	114.80	25.93	
Hazardous Waste	4430.27	12.00	0.0	0.00	0.0	12.00	100.00	
Labor, Misc	4530.30	20.00	0.0	0.00	0.0	20.00	100.00	
Materials, Paint	4410.25	2,370.64	0.0	0.00	0.0	2,370.64	100.00	
Misc.(Taxed)	4520.29	75.00	0.0	0.00	0.0	75.00	100.00	
Storage, Outside	4300.23	105.00	0.0	0.00	0.0	105.00	100.00	
Sublet Labor	4240.17	2,510.00	0.0	0.00	0.0	2,510.00	100.00	
Towing	4310.24	125.00	0.0	0.00	0.0	125.00	100.00	
		5,660.43	**0.00**	**327.99**	**0.00**	**5,332.44**	**94.21**	
		18,124.53	**115.2**	**6,249.38**	**0.0**	**11,875.15**	**65.52**	
	Total Tax	**1,268.72**						
	Total	**19,393.25**						

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	182.22	0.0	127.55	0.0	54.67	30.00
Parts, Foreign	4030.03	959.04	0.0	466.44	0.0	492.60	51.36
		1,141.26	**0.00**	**593.99**	**0.00**	**547.27**	**47.95**
Labor							
Labor, Body	4110.06	1,108.60	24.1	498.87	0.0	609.73	55.00
Labor, Structural	4130.08	345.00	7.5	0.00	0.0	345.00	100.00
		1,453.60	**31.60**	**498.87**	**0.00**	**954.73**	**65.68**
Paint							
Labor, Refinish	4180.13	860.20	18.7	387.09	0.0	473.11	55.00
		860.20	**18.70**	**387.09**	**0.00**	**473.11**	**55.00**
Other							
Hazardous Waste	4430.27	8.00	0.0	0.00	0.0	8.00	100.00
Materials, Paint	4410.25	654.50	0.0	0.00	0.0	654.50	100.00
Sublet Labor	4240.17	80.00	0.0	0.00	0.0	80.00	100.00
Sublet Other	4250.18	36.00	0.0	0.00	0.0	36.00	100.00
Towing	4310.24	235.00	0.0	0.00	0.0	235.00	100.00
		1,013.50	**0.00**	**0.00**	**0.00**	**1,013.50**	**100.00**
		4,468.56	**50.3**	**1,479.95**	**0.0**	**2,988.61**	**66.88**
	Total Tax	312.80					
	Total	4,781.36					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	182.22	0.0	127.55	0.0	54.67	30.00
Parts, Foreign	4030.03	959.04	0.0	466.44	0.0	492.60	51.36
		1,141.26	**0.00**	**593.99**	**0.00**	**547.27**	**47.95**
Labor							
Labor, Body	4110.06	1,108.60	24.1	498.87	0.0	609.73	55.00
Labor, Structural	4130.08	345.00	7.5	0.00	0.0	345.00	100.00
		1,453.60	**31.60**	**498.87**	**0.00**	**954.73**	**65.68**
Paint							
Labor, Refinish	4180.13	860.20	18.7	387.09	0.0	473.11	55.00
		860.20	**18.70**	**387.09**	**0.00**	**473.11**	**55.00**
Other							
Hazardous Waste	4430.27	8.00	0.0	0.00	0.0	8.00	100.00
Materials, Paint	4410.25	654.50	0.0	0.00	0.0	654.50	100.00
Sublet Labor	4240.17	80.00	0.0	0.00	0.0	80.00	100.00
Sublet Other	4250.18	36.00	0.0	0.00	0.0	36.00	100.00
		778.50	**0.00**	**0.00**	**0.00**	**778.50**	**100.00**
		4,233.56	**50.3**	**1,479.95**	**0.0**	**2,753.61**	**65.04**
	Total Tax	**296.35**					
	Total	**4,529.91**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Other							
Towing	4310.24	235.00	0.0	0.00	0.0	235.00	100.00
		235.00	**0.00**	**0.00**	**0.00**	**235.00**	**100.00**
		235.00	**0.0**	**0.00**	**0.0**	**235.00**	**100.00**
	Total Tax	**16.45**					
	Total	**251.45**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	9,014.24	0.0	6,664.57	0.0	2,349.67	26.07
Parts, Domestic	4020.02	13,679.46	0.0	6,958.21	0.0	6,721.25	49.13
Parts, Foreign	4030.03	10,131.82	0.0	7,576.68	0.0	2,555.14	25.22
Parts, Glass	4050.05	469.44	0.0	0.00	0.0	469.44	100.00
Parts, LKQ	4040.04	1,760.00	0.0	1,262.96	0.0	497.04	28.24
Parts, Other	4010.01	167.00	0.0	111.88	0.0	55.12	33.01
		35,221.96	**0.00**	**22,574.30**	**0.00**	**12,647.66**	**35.91**
Labor							
Labor, Body	4110.06	18,077.60	373.0	6,532.47	0.0	11,545.13	63.86
Labor, Frame	4140.09	1,051.00	14.5	0.00	0.0	1,051.00	100.00
Labor, Glass	4160.11	212.00	4.8	0.00	0.0	212.00	100.00
Labor, Mechanical	4120.07	1,750.60	24.1	120.51	0.0	1,630.09	93.12
		21,091.20	**416.40**	**6,652.98**	**0.00**	**14,438.22**	**68.46**
Paint							
Labor, Refinish (no mat)	4180.13	180.00	3.6	0.00	0.0	180.00	100.00
Labor, Refinish	4180.13	11,522.80	236.4	2,901.15	0.0	8,621.65	74.82
		11,702.80	**240.00**	**2,901.15**	**0.00**	**8,801.65**	**75.21**
Other							
Hazardous Waste	4430.27	67.00	0.0	0.00	0.0	67.00	100.00
Labor, Misc	4530.30	189.95	0.0	0.00	0.0	189.95	100.00
Materials, Paint	4410.25	8,090.03	0.0	0.00	0.0	8,090.03	100.00
Materials, Shop	4420.26	98.59	0.0	0.00	0.0	98.59	100.00
Misc.(Taxed)	4520.29	475.00	0.0	0.00	0.0	475.00	100.00
Misc.(Untaxed)	4520.29	3.00	0.0	0.00	0.0	3.00	100.00
Storage, Inside	4290.22	315.00	0.0	0.00	0.0	315.00	100.00
Storage, Outside	4300.23	4,395.00	0.0	0.00	0.0	4,395.00	100.00
Sublet Labor	4240.17	6,183.00	0.0	0.00	0.0	6,183.00	100.00
Towing	4310.24	1,380.00	0.0	0.00	0.0	1,380.00	100.00
		21,196.57	**0.00**	**0.00**	**0.00**	**21,196.57**	**100.00**
		89,212.53	**656.4**	**32,128.43**	**0.0**	**57,084.10**	**63.99**
	Total Tax	**6,232.08**					
	Total	**95,444.61**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	617.05	0.0	363.94	0.0	253.11	41.02
Parts, Domestic	4020.02	5,276.67	0.0	2,229.84	0.0	3,046.83	57.74
Parts, Foreign	4030.03	1,949.61	0.0	1,305.01	0.0	644.60	33.06
		7,843.33	**0.00**	**3,898.79**	**0.00**	**3,944.54**	**50.29**
Labor							
Labor, Body	4110.06	3,818.00	83.0	1,718.10	0.0	2,099.90	55.00
Labor, Frame	4140.09	175.00	2.5	0.00	0.0	175.00	100.00
Labor, Mechanical	4120.07	98.00	1.4	0.00	0.0	98.00	100.00
		4,091.00	**86.90**	**1,718.10**	**0.00**	**2,372.90**	**58.00**
Paint							
Labor, Refinish	4180.13	1,113.20	24.2	453.33	0.0	659.87	59.28
		1,113.20	**24.20**	**453.33**	**0.00**	**659.87**	**59.28**
Other							
Hazardous Waste	4430.27	9.00	0.0	0.00	0.0	9.00	100.00
Materials, Paint	4410.25	847.00	0.0	0.00	0.0	847.00	100.00
Materials, Shop	4420.26	56.59	0.0	0.00	0.0	56.59	100.00
Misc.(Taxed)	4520.29	75.00	0.0	0.00	0.0	75.00	100.00
Storage, Outside	4300.23	90.00	0.0	0.00	0.0	90.00	100.00
Towing	4310.24	170.00	0.0	0.00	0.0	170.00	100.00
		1,247.59	**0.00**	**0.00**	**0.00**	**1,247.59**	**100.00**
		14,295.12	**111.1**	**6,070.22**	**0.0**	**8,224.90**	**57.54**
	Total Tax	**1,000.66**					
	Total	**15,295.78**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	2,704.47	0.0	2,102.56	0.0	601.91	22.26
Parts, Domestic	4020.02	2,156.96	0.0	1,214.22	0.0	942.74	43.71
Parts, Foreign	4030.03	1,732.78	0.0	1,287.78	0.0	445.00	25.68
Parts, LKQ	4040.04	437.50	0.0	373.86	0.0	63.64	14.55
		7,031.71	**0.00**	**4,978.42**	**0.00**	**2,053.29**	**29.20**
Labor							
Labor, Body	4110.06	3,553.40	74.5	1,126.53	0.0	2,426.87	68.30
Labor, Frame	4140.09	438.00	6.0	0.00	0.0	438.00	100.00
Labor, Mechanical	4120.07	381.80	5.3	110.25	0.0	271.55	71.12
		4,373.20	**85.80**	**1,236.78**	**0.00**	**3,136.42**	**71.72**
Paint							
Labor, Refinish	4180.13	2,258.80	48.0	312.57	0.0	1,946.23	86.16
		2,258.80	**48.00**	**312.57**	**0.00**	**1,946.23**	**86.16**
Other							
Hazardous Waste	4430.27	15.00	0.0	0.00	0.0	15.00	100.00
Materials, Paint	4410.25	1,580.50	0.0	0.00	0.0	1,580.50	100.00
Materials, Shop	4420.26	22.00	0.0	0.00	0.0	22.00	100.00
Storage, Outside	4300.23	1,605.00	0.0	0.00	0.0	1,605.00	100.00
Towing	4310.24	490.00	0.0	0.00	0.0	490.00	100.00
		3,712.50	**0.00**	**0.00**	**0.00**	**3,712.50**	**100.00**
		17,376.21	**133.8**	**6,527.77**	**0.0**	**10,848.44**	**62.43**
	Total Tax	**1,216.33**					
	Total	**18,592.54**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	4,278.72	0.0	3,220.50	0.0	1,058.22	24.73
Parts, Domestic	4020.02	2,551.44	0.0	1,862.02	0.0	689.42	27.02
Parts, Foreign	4030.03	3,898.71	0.0	3,264.31	0.0	634.40	16.27
Parts, LKQ	4040.04	750.00	0.0	583.08	0.0	166.92	22.26
		11,478.87	**0.00**	**8,929.91**	**0.00**	**2,548.96**	**22.21**
Labor							
Labor, Body	4110.06	4,306.20	87.5	1,206.09	0.0	3,100.11	71.99
Labor, Frame	4140.09	438.00	6.0	0.00	0.0	438.00	100.00
Labor, Mechanical	4120.07	1,172.00	16.1	0.00	0.0	1,172.00	100.00
		5,916.20	**109.60**	**1,206.09**	**0.00**	**4,710.11**	**79.61**
Paint							
Labor, Refinish	4180.13	3,105.80	63.3	1,059.75	0.0	2,046.05	65.88
Labor, Refinish (no mat)	4180.13	180.00	3.6	0.00	0.0	180.00	100.00
		3,285.80	**66.90**	**1,059.75**	**0.00**	**2,226.05**	**67.75**
Other							
Hazardous Waste	4430.27	15.00	0.0	0.00	0.0	15.00	100.00
Labor, Misc	4530.30	189.95	0.0	0.00	0.0	189.95	100.00
Materials, Paint	4410.25	1,966.73	0.0	0.00	0.0	1,966.73	100.00
Materials, Shop	4420.26	10.00	0.0	0.00	0.0	10.00	100.00
Misc.(Taxed)	4520.29	175.00	0.0	0.00	0.0	175.00	100.00
Misc.(Untaxed)	4520.29	3.00	0.0	0.00	0.0	3.00	100.00
Storage, Inside	4290.22	315.00	0.0	0.00	0.0	315.00	100.00
Storage, Outside	4300.23	1,785.00	0.0	0.00	0.0	1,785.00	100.00
Sublet Labor	4240.17	125.00	0.0	0.00	0.0	125.00	100.00
Towing	4310.24	395.00	0.0	0.00	0.0	395.00	100.00
		4,979.68	**0.00**	**0.00**	**0.00**	**4,979.68**	**100.00**
		25,660.55	**176.5**	**11,195.75**	**0.0**	**14,464.80**	**56.37**
	Total Tax	**1,783.44**					
	Total	**27,443.99**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: GEICO INS. CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	1,414.00	0.0	977.57	0.0	436.43	30.86
Parts, Domestic	4020.02	3,694.39	0.0	1,652.13	0.0	2,042.26	55.28
Parts, Foreign	4030.03	2,550.72	0.0	1,719.58	0.0	831.14	32.58
Parts, Glass	4050.05	469.44	0.0	0.00	0.0	469.44	100.00
Parts, LKQ	4040.04	572.50	0.0	306.02	0.0	266.48	46.55
Parts, Other	4010.01	167.00	0.0	111.88	0.0	55.12	33.01
		8,868.05	**0.00**	**4,767.18**	**0.00**	**4,100.87**	**46.24**
Labor							
Labor, Body	4110.06	6,400.00	128.0	2,481.75	0.0	3,918.25	61.22
Labor, Glass	4160.11	212.00	4.8	0.00	0.0	212.00	100.00
Labor, Mechanical	4120.07	98.80	1.3	10.26	0.0	88.54	89.62
		6,710.80	**134.10**	**2,492.01**	**0.00**	**4,218.79**	**62.87**
Paint							
Labor, Refinish	4180.13	5,045.00	100.9	1,075.50	0.0	3,969.50	78.68
		5,045.00	**100.90**	**1,075.50**	**0.00**	**3,969.50**	**78.68**
Other							
Hazardous Waste	4430.27	28.00	0.0	0.00	0.0	28.00	100.00
Materials, Paint	4410.25	3,695.80	0.0	0.00	0.0	3,695.80	100.00
Materials, Shop	4420.26	10.00	0.0	0.00	0.0	10.00	100.00
Misc.(Taxed)	4520.29	225.00	0.0	0.00	0.0	225.00	100.00
Storage, Outside	4300.23	915.00	0.0	0.00	0.0	915.00	100.00
Sublet Labor	4240.17	6,058.00	0.0	0.00	0.0	6,058.00	100.00
Towing	4310.24	325.00	0.0	0.00	0.0	325.00	100.00
		11,256.80	**0.00**	**0.00**	**0.00**	**11,256.80**	**100.00**
		31,880.65	**235.0**	**8,334.69**	**0.0**	**23,545.96**	**73.86**
	Total Tax	**2,231.65**					
	Total	**34,112.30**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: GEICO /DAVID PENNINGTON/

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
	Total Tax	0.00					
	Total						

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: GEICO /DAVID PENNINGTON/

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Total Tax		0.00					
Total							

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: GEICO /DAVID PENNINGTON/

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Total Tax		0.00					
Total							

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: GEICO /DAVID PENNINGTON/

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
	Total Tax	0.00					
	Total						

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: DIRECT GENERAL INSURANCE CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	15,060.33	0.0	9,278.16	0.0	5,782.17	38.39
Parts, Domestic	4020.02	8,252.92	0.0	5,983.33	0.0	2,269.59	27.50
Parts, Foreign	4030.03	4,777.76	0.0	3,337.26	0.0	1,440.50	30.15
Parts, Glass	4050.05	264.44	0.0	0.00	0.0	264.44	100.00
Parts, LKQ	4040.04	2,312.02	0.0	1,824.02	0.0	488.00	21.11
Parts, Other	4010.01	267.00	0.0	168.17	0.0	98.83	37.01
		30,934.47	**0.00**	**20,590.94**	**0.00**	**10,343.53**	**33.44**
Labor							
Labor, Mechanical	4120.07	1,650.40	23.2	34.20	0.0	1,616.20	97.93
Labor, Glass	4160.11	69.80	1.5	0.00	0.0	69.80	100.00
Labor, Structural	4130.08	255.00	3.0	0.00	0.0	255.00	100.00
Labor, Detail	4150.10	46.00	1.0	0.00	0.0	46.00	100.00
Labor, Body	4110.06	14,071.20	296.6	5,168.88	0.0	8,902.32	63.27
Labor, Frame	4140.09	1,200.00	16.5	31.50	0.0	1,168.50	97.37
		17,292.40	**341.80**	**5,234.58**	**0.00**	**12,057.82**	**69.73**
Paint							
Labor, Refinish	4180.13	11,749.20	247.0	3,513.60	0.0	8,235.60	70.09
Labor, Refinish (no mat)	4180.13	168.80	3.4	0.00	0.0	168.80	100.00
		11,918.00	**250.40**	**3,513.60**	**0.00**	**8,404.40**	**70.52**
Other							
Sublet Other	4250.18	232.00	0.0	0.00	0.0	232.00	100.00
Hazardous Waste	4430.27	37.00	0.0	0.00	0.0	37.00	100.00
Labor, Misc	4530.30	751.60	0.0	0.00	0.0	751.60	100.00
Materials, Paint	4410.25	10,443.24	0.0	0.00	0.0	10,443.24	100.00
Materials, Shop	4420.26	144.89	0.0	0.00	0.0	144.89	100.00
Misc.(Taxed)	4520.29	300.00	0.0	0.00	0.0	300.00	100.00
Storage, Outside	4300.23	5,200.00	0.0	0.00	0.0	5,200.00	100.00
Sublet Labor	4240.17	186.00	0.0	0.00	0.0	186.00	100.00
Towing	4310.24	1,983.55	0.0	0.00	0.0	1,983.55	100.00
		19,278.28	**0.00**	**0.00**	**0.00**	**19,278.28**	**100.00**
		79,423.15	**592.2**	**29,339.12**	**0.0**	**50,084.03**	**63.06**
	Total Tax	5,294.36					
	Total	**84,717.51**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: DIRECT GENERAL INSURANCE CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	490.05	0.0	263.82	0.0	226.23	46.16
Parts, Domestic	4020.02	751.33	0.0	1,001.71	0.0	-250.38	-33.32 *
Parts, Glass	4050.05	264.44	0.0	0.00	0.0	264.44	100.00
Parts, LKQ	4040.04	625.00	0.0	500.00	0.0	125.00	20.00
		2,130.82	**0.00**	**1,765.53**	**0.00**	**365.29**	**17.14**
Labor							
Labor, Body	4110.06	1,927.40	41.9	681.03	0.0	1,246.37	64.67
Labor, Detail	4150.10	46.00	1.0	0.00	0.0	46.00	100.00
Labor, Frame	4140.09	210.00	3.0	0.00	0.0	210.00	100.00
Labor, Glass	4160.11	59.80	1.3	0.00	0.0	59.80	100.00
		2,243.20	**47.20**	**681.03**	**0.00**	**1,562.17**	**69.64**
Paint							
Labor, Refinish	4180.13	1,269.60	27.6	550.62	0.0	718.98	56.63
		1,269.60	**27.60**	**550.62**	**0.00**	**718.98**	**56.63**
Other							
Hazardous Waste	4430.27	0.00	0.0	0.00	0.0	0.00	0.00
Materials, Paint	4410.25	966.00	0.0	0.00	0.0	966.00	100.00
Misc.(Taxed)	4520.29	150.00	0.0	0.00	0.0	150.00	100.00
Storage, Outside	4300.23	1,440.00	0.0	0.00	0.0	1,440.00	100.00
Towing	4310.24	455.00	0.0	0.00	0.0	455.00	100.00
		3,011.00	**0.00**	**0.00**	**0.00**	**3,011.00**	**100.00**
		8,654.62	74.8	**2,997.18**	**0.0**	**5,657.44**	**65.37**
	Total Tax	**605.82**					
	Total	**9,260.44**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: DIRECT GENERAL INSURANCE CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	1,567.82	0.0	857.92	0.0	709.90	45.28
Parts, Domestic	4020.02	2,303.36	0.0	1,706.10	0.0	597.26	25.93
Parts, Foreign	4030.03	1,722.39	0.0	1,187.47	0.0	534.92	31.06
Parts, LKQ	4040.04	187.50	0.0	150.00	0.0	37.50	20.00
		5,781.07	**0.00**	**3,901.49**	**0.00**	**1,879.58**	**32.51**
Labor							
Labor, Body	4110.06	2,566.80	55.8	991.53	0.0	1,575.27	61.37
Labor, Mechanical	4120.07	70.00	1.0	0.00	0.0	70.00	100.00
		2,636.80	**56.80**	**991.53**	**0.00**	**1,645.27**	**62.40**
Paint							
Labor, Refinish	4180.13	2,185.00	47.5	612.72	0.0	1,572.28	71.96
		2,185.00	**47.50**	**612.72**	**0.00**	**1,572.28**	**71.96**
Other							
Hazardous Waste	4430.27	9.00	0.0	0.00	0.0	9.00	100.00
Labor, Misc	4530.30	210.00	0.0	0.00	0.0	210.00	100.00
Materials, Paint	4410.25	1,460.50	0.0	0.00	0.0	1,460.50	100.00
Materials, Shop	4420.26	10.00	0.0	0.00	0.0	10.00	100.00
Storage, Outside	4300.23	1,380.00	0.0	0.00	0.0	1,380.00	100.00
Sublet Labor	4240.17	24.00	0.0	0.00	0.0	24.00	100.00
Towing	4310.24	335.00	0.0	0.00	0.0	335.00	100.00
		3,428.50	**0.00**	**0.00**	**0.00**	**3,428.50**	**100.00**
		14,031.37	**104.3**	**5,505.74**	**0.0**	**8,525.63**	**60.76**
	Total Tax	**788.95**					
	Total	**14,820.32**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: DIRECT GENERAL INSURANCE CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	4,226.68	0.0	3,208.28	0.0	1,018.40	24.09
Parts, Domestic	4020.02	3,453.89	0.0	1,994.93	0.0	1,458.96	42.24
Parts, Foreign	4030.03	240.81	0.0	124.37	0.0	116.44	48.35
Parts, LKQ	4040.04	587.02	0.0	459.02	0.0	128.00	21.81
		8,508.40	**0.00**	**5,786.60**	**0.00**	**2,721.80**	**31.99**
Labor							
Labor, Body	4110.06	3,373.40	68.7	1,337.85	0.0	2,035.55	60.34
Labor, Frame	4140.09	920.00	12.5	31.50	0.0	888.50	96.58
Labor, Glass	4160.11	10.00	0.2	0.00	0.0	10.00	100.00
Labor, Mechanical	4120.07	174.00	2.4	34.20	0.0	139.80	80.34
		4,477.40	**83.80**	**1,403.55**	**0.00**	**3,073.85**	**68.65**
Paint							
Labor, Refinish	4180.13	2,647.60	53.4	520.92	0.0	2,126.68	80.32
Labor, Refinish (no mat)	4180.13	115.00	2.3	0.00	0.0	115.00	100.00
		2,762.60	**55.70**	**520.92**	**0.00**	**2,241.68**	**81.14**
Other							
Hazardous Waste	4430.27	10.00	0.0	0.00	0.0	10.00	100.00
Materials, Paint	4410.25	2,017.40	0.0	0.00	0.0	2,017.40	100.00
Materials, Shop	4420.26	19.99	0.0	0.00	0.0	19.99	100.00
Misc.(Taxed)	4520.29	75.00	0.0	0.00	0.0	75.00	100.00
Storage, Outside	4300.23	1,960.00	0.0	0.00	0.0	1,960.00	100.00
Sublet Labor	4240.17	92.00	0.0	0.00	0.0	92.00	100.00
Towing	4310.24	818.55	0.0	0.00	0.0	818.55	100.00
		4,992.94	**0.00**	**0.00**	**0.00**	**4,992.94**	**100.00**
		20,741.34	**139.5**	**7,711.07**	**0.0**	**13,030.27**	**62.82**
	Total Tax	**1,443.84**					
	Total	**22,185.18**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: DIRECT GENERAL INSURANCE CO.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	8,775.78	0.0	4,948.14	0.0	3,827.64	43.62
Parts, Domestic	4020.02	1,744.34	0.0	1,280.59	0.0	463.75	26.59
Parts, Foreign	4030.03	2,814.56	0.0	2,025.42	0.0	789.14	28.04
Parts, LKQ	4040.04	912.50	0.0	715.00	0.0	197.50	21.64
Parts, Other	4010.01	267.00	0.0	168.17	0.0	98.83	37.01
		14,514.18	**0.00**	**9,137.32**	**0.00**	**5,376.86**	**37.05**
Labor							
Labor, Body	4110.06	6,203.60	130.2	2,158.47	0.0	4,045.13	65.21
Labor, Frame	4140.09	70.00	1.0	0.00	0.0	70.00	100.00
Labor, Mechanical	4120.07	1,406.40	19.8	0.00	0.0	1,406.40	100.00
Labor, Structural	4130.08	255.00	3.0	0.00	0.0	255.00	100.00
		7,935.00	**154.00**	**2,158.47**	**0.00**	**5,776.53**	**72.80**
Paint							
Labor, Refinish	4180.13	5,647.00	118.5	1,829.34	0.0	3,817.66	67.61
Labor, Refinish (no mat)	4180.13	53.80	1.1	0.00	0.0	53.80	100.00
		5,700.80	**119.60**	**1,829.34**	**0.00**	**3,871.46**	**67.91**
Other							
Hazardous Waste	4430.27	18.00	0.0	0.00	0.0	18.00	100.00
Labor, Misc	4530.30	541.60	0.0	0.00	0.0	541.60	100.00
Materials, Paint	4410.25	5,999.34	0.0	0.00	0.0	5,999.34	100.00
Materials, Shop	4420.26	114.90	0.0	0.00	0.0	114.90	100.00
Misc.(Taxed)	4520.29	75.00	0.0	0.00	0.0	75.00	100.00
Storage, Outside	4300.23	420.00	0.0	0.00	0.0	420.00	100.00
Sublet Labor	4240.17	70.00	0.0	0.00	0.0	70.00	100.00
Sublet Other	4250.18	232.00	0.0	0.00	0.0	232.00	100.00
Towing	4310.24	375.00	0.0	0.00	0.0	375.00	100.00
		7,845.84	**0.00**	**0.00**	**0.00**	**7,845.84**	**100.00**
		35,995.82	**273.6**	**13,125.13**	**0.0**	**22,870.69**	**63.54**
	Total Tax	**2,455.75**					
	Total	**38,451.57**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Also Direct General

Selections for Insurance Company: DIRECT ADJUSTING C.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	7,364.82	0.0	4,299.36	0.0	3,065.46	41.62
Parts, Domestic	4020.02	2,991.60	0.0	2,422.12	0.0	569.48	19.04
Parts, Foreign	4030.03	3,286.00	0.0	2,240.76	0.0	1,045.24	31.81
Parts, LKQ	4040.04	1,843.75	0.0	1,462.60	0.0	381.15	20.67
Parts, Other	4010.01	800.00	0.0	243.49	0.0	556.51	69.56
		16,286.17	**0.00**	**10,668.33**	**0.00**	**5,617.84**	**34.49**
Labor							
Labor, Body	4110.06	6,046.40	126.2	2,138.67	0.0	3,907.73	64.63
Labor, Frame	4140.09	820.00	11.5	0.00	0.0	820.00	100.00
Labor, Mechanical	4120.07	528.20	7.4	0.00	0.0	528.20	100.00
		7,394.60	**145.10**	**2,138.67**	**0.00**	**5,255.93**	**71.08**
Paint							
Labor, Refinish	4180.13	4,613.40	97.1	1,183.41	0.0	3,429.99	74.35
		4,613.40	**97.10**	**1,183.41**	**0.00**	**3,429.99**	**74.35**
Other							
Car Rental	4510.28	156.71	0.0	398.63	0.0	-241.92	-154.37 *
Hazardous Waste	4430.27	18.00	0.0	0.00	0.0	18.00	100.00
Labor, Misc	4530.30	82.00	0.0	0.00	0.0	82.00	100.00
Materials, Paint	4410.25	3,136.67	0.0	0.00	0.0	3,136.67	100.00
Materials, Shop	4420.26	20.00	0.0	0.00	0.0	20.00	100.00
Storage, Outside	4300.23	245.00	0.0	0.00	0.0	245.00	100.00
Sublet Labor	4240.17	224.00	0.0	0.00	0.0	224.00	100.00
Towing	4310.24	125.00	0.0	0.00	0.0	125.00	100.00
		4,007.38	**0.00**	**398.63**	**0.00**	**3,608.75**	**90.05**
		32,301.55	**242.2**	**14,389.04**	**0.0**	**17,912.51**	**55.45**
	Total Tax	**2,261.11**					
	Total	**34,562.66**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: DIRECT ADJUSTING C.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	3,222.35	0.0	1,746.78	0.0	1,475.57	45.79
Parts, Domestic	4020.02	1,791.65	0.0	1,494.75	0.0	296.90	16.57
Parts, Foreign	4030.03	971.05	0.0	501.58	0.0	469.47	48.35
Parts, Other	4010.01	273.00	0.0	137.18	0.0	135.82	49.75
		6,258.05	**0.00**	**3,880.29**	**0.00**	**2,377.76**	**38.00**
Labor							
Labor, Body	4110.06	1,853.80	40.3	716.22	0.0	1,137.58	61.36
Labor, Frame	4140.09	280.00	4.0	0.00	0.0	280.00	100.00
Labor, Mechanical	4120.07	399.00	5.7	0.00	0.0	399.00	100.00
		2,532.80	**50.00**	**716.22**	**0.00**	**1,816.58**	**71.72**
Paint							
Labor, Refinish	4180.13	1,743.40	37.9	434.70	0.0	1,308.70	75.07
		1,743.40	**37.90**	**434.70**	**0.00**	**1,308.70**	**75.07**
Other							
Hazardous Waste	4430.27	11.00	0.0	0.00	0.0	11.00	100.00
Materials, Paint	4410.25	1,207.50	0.0	0.00	0.0	1,207.50	100.00
Sublet Labor	4240.17	60.00	0.0	0.00	0.0	60.00	100.00
		1,278.50	**0.00**	**0.00**	**0.00**	**1,278.50**	**100.00**
		11,812.75	**87.9**	**5,031.21**	**0.0**	**6,781.54**	**57.41**
	Total Tax	**826.90**					
	Total	**12,639.65**					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: DIRECT ADJUSTING C.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Aftermarket	4010.01	1,748.45	0.0	950.51	0.0	797.94	45.64
Parts, Domestic	4020.02	805.75	0.0	624.98	0.0	180.77	22.43
Parts, Foreign	4030.03	223.34	0.0	178.64	0.0	44.70	20.01
Parts, LKQ	4040.04	1,375.00	0.0	1,100.00	0.0	275.00	20.00
		4,152.54	**0.00**	**2,854.13**	**0.00**	**1,298.41**	**31.27**
Labor							
Labor, Body	4110.06	1,177.60	25.6	486.45	0.0	691.15	58.69
Labor, Frame	4140.09	350.00	5.0	0.00	0.0	350.00	100.00
		1,527.60	**30.60**	**486.45**	**0.00**	**1,041.15**	**68.16**
Paint							
Labor, Refinish	4180.13	1,035.00	22.5	213.21	0.0	821.79	79.40
		1,035.00	**22.50**	**213.21**	**0.00**	**821.79**	**79.40**
Other							
Hazardous Waste	4430.27	3.00	0.0	0.00	0.0	3.00	100.00
Materials, Paint	4410.25	787.50	0.0	0.00	0.0	787.50	100.00
Sublet Labor	4240.17	152.00	0.0	0.00	0.0	152.00	100.00
		942.50	**0.00**	**0.00**	**0.00**	**942.50**	**100.00**
		7,657.64	53.1	3,553.79	0.0	4,103.85	53.59
	Total Tax	536.03					
	Total	8,193.67					

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: DIRECT ADJUSTING C.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %	
Parts								
Parts, Aftermarket	4010.01	2,394.02	0.0	1,602.07	0.0	791.95	33.08	
Parts, Domestic	4020.02	394.20	0.0	302.39	0.0	91.81	23.29	
Parts, Foreign	4030.03	2,091.61	0.0	1,560.54	0.0	531.07	25.39	
Parts, LKQ	4040.04	468.75	0.0	362.60	0.0	106.15	22.65	
Parts, Other	4010.01	527.00	0.0	106.31	0.0	420.69	79.83	
		5,875.58	**0.00**	**3,933.91**	**0.00**	**1,941.67**	**33.05**	
Labor								
Labor, Body	4110.06	3,015.00	60.3	936.00	0.0	2,079.00	68.96	
Labor, Frame	4140.09	190.00	2.5	0.00	0.0	190.00	100.00	
Labor, Mechanical	4120.07	129.20	1.7	0.00	0.0	129.20	100.00	
		3,334.20	**64.50**	**936.00**	**0.00**	**2,398.20**	**71.93**	
Paint								
Labor, Refinish	4180.13	1,835.00	36.7	535.50	0.0	1,299.50	70.82	
		1,835.00	**36.70**	**535.50**	**0.00**	**1,299.50**	**70.82**	
Other								
Car Rental	4510.28	156.71	0.0	398.63	0.0	-241.92	-154.37	*
Hazardous Waste	4430.27	4.00	0.0	0.00	0.0	4.00	100.00	
Labor, Misc	4530.30	82.00	0.0	0.00	0.0	82.00	100.00	
Materials, Paint	4410.25	1,141.67	0.0	0.00	0.0	1,141.67	100.00	
Materials, Shop	4420.26	20.00	0.0	0.00	0.0	20.00	100.00	
Storage, Outside	4300.23	245.00	0.0	0.00	0.0	245.00	100.00	
Sublet Labor	4240.17	12.00	0.0	0.00	0.0	12.00	100.00	
Towing	4310.24	125.00	0.0	0.00	0.0	125.00	100.00	
		1,786.38	**0.00**	**398.63**	**0.00**	**1,387.75**	**77.69**	
		12,831.16	**101.2**	**5,804.04**	**0.0**	**7,027.12**	**54.77**	
	Total Tax	**898.18**						
	Total	**13,729.34**						

* Under Profit Center Target Gross Profit

Clinton Body Shop

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: DIRECT ADJUSTING C.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Total Tax		0.00					
Total							

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: Direct Adjusting Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	5,498.92	0.0	3,967.16	0.0	1,531.76	27.86
Parts, Glass	4050.05	284.90	0.0	230.89	0.0	54.01	18.96
Parts, Non-OEM	4010.01	3,587.95	0.0	2,630.83	0.0	957.12	26.68
		9,371.77	**0.00**	**6,828.88**	**0.00**	**2,542.89**	**27.13**
Labor							
Labor, Body	4110.06	9,760.20	201.5	4,350.69	0.0	5,409.51	55.42
Labor, Frame	4140.09	304.00	4.0	136.80	0.0	167.20	55.00
Labor, Glass	4160.11	84.00	2.0	0.00	0.0	84.00	100.00
Labor, Mechanical	4120.07	433.20	5.7	126.54	0.0	306.66	70.79
Labor, Structural	4130.08	152.00	2.0	68.40	0.0	83.60	55.00
		10,733.40	**215.20**	**4,682.43**	**0.00**	**6,050.97**	**56.38**
Paint							
Labor, Refinish	4180.13	5,791.40	118.5	2,511.63	0.0	3,279.77	56.63
Labor, Refinish (no mat)	4180.13	321.00	6.5	144.45	0.0	176.55	55.00
		6,112.40	**125.00**	**2,656.08**	**0.00**	**3,456.32**	**56.55**
Other							
Hazardous Waste	4430.27	25.64	0.0	0.00	0.0	25.64	100.00
Labor, Misc	4530.30	120.45	0.0	0.00	0.0	120.45	100.00
Materials, Paint	4410.25	4,090.39	0.0	0.00	0.0	4,090.39	100.00
Materials, Shop	4420.26	57.00	0.0	0.00	0.0	57.00	100.00
Misc.(Taxed)	4520.29	15.00	0.0	15.00	0.0	0.00	0.00
Storage, Outside	4300.23	4,430.00	0.0	0.00	0.0	4,430.00	100.00
Sublet Labor	4240.17	1,569.75	0.0	300.89	0.0	1,268.86	80.83
Towing	4310.24	1,717.46	0.0	0.00	0.0	1,717.46	100.00
		12,025.69	**0.00**	**315.89**	**0.00**	**11,709.80**	**97.37**
		38,243.26	**340.2**	**14,483.28**	**0.0**	**23,759.98**	**62.13**
	Total Tax	**2,678.46**					
	Total	**40,921.72**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: Direct Adjusting Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Non-OEM	4010.01	177.00	0.0	124.15	0.0	52.85	29.86
		177.00	**0.00**	**124.15**	**0.00**	**52.85**	**29.86**
Labor							
Labor, Body	4110.06	381.80	8.3	130.41	0.0	251.39	65.84
		381.80	**8.30**	**130.41**	**0.00**	**251.39**	**65.84**
Paint							
Labor, Refinish	4180.13	340.40	7.4	153.18	0.0	187.22	55.00
Labor, Refinish (no mat)	4180.13	46.00	1.0	20.70	0.0	25.30	55.00
		386.40	**8.40**	**173.88**	**0.00**	**212.52**	**55.00**
Other							
Hazardous Waste	4430.27	3.26	0.0	0.00	0.0	3.26	100.00
Materials, Paint	4410.25	259.00	0.0	0.00	0.0	259.00	100.00
Storage, Outside	4300.23	735.00	0.0	0.00	0.0	735.00	100.00
Sublet Labor	4240.17	45.00	0.0	0.00	0.0	45.00	100.00
Towing	4310.24	487.00	0.0	0.00	0.0	487.00	100.00
		1,529.26	**0.00**	**0.00**	**0.00**	**1,529.26**	**100.00**
		2,474.46	**16.7**	**428.44**	**0.0**	**2,046.02**	**82.69**
	Total Tax	**173.21**					
	Total	**2,647.67**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: Direct Adjusting Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	26.49	0.0	21.81	0.0	4.68	17.67
Parts, Non-OEM	4010.01	775.00	0.0	497.31	0.0	277.69	35.83
		801.49	**0.00**	**519.12**	**0.00**	**282.37**	**35.23**
Labor							
Labor, Body	4110.06	358.80	7.8	161.46	0.0	197.34	55.00
		358.80	**7.80**	**161.46**	**0.00**	**197.34**	**55.00**
Paint							
Labor, Refinish	4180.13	432.40	9.4	194.58	0.0	237.82	55.00
		432.40	**9.40**	**194.58**	**0.00**	**237.82**	**55.00**
Other							
Hazardous Waste	4430.27	0.00	0.0	0.00	0.0	0.00	0.00
Materials, Paint	4410.25	329.00	0.0	0.00	0.0	329.00	100.00
Misc.(Taxed)	4520.29	15.00	0.0	15.00	0.0	0.00	0.00
Storage, Outside	4300.23	1,000.00	0.0	0.00	0.0	1,000.00	100.00
Towing	4310.24	159.00	0.0	0.00	0.0	159.00	100.00
		1,503.00	**0.00**	**15.00**	**0.00**	**1,488.00**	**99.00**
		3,095.69	**17.2**	**890.16**	**0.0**	**2,205.53**	**71.25**
	Total Tax	**216.71**					
	Total	**3,312.40**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: Direct Adjusting Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	1,135.51	0.0	851.64	0.0	283.87	25.00
Parts, Non-OEM	4010.01	29.95	0.0	0.00	0.0	29.95	100.00
		1,165.46	**0.00**	**851.64**	**0.00**	**313.82**	**26.93**
Labor							
Labor, Body	4110.06	1,544.60	35.9	695.07	0.0	849.53	55.00
Labor, Glass	4160.11	84.00	2.0	0.00	0.0	84.00	100.00
		1,628.60	**37.90**	**695.07**	**0.00**	**933.53**	**57.32**
Paint							
Labor, Refinish	4180.13	578.60	12.9	260.37	0.0	318.23	55.00
Labor, Refinish (no mat)	4180.13	25.00	0.5	11.25	0.0	13.75	55.00
		603.60	**13.40**	**271.62**	**0.00**	**331.98**	**55.00**
Other							
Hazardous Waste	4430.27	5.00	0.0	0.00	0.0	5.00	100.00
Labor, Misc	4530.30	20.45	0.0	0.00	0.0	20.45	100.00
Materials, Paint	4410.25	393.80	0.0	0.00	0.0	393.80	100.00
Storage, Outside	4300.23	280.00	0.0	0.00	0.0	280.00	100.00
Sublet Labor	4240.17	60.00	0.0	0.00	0.0	60.00	100.00
Towing	4310.24	175.00	0.0	0.00	0.0	175.00	100.00
		934.25	**0.00**	**0.00**	**0.00**	**934.25**	**100.00**
		4,331.91	51.3	1,818.33	0.0	2,513.58	58.02
	Total Tax	**304.67**					
	Total	**4,636.58**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: Direct Adjusting Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	4,336.92	0.0	3,093.71	0.0	1,243.21	28.67
Parts, Glass	4050.05	284.90	0.0	230.89	0.0	54.01	18.96
Parts, Non-OEM	4010.01	2,606.00	0.0	2,009.37	0.0	596.63	22.89
		7,227.82	**0.00**	**5,333.97**	**0.00**	**1,893.85**	**26.20**
Labor							
Labor, Body	4110.06	7,475.00	149.5	3,363.75	0.0	4,111.25	55.00
Labor, Frame	4140.09	304.00	4.0	136.80	0.0	167.20	55.00
Labor, Mechanical	4120.07	433.20	5.7	126.54	0.0	306.66	70.79
Labor, Structural	4130.08	152.00	2.0	68.40	0.0	83.60	55.00
		8,364.20	**161.20**	**3,695.49**	**0.00**	**4,668.71**	**55.82**
Paint							
Labor, Refinish	4180.13	4,440.00	88.8	1,903.50	0.0	2,536.50	57.13
Labor, Refinish (no mat)	4180.13	250.00	5.0	112.50	0.0	137.50	55.00
		4,690.00	**93.80**	**2,016.00**	**0.00**	**2,674.00**	**57.01**
Other							
Hazardous Waste	4430.27	17.38	0.0	0.00	0.0	17.38	100.00
Labor, Misc	4530.30	100.00	0.0	0.00	0.0	100.00	100.00
Materials, Paint	4410.25	3,108.59	0.0	0.00	0.0	3,108.59	100.00
Materials, Shop	4420.26	57.00	0.0	0.00	0.0	57.00	100.00
Storage, Outside	4300.23	2,415.00	0.0	0.00	0.0	2,415.00	100.00
Sublet Labor	4240.17	1,464.75	0.0	300.89	0.0	1,163.86	79.46
Towing	4310.24	896.46	0.0	0.00	0.0	896.46	100.00
		8,059.18	**0.00**	**300.89**	**0.00**	**7,758.29**	**96.27**
		28,341.20	**255.0**	**11,346.35**	**0.0**	**16,994.85**	**59.97**
	Total Tax	**1,983.87**					
	Total	**30,325.07**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: Geico Insurance

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	11,015.17	0.0	8,140.99	0.0	2,874.18	26.09
Parts, Foreign	4030.03	8,696.98	0.0	6,557.13	0.0	2,139.85	24.60
Parts, Glass	4050.05	2,056.29	0.0	1,361.26	0.0	695.03	33.80
Parts, LKQ	4040.04	4,101.42	0.0	2,750.00	0.0	1,351.42	32.95
Parts, Non-OEM	4010.01	7,577.68	0.0	4,343.98	0.0	3,233.70	42.67
		33,447.54	**0.00**	**23,153.36**	**0.00**	**10,294.18**	**30.78**
Labor							
Labor, Body	4110.06	31,961.60	643.8	13,165.92	0.0	18,795.68	58.81
Labor, Detail	4150.10	25.00	0.5	0.00	0.0	25.00	100.00
Labor, Frame	4140.09	552.00	7.5	162.90	0.0	389.10	70.49
Labor, Glass	4160.11	200.00	4.0	0.00	0.0	200.00	100.00
Labor, Mechanical	4120.07	741.80	9.8	149.13	0.0	592.67	79.90
		33,480.40	**665.60**	**13,477.95**	**0.00**	**20,002.45**	**59.74**
Paint							
Labor, Refinish	4180.13	15,481.40	311.3	7,236.63	0.0	8,244.77	53.26
Labor, Refinish (no mat)	4180.13	830.00	16.6	285.75	0.0	544.25	65.57
		16,311.40	**327.90**	**7,522.38**	**0.00**	**8,789.02**	**53.88**
Other							
Hazardous Waste	4430.27	85.88	0.0	0.00	0.0	85.88	100.00
Materials, Paint	4410.25	11,550.85	0.0	0.00	0.0	11,550.85	100.00
Materials, Shop	4420.26	181.00	0.0	0.00	0.0	181.00	100.00
Misc.(Taxed)	4520.29	200.00	0.0	0.00	0.0	200.00	100.00
Misc.(Untaxed)	4520.29	-212.93	0.0	0.00	0.0	-212.93	100.00
Storage, Inside	4290.22	540.00	0.0	0.00	0.0	540.00	100.00
Storage, Outside	4300.23	3,355.00	0.0	0.00	0.0	3,355.00	100.00
Sublet Labor	4240.17	33,906.87	0.0	750.75	0.0	33,156.12	97.79
Towing	4310.24	2,924.50	0.0	0.00	0.0	2,924.50	100.00
		52,531.17	**0.00**	**750.75**	**0.00**	**51,780.42**	**98.57**
		135,770.51	993.5	44,904.44	0.0	90,866.07	66.93
	Total Tax	8,957.25					
	Total	144,727.76					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: Geico Insurance

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	3,771.07	0.0	2,828.32	0.0	942.75	25.00
Parts, LKQ	4040.04	281.25	0.0	225.00	0.0	56.25	20.00
		4,052.32	**0.00**	**3,053.32**	**0.00**	**999.00**	**24.65**
Labor							
Labor, Body	4110.06	2,626.60	57.1	1,150.92	0.0	1,475.68	56.18
Labor, Frame	4140.09	210.00	3.0	94.50	0.0	115.50	55.00
Labor, Mechanical	4120.07	35.00	0.5	15.75	0.0	19.25	55.00
		2,871.60	**60.60**	**1,261.17**	**0.00**	**1,610.43**	**56.08**
Paint							
Labor, Refinish	4180.13	961.40	20.9	432.63	0.0	528.77	55.00
		961.40	**20.90**	**432.63**	**0.00**	**528.77**	**55.00**
Other							
Hazardous Waste	4430.27	5.00	0.0	0.00	0.0	5.00	100.00
Materials, Paint	4410.25	600.00	0.0	0.00	0.0	600.00	100.00
Storage, Inside	4290.22	540.00	0.0	0.00	0.0	540.00	100.00
Storage, Outside	4300.23	450.00	0.0	0.00	0.0	450.00	100.00
Sublet Labor	4240.17	180.00	0.0	0.00	0.0	180.00	100.00
Towing	4310.24	913.50	0.0	0.00	0.0	913.50	100.00
		2,688.50	**0.00**	**0.00**	**0.00**	**2,688.50**	**100.00**
		10,573.82	**81.5**	**4,747.12**	**0.0**	**5,826.70**	**55.10**
	Total Tax	**740.17**					
	Total	**11,313.99**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: Geico Insurance

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Foreign	4030.03	1,410.96	0.0	1,058.23	0.0	352.73	25.00
Parts, LKQ	4040.04	125.00	0.0	75.00	0.0	50.00	40.00
		1,535.96	**0.00**	**1,133.23**	**0.00**	**402.73**	**26.22**
Labor							
Labor, Body	4110.06	1,870.00	37.4	819.00	0.0	1,051.00	56.20
Labor, Frame	4140.09	190.00	2.5	0.00	0.0	190.00	100.00
Labor, Mechanical	4120.07	114.00	1.5	0.00	0.0	114.00	100.00
		2,174.00	**41.40**	**819.00**	**0.00**	**1,355.00**	**62.33**
Paint							
Labor, Refinish	4180.13	525.00	10.5	236.25	0.0	288.75	55.00
		525.00	**10.50**	**236.25**	**0.00**	**288.75**	**55.00**
Other							
Hazardous Waste	4430.27	0.00	0.0	0.00	0.0	0.00	0.00
Materials, Paint	4410.25	399.00	0.0	0.00	0.0	399.00	100.00
Storage, Outside	4300.23	385.00	0.0	0.00	0.0	385.00	100.00
Sublet Labor	4240.17	422.58	0.0	290.89	0.0	131.69	31.16
Towing	4310.24	686.00	0.0	0.00	0.0	686.00	100.00
		1,892.58	**0.00**	**290.89**	**0.00**	**1,601.69**	**84.63**
		6,127.54	**51.9**	**2,479.37**	**0.0**	**3,648.17**	**59.54**
	Total Tax	**428.93**					
	Total	**6,556.47**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: Geico Insurance

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %	
Parts								
Parts, Domestic	4020.02	2,042.41	0.0	1,614.09	0.0	428.32	20.97	
Parts, Foreign	4030.03	2,919.26	0.0	2,066.45	0.0	852.81	29.21	
Parts, Glass	4050.05	506.77	0.0	709.48	0.0	-202.71	-40.00	*
Parts, LKQ	4040.04	687.50	0.0	550.00	0.0	137.50	20.00	
Parts, Non-OEM	4010.01	1,826.25	0.0	1,179.38	0.0	646.87	35.42	
		7,982.19	**0.00**	**6,119.40**	**0.00**	**1,862.79**	**23.34**	
Labor								
Labor, Body	4110.06	4,950.00	99.0	2,227.50	0.0	2,722.50	55.00	
Labor, Frame	4140.09	152.00	2.0	68.40	0.0	83.60	55.00	
		5,102.00	**101.00**	**2,295.90**	**0.00**	**2,806.10**	**55.00**	
Paint								
Labor, Refinish	4180.13	3,045.00	60.9	1,640.25	0.0	1,404.75	46.13	
Labor, Refinish (no mat)	4180.13	430.00	8.6	117.00	0.0	313.00	72.79	
		3,475.00	**69.50**	**1,757.25**	**0.00**	**1,717.75**	**49.43**	
Other								
Hazardous Waste	4430.27	30.84	0.0	0.00	0.0	30.84	100.00	
Materials, Paint	4410.25	2,204.85	0.0	0.00	0.0	2,204.85	100.00	
Materials, Shop	4420.26	15.00	0.0	0.00	0.0	15.00	100.00	
Storage, Outside	4300.23	630.00	0.0	0.00	0.0	630.00	100.00	
Sublet Labor	4240.17	274.95	0.0	0.00	0.0	274.95	100.00	
Towing	4310.24	400.00	0.0	0.00	0.0	400.00	100.00	
		3,555.64	**0.00**	**0.00**	**0.00**	**3,555.64**	**100.00**	
		20,114.83	**170.5**	**10,172.55**	**0.0**	**9,942.28**	**49.43**	
	Total Tax	**1,408.05**						
	Total	**21,522.88**						

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: Geico Insurance

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	5,201.69	0.0	3,698.58	0.0	1,503.11	28.90
Parts, Foreign	4030.03	4,366.76	0.0	3,432.45	0.0	934.31	21.40
Parts, Glass	4050.05	1,549.52	0.0	651.78	0.0	897.74	57.94
Parts, LKQ	4040.04	3,007.67	0.0	1,900.00	0.0	1,107.67	36.83
Parts, Non-OEM	4010.01	5,751.43	0.0	3,164.60	0.0	2,586.83	44.98
		19,877.07	**0.00**	**12,847.41**	**0.00**	**7,029.66**	**35.37**
Labor							
Labor, Body	4110.06	22,515.00	450.3	8,968.50	0.0	13,546.50	60.17
Labor, Detail	4150.10	25.00	0.5	0.00	0.0	25.00	100.00
Labor, Glass	4160.11	200.00	4.0	0.00	0.0	200.00	100.00
Labor, Mechanical	4120.07	592.80	7.8	133.38	0.0	459.42	77.50
		23,332.80	**462.60**	**9,101.88**	**0.00**	**14,230.92**	**60.99**
Paint							
Labor, Refinish	4180.13	10,950.00	219.0	4,927.50	0.0	6,022.50	55.00
Labor, Refinish (no mat)	4180.13	400.00	8.0	168.75	0.0	231.25	57.81
		11,350.00	**227.00**	**5,096.25**	**0.00**	**6,253.75**	**55.10**
Other							
Hazardous Waste	4430.27	50.04	0.0	0.00	0.0	50.04	100.00
Materials, Paint	4410.25	8,347.00	0.0	0.00	0.0	8,347.00	100.00
Materials, Shop	4420.26	166.00	0.0	0.00	0.0	166.00	100.00
Misc.(Taxed)	4520.29	200.00	0.0	0.00	0.0	200.00	100.00
Misc.(Untaxed)	4520.29	-212.93	0.0	0.00	0.0	-212.93	100.00
Storage, Outside	4300.23	1,890.00	0.0	0.00	0.0	1,890.00	100.00
Sublet Labor	4240.17	33,029.34	0.0	459.86	0.0	32,569.48	98.61
Towing	4310.24	925.00	0.0	0.00	0.0	925.00	100.00
		44,394.45	**0.00**	**459.86**	**0.00**	**43,934.59**	**98.96**
		98,954.32	**689.6**	**27,505.40**	**0.0**	**71,448.92**	**72.20**
	Total Tax	**6,380.10**					
	Total	**105,334.42**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2013

Selections for Insurance Company: Progressive Insurance Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	19,482.12	0.0	13,652.92	0.0	5,829.20	29.92
Parts, Foreign	4030.03	24,300.09	0.0	17,832.41	0.0	6,467.68	26.62
Parts, Glass	4050.05	956.17	0.0	383.64	0.0	572.53	59.88
Parts, LKQ	4040.04	9,142.52	0.0	6,644.25	0.0	2,498.27	27.33
Parts, Non-OEM	4010.01	29,176.68	0.0	20,697.54	0.0	8,479.14	29.06
Parts, Other	4010.01	880.00	0.0	627.70	0.0	252.30	28.67
		83,937.58	**0.00**	**59,838.46**	**0.00**	**24,099.12**	**28.71**
Labor							
Labor, Body	4110.06	51,182.80	1,029.7	22,720.86	0.0	28,461.94	55.61
Labor, Frame	4140.09	2,048.00	27.5	819.00	0.0	1,229.00	60.01
Labor, Glass	4160.11	400.00	8.0	0.00	0.0	400.00	100.00
Labor, Mechanical	4120.07	3,984.60	53.7	1,526.31	0.0	2,458.29	61.69
		57,615.40	**1,118.90**	**25,066.17**	**0.00**	**32,549.23**	**56.49**
Paint							
Labor, Refinish	4180.13	31,997.00	645.6	14,133.42	0.0	17,863.58	55.83
Labor, Refinish (no mat)	4180.13	1,421.60	28.6	705.51	0.0	716.09	50.37
		33,418.60	**674.20**	**14,838.93**	**0.00**	**18,579.67**	**55.60**
Other							
Hazardous Waste	4430.27	169.33	0.0	0.00	0.0	169.33	100.00
Labor, Misc	4530.30	54.02	0.0	0.00	0.0	54.02	100.00
Materials, Paint	4410.25	22,951.18	0.0	0.00	0.0	22,951.18	100.00
Materials, Shop	4420.26	438.77	0.0	0.00	0.0	438.77	100.00
Misc.(Taxed)	4520.29	289.50	0.0	0.00	0.0	289.50	100.00
Storage, Outside	4300.23	3,660.00	0.0	0.00	0.0	3,660.00	100.00
Sublet Labor	4240.17	10,081.35	0.0	637.78	0.0	9,443.57	93.67
Towing	4310.24	6,400.24	0.0	0.00	0.0	6,400.24	100.00
		44,044.39	**0.00**	**637.78**	**0.00**	**43,406.61**	**98.55**
		219,015.97	**1,793.1**	**100,381.34**	**0.0**	**118,634.63**	**54.17**
	Total Tax	**15,326.36**					
	Total	**234,342.33**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2010 to 12/31/2010

Selections for Insurance Company: Progressive Insurance Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	269.70	0.0	557.41	0.0	-287.71	-106.68 *
Parts, LKQ	4040.04	483.50	0.0	0.00	0.0	483.50	100.00
Parts, Non-OEM	4010.01	269.33	0.0	165.25	0.0	104.08	38.64
		1,022.53	**0.00**	**722.66**	**0.00**	**299.87**	**29.33**
Labor							
Labor, Body	4110.06	1,200.60	26.1	540.27	0.0	660.33	55.00
Labor, Mechanical	4120.07	91.00	1.3	40.95	0.0	50.05	55.00
		1,291.60	**27.40**	**581.22**	**0.00**	**710.38**	**55.00**
Paint							
Labor, Refinish	4180.13	501.40	10.9	225.63	0.0	275.77	55.00
		501.40	**10.90**	**225.63**	**0.00**	**275.77**	**55.00**
Other							
Hazardous Waste	4430.27	0.00	0.0	0.00	0.0	0.00	0.00
Materials, Paint	4410.25	381.50	0.0	0.00	0.0	381.50	100.00
Materials, Shop	4420.26	10.00	0.0	0.00	0.0	10.00	100.00
Storage, Outside	4300.23	825.00	0.0	0.00	0.0	825.00	100.00
Sublet Labor	4240.17	135.99	0.0	0.00	0.0	135.99	100.00
Towing	4310.24	529.00	0.0	0.00	0.0	529.00	100.00
		1,881.49	**0.00**	**0.00**	**0.00**	**1,881.49**	**100.00**
		4,697.02	**38.3**	**1,529.51**	**0.0**	**3,167.51**	**67.44**
	Total Tax	**328.80**					
	Total	**5,025.82**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2011 to 12/31/2011

Selections for Insurance Company: Progressive Insurance Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	4,234.62	0.0	3,181.91	0.0	1,052.71	24.86
Parts, Foreign	4030.03	7,240.37	0.0	5,204.01	0.0	2,036.36	28.13
Parts, LKQ	4040.04	1,815.50	0.0	1,384.89	0.0	430.61	23.72
Parts, Non-OEM	4010.01	11,786.09	0.0	7,789.18	0.0	3,996.91	33.91
		25,076.58	**0.00**	**17,559.99**	**0.00**	**7,516.59**	**29.97**
Labor							
Labor, Body	4110.06	9,517.20	204.8	4,086.09	0.0	5,431.11	57.07
Labor, Frame	4140.09	490.00	7.0	220.50	0.0	269.50	55.00
Labor, Mechanical	4120.07	1,302.00	18.3	585.90	0.0	716.10	55.00
		11,309.20	**230.10**	**4,892.49**	**0.00**	**6,416.71**	**56.74**
Paint							
Labor, Refinish	4180.13	6,885.60	148.4	3,121.29	0.0	3,764.31	54.67
Labor, Refinish (no mat)	4180.13	96.60	2.1	37.26	0.0	59.34	61.43
		6,982.20	**150.50**	**3,158.55**	**0.00**	**3,823.65**	**54.76**
Other							
Hazardous Waste	4430.27	20.00	0.0	0.00	0.0	20.00	100.00
Materials, Paint	4410.25	5,044.79	0.0	0.00	0.0	5,044.79	100.00
Materials, Shop	4420.26	88.38	0.0	0.00	0.0	88.38	100.00
Storage, Outside	4300.23	700.00	0.0	0.00	0.0	700.00	100.00
Sublet Labor	4240.17	720.02	0.0	0.00	0.0	720.02	100.00
Towing	4310.24	2,008.00	0.0	0.00	0.0	2,008.00	100.00
		8,581.19	**0.00**	**0.00**	**0.00**	**8,581.19**	**100.00**
		51,949.17	**380.6**	**25,611.03**	**0.0**	**26,338.14**	**50.70**
	Total Tax	**3,631.63**					
	Total	**55,580.80**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2012 to 12/31/2012

Selections for Insurance Company: Progressive Insurance Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %
Parts							
Parts, Domestic	4020.02	5,436.45	0.0	3,900.58	0.0	1,535.87	28.25
Parts, Foreign	4030.03	6,427.54	0.0	4,782.53	0.0	1,645.01	25.59
Parts, LKQ	4040.04	5,393.75	0.0	3,806.55	0.0	1,587.20	29.43
Parts, Non-OEM	4010.01	10,182.27	0.0	6,737.90	0.0	3,444.37	33.83
Parts, Other	4010.01	880.00	0.0	627.70	0.0	252.30	28.67
		28,320.01	**0.00**	**19,855.26**	**0.00**	**8,464.75**	**29.89**
Labor							
Labor, Body	4110.06	17,915.00	347.8	8,370.00	0.0	9,545.00	53.28
Labor, Frame	4140.09	646.00	8.5	188.10	0.0	457.90	70.88
Labor, Mechanical	4120.07	1,056.40	13.9	314.64	0.0	741.76	70.22
		19,617.40	**370.20**	**8,872.74**	**0.00**	**10,744.66**	**54.77**
Paint							
Labor, Refinish	4180.13	11,895.00	232.0	5,352.75	0.0	6,542.25	55.00
Labor, Refinish (no mat)	4180.13	1,000.00	20.0	522.00	0.0	478.00	47.80
		12,895.00	**252.00**	**5,874.75**	**0.00**	**7,020.25**	**54.44**
Other							
Hazardous Waste	4430.27	42.80	0.0	0.00	0.0	42.80	100.00
Labor, Misc	4530.30	10.00	0.0	0.00	0.0	10.00	100.00
Materials, Paint	4410.25	8,297.40	0.0	0.00	0.0	8,297.40	100.00
Materials, Shop	4420.26	203.32	0.0	0.00	0.0	203.32	100.00
Misc.(Taxed)	4520.29	50.00	0.0	0.00	0.0	50.00	100.00
Storage, Outside	4300.23	1,330.00	0.0	0.00	0.0	1,330.00	100.00
Sublet Labor	4240.17	2,694.56	0.0	467.78	0.0	2,226.78	82.64
Towing	4310.24	2,132.45	0.0	0.00	0.0	2,132.45	100.00
		14,760.53	**0.00**	**467.78**	**0.00**	**14,292.75**	**96.83**
		75,592.94	**622.2**	**35,070.53**	**0.0**	**40,522.41**	**53.61**
	Total Tax	**5,291.53**					
	Total	**80,884.47**					

* Under Profit Center Target Gross Profit

Clinton Body Shop of Richland, Inc.

Closed ROs - Summary by PC

01/01/2013 to 12/31/2013

Selections for Insurance Company: Progressive Insurance Co.

Profit Center	GL Acct#	Sales $	RO Hrs	Costs $	Act. Hrs	GP $	GP %	
Parts								
Parts, Domestic	4020.02	9,541.35	0.0	6,013.02	0.0	3,528.33	36.98	
Parts, Foreign	4030.03	10,632.18	0.0	7,845.87	0.0	2,786.31	26.21	
Parts, Glass	4050.05	956.17	0.0	383.64	0.0	572.53	59.88	
Parts, LKQ	4040.04	1,449.77	0.0	1,452.81	0.0	-3.04	-0.21	*
Parts, Non-OEM	4010.01	6,938.99	0.0	6,005.21	0.0	933.78	13.46	
		29,518.46	**0.00**	**21,700.55**	**0.00**	**7,817.91**	**26.48**	
Labor								
Labor, Body	4110.06	22,550.00	451.0	9,724.50	0.0	12,825.50	56.88	
Labor, Frame	4140.09	912.00	12.0	410.40	0.0	501.60	55.00	
Labor, Glass	4160.11	400.00	8.0	0.00	0.0	400.00	100.00	
Labor, Mechanical	4120.07	1,535.20	20.2	584.82	0.0	950.38	61.91	
		25,397.20	**491.20**	**10,719.72**	**0.00**	**14,677.48**	**57.79**	
Paint								
Labor, Refinish	4180.13	12,715.00	254.3	5,433.75	0.0	7,281.25	57.27	
Labor, Refinish (no mat)	4180.13	325.00	6.5	146.25	0.0	178.75	55.00	
		13,040.00	**260.80**	**5,580.00**	**0.00**	**7,460.00**	**57.21**	
Other								
Hazardous Waste	4430.27	106.53	0.0	0.00	0.0	106.53	100.00	
Labor, Misc	4530.30	44.02	0.0	0.00	0.0	44.02	100.00	
Materials, Paint	4410.25	9,227.49	0.0	0.00	0.0	9,227.49	100.00	
Materials, Shop	4420.26	137.07	0.0	0.00	0.0	137.07	100.00	
Misc.(Taxed)	4520.29	239.50	0.0	0.00	0.0	239.50	100.00	
Storage, Outside	4300.23	805.00	0.0	0.00	0.0	805.00	100.00	
Sublet Labor	4240.17	6,530.78	0.0	170.00	0.0	6,360.78	97.40	
Towing	4310.24	1,730.79	0.0	0.00	0.0	1,730.79	100.00	
		18,821.18	**0.00**	**170.00**	**0.00**	**18,651.18**	**99.10**	
		86,776.84	**752.0**	**38,170.27**	**0.0**	**48,606.57**	**56.01**	
	Total Tax	**6,074.40**						
	Total	**92,851.24**						

* Under Profit Center Target Gross Profit

EXHIBIT SIX

SECOND AMENDED COMPLAINT

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
JACKSON DIVISION

JOHN MOSLEY, INDIVIDUALLY, AND CLINTON BODY SHOP, INC.; DANIEL MOSLEY, INDIVIDUALLY, AND, CLINTON BODY SHOP OF RICHLAND, INC.

PLAINTIFFS

Vs.

Civil Action No.: 3:13-CV-00161 HTW-LRA

GEICO INSURANCE COMPANY; PROGRESSIVE INSURANCE COMPANY; DIRECT GENERAL INSURANCE COMPANY; and, JOHN DOES, 1-5; and, JOHN DOE CORPORATIONS, 1-5

DEFENDANTS

PLAINTIFFS' SECOND AMENDED COMPLAINT

(PLAINTIFFS DEMAND TRIAL BY JURY)

COME NOW the plaintiffs, John Mosley, Individually, and Clinton Body Shop, Inc.; and Daniel Mosley, Individually, and Clinton Body Shop of Richland, Inc. (hereafter referred to collectively as "plaintiffs"), pursuant to Rule 15 of the Federal Rules of Civil Procedure, and file this Second Amended Complaint against Geico Insurance Company; Progressive Insurance Company; Direct General Insurance Company; John Does, 1-5; and, John Doe Corporations, 1-5, and in support thereof, state the following:

PARTIES

1. Plaintiff John Mosley, Individually, and Clinton Body Shop, Inc., 1115 North Monroe Street, Clinton, MS 39056, is a Mississippi corporation, licensed to do business and doing business within the United States District Court of the Southern District of Mississippi, Jackson Division.

2. Plaintiff Daniel Mosley, Individually and Clinton Body Shop of Richland, Inc., 710 Highway 49 South, Richland, MS 39218 is a Mississippi corporation, licensed to do business and doing business in the United States District Court of the Southern District of Mississippi, Jackson Division.

3. John Mosley is an owner, President, and Chief Executive Officer of Clinton Body Shop, Inc. in his individual capacity and his address is likewise 1115 North Monroe Street, Clinton, Mississippi 39056, within the United States District Court of the Southern District of Mississippi, Jackson Division.

4. Daniel Mosley is also an owner, President, and Chief Executive Officer of Clinton Body Shop of Richland, Inc. in his individual capacity and his address is likewise 710 Highway 49 South, Richland, Mississippi 39218, within the United States District Court of the Southern District of Mississippi, Jackson Division.

5. Defendant Geico Insurance Company, (hereafter "Geico") is a Maryland corporation, licensed to do business and is doing business in the State of Mississippi, have previously been served with process of this court through its agent for service of process, CT Corporation, 645 Lakeland East Dr., Suite 101, Flowood, Mississippi 39232.

6. Defendant Progressive Insurance Company (hereafter "Progressive") is an Ohio corporation, licensed to do business and doing business in the State of Mississippi, have previously been served with process of this court through its agent for service of process, Pam Bogomolny, at 6300 Wilson Mills Rd., Mayfield Village, Ohio.

7. Defendant Direct Insurance Company (hereafter "Direct") is a Tennessee corporation, licensed to do business and doing business in the State of Mississippi, Jackson

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Division, and have previously been served with process of this court through its agent for service of process, National Registered Agents, Inc., at 840 Trustmark Bldg, 248 E. Capitol St., Jackson, Mississippi 39201.

8. Defendants John Does, 1-5 and John Doe Corporations are individuals and/or entities presently unknown who committed torts, or who, in whole or in part, or in conspiracy with each other, caused or substantially contributed to the subject actions complained of herein.

JURISDICTION AND VENUE

9. Original federal jurisdiction exists in this Court pursuant to 28 U.S.C. § 1332(a), as the matter in controversy exceeds the sum or value of $75,000.00, exclusive of interest and costs, and is between citizens of different states.

10. Venue is proper in the United States District Court of the Southern District of Mississippi, Jackson Division, because all or a substantial amount of the various acts of the defendants, including formation of, or breach of, or interference with all contracts or contractual agreements and arrangements, actual, oral, or implied complained of herein transpired in whole or in part within the Southern District of Mississippi, Jackson Division; and, because all of the parties herein can be found, or are either resident citizens, or are authorized to do business and are in fact doing business in the State of Mississippi.

11. The various acts by the defendants complained of herein violate applicable Mississippi and federal statutory and common law and confer jurisdiction and venue over the defendants in the United States District Court of the Southern District of Mississippi, Jackson Division.

INTRODUCTION AND LEGAL HISTORY

The impropriety of the actions described herein was the subject-matter of litigation between predecessor defendant insurance companies and associations and the United States Justice Department which culminated in the 1963 Consent Decree approved by the U.S. Department of Justice under the leadership of Robert F. Kennedy, then Attorney General (and attached hereto), to-wit:

Beginning in or about 1946, multiple automobile repair insurance companies and associations met for the purpose of devising a plan of action to depress and control automobile material damage repair costs in their geographical areas. They adopted a program subsequently known as the "Independent Appraisal Plan," or "the Plan," intended to *depress and control automobile material damage repair costs*.

The Plan called for the sponsored appraisers to arrange for a number of selected repair shops to agree to make automobile material damage repairs based upon a preferred appraiser's estimates without the repair shop first examining the damaged automobiles. In those instances where a particular repair shop in which the damaged automobile was located would not agree to make repairs based upon the sponsored appraiser's estimate, the Plan provided that the sponsored appraiser would inform the adjuster or claim manager of the names of those repair shops which would accept his estimates and that the adjuster or claim manager would then, when possible, have the damaged automobile repaired by one of the repair shops which had agreed to accept the sponsored appraiser's estimates.

Likewise, pursuant to the Plan, member automobile insurance companies would boycott those repair shops which *would not*: (1) accept the sponsored appraiser's estimate as to the cost of repairs; (2) give a price discount on replacement parts; (3) maintain hourly labor rates at a

figure which was considered the lowest possible rate in the area; and (4) accede to the sponsored appraiser's determination of time allowance.

On October 23, 1963, United States Attorney General Robert F. Kennedy filed a lawsuit seeking to enjoin the various insurance entities from fixing, establishing, maintaining, or otherwise controlling the prices to be paid for the repair of damaged vehicles. The issues upon which the 1963 lawsuit was premised are nearly identical to the issues the current plaintiffs find themselves facing today, 50 years later.

On November 27, 1963, the lawsuit was resolved prior to trial through the entry of a "Consent Decree" by the major insurance companies and industry trade association(s). The members included approximately 265 insurance companies and extended to "all other persons in active concert of participation with any defendant." (See *United States v. Association of Casualty and Surety Companies, American Mutual Insurance Alliance and the National Association of Mutual Casualty Companies*, 1963 U.S. Dist. Lexis 9949 (SDNY), **(1963 "Consent Decree," Attached as Exhibit "1" to this Complaint).**

The Consent Decree settlement which resolved the 1963 litigation provided for, in pertinent part, as follows:

(A) Each defendant is enjoined from placing into effect any plan, program, or practice which has the purpose or effect of:

i. Sponsoring, endorsing or otherwise recommending any appraiser of damage to automobile vehicles;

ii. Directing, advising or otherwise suggesting that any person or firm do business or refuse to do business with (a) any appraiser of damage to automotive vehicles with respect to the appraisal of

such damage, or (b) any independent or dealer franchised repair shop with respect to the repair of damage to automotive vehicles;

iii. Exercising any control over the activities of any appraiser of damage to automotive vehicles;

iv. Allocating or dividing customers, territories, markets or business among any appraisers of damage to automotive vehicles;

v. Fixing, establishing, maintaining or otherwise controlling the prices to be paid for the appraisal of damage to automotive vehicles, or to be charged by independent or dealer franchised automotive repair shops for the repair of damage to automotive vehicles or for replacement parts or labor in connection therewith, whether by coercion, boycott, or intimidation or by the use of flat rate or parts manuals or otherwise.

As a result of the Consent Decree, up until the late 1980s, it was customary for consumers to: purchase insurance for the repair of damaged automobiles; select a body shop of their choice; and the insurer would pay the chosen body shop to repair the damaged vehicle.

Gradually, the 1963 defendants, their progeny, and colleagues in-kind began to re-incorporate into their daily business process the very same "depress and control" practices which the 1963 Consent Decree prohibited, giving rise to these plaintiffs' (and others similarly situated) present-day claims.

FACTS GIVING RISE TO THE PRESENT CLAIMS

12. Plaintiffs have conducted the business of recovery and repair of motor vehicles involved in collisions since on or about 1980.

13. Plaintiffs have done business with the defendants' policyholders and claimants since on or about 1980 by providing to defendants' policyholders and claimants repair service on their motor vehicles, with ultimate payment for those repairs to be provided by the various defendants.

14. At various times since 1980, the defendants have embarked upon a scheme and design calculated to breach their obligations and duties with and to their insureds and the plaintiffs to pay ordinary, prescribed by defendants' own policies and procedures, and customary charges for repairs (i.e., labor, parts and materials, add ons, and sublets) expended by the plaintiffs to return the defendants' policyholders' vehicles to the best pre-collision condition possible.

15. The four (4) leading collision repair estimating databases within the industry are:

a) ADP;

b) Audatex;

c) CCC;

d) Mitchell; and,

e) Others to be shown at trial.

16. These databases provide software and average costs associated with particularized types of repairs to create estimates. The estimates generated by these databases include the ordinary and customary repairs, repair time (labor) and materials necessary to return a vehicle to its pre-collision condition. These databases and the estimates they generate are accepted within the industry as authoritative; barring unusual or exceptional circumstances.

17. In order to properly complete repairs covered by these insurers, certain repairs are necessary, and dictated by the defendants' own procedure specifications, including:

a) "feather, prime, and block";

b) mask and tape jambs to prevent overspray damage;

c) de-nib and finesse to remove foreign particles from the finish;

d) wet sand and buff the final finish; and,

e) other procedures to be named accordingly.

18. Each database clearly identifies parts and labor operations affecting the selected panels, including all labor procedures and parts necessary to complete a repair on that panel.

19. The footnotes in the databases show items to be included in the repairs such as:

a) "feather, prime, and block" of all repaired areas and welding panels;

b) de-nib and finesse painted surfaces which encompass wet sand foreign particles and polishing painted surfaces in order to match the factory finish;

c) wet sand and buff on premium cars to match the factory texture of the paint; and,

d) mask and tape jambs and glass openings.

20. These procedures are necessary to return a vehicle to its pre-collision condition.

21. Defendants have previously acknowledged the industry-wide acceptability and credibility of the four databases as they outline and/or otherwise set out the required procedures, the acceptable time needed to complete the procedures, and the necessary materials required to complete any given repair.

22. Defendants have never asserted, stated, or otherwise represented that something or some other medium besides the four databases defines the acceptable time and material necessary for any given repair. Having fastidiously relied on the subject databases on the one

hand, they should be estopped from rejecting the same when it comes to paying the plaintiffs for repairs done in accordance with the databases on the other hand.

23. Plaintiffs, in keeping with generally accepted industry standards and customary practice, prepare repair estimates via one or more of these four databases.

24. Defendants have unilaterally failed and/or intentionally refused to compensate plaintiffs for selected necessary, ordinary and customary repairs performed and materials used, including those procedures set out above, Paragraphs 16, 17 and 18. These failures and/or refusals have ensued despite the fact that all costs and procedures are standard and necessary pursuant to the industry-accepted estimating systems. Defendants simply ignore the protocols set out by the databases when they choose not to pay the bills presented to them.

25. Each database contains the data to properly allocate these labor procedures, however, an actual estimator is required to identify the procedures and allocate the time for each procedure.

26. The defendants have failed and intentionally refused to honor this specified portion of every repair job by not fully paying plaintiffs for the labor and materials involved to accomplish these ends.

27. The defendants owe past due sums regarding the full payment for the repairs made by the plaintiffs; when confronted with the plaintiffs' complaints about having not been fully compensated for his repair work and materials, defendants wholly refuse to fully compensate plaintiffs for all of the performed work it did without compensation.

28. After plaintiffs make full demand on the defendants, each of them has refused and continue to refuse to pay any of the past due "short pay" amounts owing on the individual repairs (work which has been performed and compensation from the defendants is due).

29. Some of the repair procedures for which the plaintiffs have not been compensated include, but are not limited to, the following:

a) feather, prime and block;

b) color, finish, sand, buff; and,

c) de-nib and finesse.

30. Industry procedures dictate that pursuant to requirements/practice procedures, a labor time form is provided should it be necessary to perform any of the above-referenced operations.

31. Each of these procedures is provided a labor time to compensate for their operation. These allocated times are found in the procedure pages of each database.

32. Once defendants were confronted with these discrepancies in the pay schedules for completed repairs, each of the defendants has engaged upon a systematic attempt to unnecessarily delay the payment to the plaintiffs for the full amount of compensation due to him for the repairs. **(See affidavit of John Mosley, attached as Exhibit "2" to this Complaint).**

33. The defendants have engaged in a course of conduct designed to harass, annoy, and manipulate the plaintiffs' business and business practices.

34. Defendants have made defamatory and slanderous statements about the plaintiffs' business and caused great irreparable harm to plaintiffs' good will and business reputation.

35. Through their intentional and willful acts, defendants have interfered with the plaintiffs' contracts with its customers, caused the plaintiffs loss of economic opportunities and advantages, and severely injured the plaintiffs' good will.

36. Defendants Geico Insurance Company, Progressive Insurance Company, Direct General Insurance Company, and others, with actual and/or constructive knowledge and notice

of the prohibitive practices which their predecessors were enjoined from undertaking, have arbitrarily, capriciously, and in bad faith refused to adhere to the procedure pages provided by their preferred databases in malicious, tortious, and intentional interference and/or breach of contract, without justification and in violation of Mississippi statutory and common law regarding fair trade practices and implied covenants of good faith and fair dealing.

Through their intentional and willful acts, defendants have interfered with the plaintiffs' contracts with its customers and caused the loss of economic opportunities and advantages and severely injured the plaintiffs' good will.

Finally, all of these actions, in whole and in part, either through negligence, by design, or through collusion among the various defendants and others are in violation and breach of the Consent Decree of 1963.

CLAIMS FOR RELIEF

COUNT ONE:

"CONTRACTS VS. AGREEMENTS" AND DEFENDANTS' VARIOUS BREACHES OF COVENANTS OF GOOD FAITH AND FAIR DEALING

37. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

38. The defendants have devised hybrid instruments called "agreements" (and other nomenclature) which allow them to force upon the plaintiffs all of the indicia of a contract accruing benefits unto the defendants, yet these "agreements" give the plaintiffs none of the protective covenants of good faith and fair dealing when dealing with the defendants.

39. Where these "agreements" are deemed by the court to be "contracts," then said "contracts" are ill-gotten and oppressive; as they did not derive from arms-length negotiations

between equals. Alternatively, if the "agreements" are not "contracts," then the defendants may not demand that plaintiffs adhere to the unconscionable parts of the "agreements," including covenants not to sue or other defenses which form as their basis the non-existence of a quasi-contract, implied contract, oral contract, or third party beneficiary relationship between the defendants and the plaintiffs.

40. The defendants, by virtue of their special relationship with the plaintiffs, are subject to the implied covenants of good faith and fair dealing regarding payment for repairs to vehicles belonging to the plaintiffs' customers/defendants' insureds. By refusing to write timely and complete estimates, often intentionally, and by refusing to pay the plaintiffs for labor time and costs expended to return defendants' insureds' vehicles to the best post-collision condition possible, the defendants have negligently or willfully breached and violated the implied covenants of good faith and fair dealing with the plaintiffs.

COUNT TWO:

TORTIOUS INTERFERENCE WITH CONTRACT AND BUSINESS RELATIONSHIP

41. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

42. The defendants have negligently, intentionally, tortiously, or maliciously interfered with plaintiffs' business relationship with the defendants' insureds and sought to force plaintiffs to breach the actual, implied and/or quasi-contracts by and between plaintiffs and their customers, the defendants' insureds and/or claimants.

43. The defendants' interference with the plaintiffs' contracts with the insureds places the plaintiffs in the untenable position of either: (a) acquiescing to the defendants' dictates that the plaintiffs *not* adhere to the step-by-step processes and labor hours/rates outlined in the

databases which could cause diminution in value of the customers' vehicles and subject the plaintiffs to liability claims by their customers; or (b) repairing their customers' vehicles in accordance to the industry databases *without* full compensation by the defendants for the labor, paint, materials, add ons, and sublets necessary to return the customers' vehicles to pre-collision condition.

44. The defendants have improperly inserted themselves into the plaintiffs' business relationships with the insureds so as to force the plaintiffs to submit to the dictates of the defendants, or seek to satisfy its obligations to its customers, the insureds and claimants.

COUNT THREE:

INTERFERENCE WITH PROSPECTIVE BUSINESS ADVANTAGE

45. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

46. The defendants, on information and belief, have negligently, intentionally, willfully, maliciously and without regard for the truth of their statements, stated to some of the plaintiffs' potential, and sometimes long-standing customers, that the plaintiffs' body shops were "making doing business with them more difficult," and "delaying the process of getting their vehicles repaired." Defendants have told plaintiffs' customers at various times that if an insured and/or claimant wished to do business with the plaintiffs the repairs would take longer, the insured and/or claimant "may run out of car rental time," the insurer would not pay extra rental days as a result of the delays, and that the quality of the plaintiffs' work "could not be guaranteed" (insurers do not and have never guaranteed a repair shop's work).

47. The defendants knew or should have known that such representations, both the explicit statements and the clearly implied "warnings," would lead the hearer to believe the

statements to be true, they would rely upon such statements and take actions based upon such reliance; to-wit, taking their vehicles to other shops.

COUNT FOUR:

VIOLATIONS OF MISSISSIPPI CODE ANN. § 83-11-501

48. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

49. Mississippi Code Ann. § 83-11-501 imposes upon the defendants legal duties and obligations, including the obligation of insurers to pay for auto repairs in the amount that the automobile can be properly and fairly repaired or replaced by a contractor or repair shop within a reasonable geographical or trade area of the insured. The statute reads as follows:

> **§ 83-11-501. Requirement of repairs at particular shop prohibited**
>
> **No insurer may require as a condition of payment of a claim that repairs to a damaged vehicle, including glass repairs or replacements, must be made by a particular contractor or motor vehicle repair shop; provided, however, the most an insurer shall be required to pay for the repair of the vehicle or repair or replacement of the glass is the lowest amount that such vehicle or glass could be properly and fairly repaired or replaced by a contractor or repair shop within a reasonable geographical or trade area of the insured.**

Thus, while an insurer is permitted to seek the lowest competitive rate available which allows repair shops to return customers' vehicles to pre-accident condition, it may not do so at the expense of actually paying for *proper and fair* repairs. In the case at bar, the defendants have negligently, willfully, or intentionally refused to pay for processes and procedures necessary for plaintiffs to make proper and fair repairs to the vehicles entrusted to them. Defendants have negligently, willfully, or intentionally consistently short-paid the plaintiffs for processes and procedures necessary for plaintiffs to make proper and fair repairs to the vehicles entrusted to them by the consuming public.

The aforementioned statute implicitly permits an insurer to seek the best bargain and a competitive rate for repairs and labor, but it does *not* permit the insurer to arbitrarily decide it will not pay in full for necessary, proper, and fair repairs already completed. Defendants' breach and violation of this statute has damaged plaintiffs.

COUNT FIVE:

BUSINESS DEFAMATION

50. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

51. The defendants, on information and belief, have negligently, intentionally, willfully, maliciously, or without regard for the truth of their statements represented to some of the plaintiffs' customers and the defendants' insureds that the Plaintiffs' body shop was "making doing business with them more difficult," and "delaying the process of getting their vehicles repaired." They have further stated at various times that if an insured and/or claimant wished to do business with the plaintiffs, the repairs would take much longer, that the insured and/or claimant may run out of car rental time the insurer would pay for as a result of the delays and that the quality of the plaintiffs' work could not be guaranteed.

52. The defendants knew or should have known that such representations would lead the hearer to believe the statements to be true, both the explicit statements and the clearly implied "warnings," they would rely upon such statements and take actions based upon such reliance; to-wit, taking their vehicles to other shops.

Such fraudulent, slanderous, and defamatory statements have caused irreparable injury to the plaintiffs' business, business reputation, and great humiliation, anguish and emotional distress to the plaintiffs individually; all of which violate the letter and spirit of the 1963 Consent

Decree, as well as the public policy standards inherent in that document and acknowledged as such by other jurisdictions.

COUNT SIX:

CONSTRUCTIVE TRUST AND CONVERSION

53. The plaintiffs re-allege and incorporate the allegations in all paragraphs above as set forth herein.

54. On information and belief, a "pool" of funds garnered from premiums paid by plaintiffs' customers and the consuming public exists within the possession and control of the defendants which is there and held for the purpose of paying all legitimate repair charges made and owed to the plaintiffs by the defendants' insureds, who are the plaintiffs' customers.

55. The defendants are wrongfully holding in their possession, withholding from the plaintiffs, a large portion of that "pool" of monies (collected as premiums) to pay the repair bills of plaintiffs' customers for whom plaintiffs have diligently performed repair services. These funds now rightfully belong to the plaintiffs, in constructive trust.

56. The plaintiffs fully performed their repair service obligations yet the defendants, despite industry standards for payment, have converted to their own use those funds rightfully belonging to the plaintiffs for the services and parts provided to customers. These actions by defendants amount to a conversion of plaintiffs' monies, which creates a constructive trust for the benefit of the plaintiffs; plaintiffs are entitled to a judgment in *quantum meruit* or restitution for all those sums wrongfully withheld from them by the defendants.

COUNT SEVEN:

UNJUST ENRICHMENT

57. Plaintiffs incorporate and restated by reference herein all allegations set forth

above.

58. The common law cause of unjust enrichment is based on the equitable principle that a person shall not be allowed to enrich himself unjustly at the expense of another. In this respect the terms 'unjust enrichment' and 'restitution' are modern designations for the historical common law 'quasi-contracts.' The legal basis for an action for 'unjust enrichment' lies in a promise, implied in law, that one will pay to the person entitled thereto that which in equity and good conscience is his.

59. It is an obligation created by law, in the absence of any agreement, when and because the acts of the parties or others have placed in the possession of one person money under circumstances that in equity and good conscience he ought not to retain and which in justice and fairness belongs to another.

60. In the present case, defendants' insureds and claimants entrusted the plaintiffs with the full and complete repair of their vehicles, the payment of which is incumbent upon the defendants. In doing so, an obligation was created to provide payment to plaintiffs for that work and expended materials.

61. By failing to make full payment to the plaintiffs for the necessary and reasonable costs of repair to their insureds' vehicles, defendants have obtained or retained money that, in equity and good conscience, rightfully belongs to plaintiffs and wrongfully enriches the defendants.

COUNT EIGHT:

BUSINESS OPPRESSION

62. The defendants have willfully, maliciously and without cause or justification caused irreparable financial, emotional, and other damages to the plaintiffs, both individually and

as a business, by taking advantage of their great wealth and unequal bargaining position to oppress the plaintiffs to force the plaintiffs to sign agreements and undertakings that have caused and created an unfair restriction on trade, allowed the defendants to harass and attempt to control the plaintiffs' businesses, to gain unfair advantage at the point of every business transaction flowing between the plaintiffs, defendants, and defendants' insureds, and caused extreme damage to the plaintiffs' business reputation and goodwill. The current defendants persistently use their great wealth and unequal bargaining position to try to "short pay" the plaintiffs for: labor rates; the number of labor hours expended on specific repair procedures; and the estimates generated by industry accepted databases which include the ordinary and customary repairs, repair time (labor) and materials necessary to return a vehicle to its pre-collision condition.

COUNT NINE:

INTENTIONAL AND NEGLIGENT INFLICTION OF EMOTIONAL DISTRESS

63. The defendants have intentionally, willfully, maliciously, negligently, and without cause or justification caused emotional distress to the plaintiffs through their extreme and outrageous acts that outraged and emotionally harmed the plaintiffs. Defendants intended to or negligently harmed plaintiffs' businesses and defendants' negligent or intentional actions harmed and emotionally injured the plaintiffs individually. Some of the acts (tactics) employed by the defendants which negligently or intentionally inflicted mental anguish upon the plaintiffs are: delays in writing estimates; knowingly or negligently writing incomplete estimates which require(d) extensive modifications; refusing to pay the plaintiffs in a timely manner or at all for standard, textbook database procedures; refusing to pay market labor rates; refusing to pay for market mark-ups; constant threats to remove plaintiffs from reference lists; actually removing

plaintiffs from reference lists; making negative references about the plaintiffs' businesses to customers/defendants' insureds.

COUNT TEN:

QUASI-ESTOPPEL

64. Plaintiffs incorporate and restated by reference herein all allegations set forth above.

65. Quasi-estoppel is an equitable principle. This long-standing doctrine is applied to preclude contradictory positions by preventing a person from asserting, to another's disadvantage, a right inconsistent with a position previously taken.

66. The Defendants have relied upon and asserted the validity/authority of the databases, supra, when it has been to their advantage. At other times, defendants have refused to compensate plaintiffs for procedures performed upon reliance of those very same authoritative guides, claiming they are unnecessary to complete the work at hand.

67. Defendants' inconsistent and contradictory application of or refusal to apply the guidelines of the industry databases has created an atmosphere of doubt, uncertainty and distrust, all to the severe detriment of plaintiffs, all while seeking to obtain every improper advantage for defendants themselves.

68. Plaintiffs therefore seek to have the defendants estopped from denying the applicability and reasonableness of the procedures and costs set forth in the industry databases henceforth and make full and complete payment for the necessary reasonable costs of repairs made for the benefit of defendants' insureds and claimants.

CAUSATION AND DAMAGES

69. As a result of the negligent, willful, malicious, illegal, intentional and other negligent and grossly negligent actions of the defendants, the plaintiffs, jointly, severally, and alternatively, have suffered damages as follows:

a) All unpaid labor and materials compensation due plaintiffs as a result of the defendants' negligent, willful, intentional, and concealed efforts to avoid compensating the plaintiffs for the full value of their services rendered to the defendants' insureds and claimants and others relating to claims paid on behalf of an insured;

b) Intentional and negligent infliction of emotional distress against the plaintiffs, who have suffered financial losses and mental anguish as a result of the defendants' failure to reasonably and fairly, and pursuant to the industry guidelines, pay for the full and justified value of labor cost and materials based on labor necessary to fully return damaged vehicles to their pre-collision condition as required by the contracts between the plaintiffs and their customers; and,

c) Loss of prospective business advantage, business goodwill and business reputation.

WHEREFORE, PREMISES CONSIDERED, plaintiffs respectfully request that:

a) Process issue and be served upon defendants and that they be required to answer in a timely manner or have the allegations herein be deemed admitted and a default judgment be entered;

b) A jury is empanelled to try this cause;

c) Plaintiffs be awarded compensatory, statutory and punitive damages in an amount to be determined by a jury;

d) Plaintiffs reserve the right to amend this pleading based upon new information and additional facts revealed during the course of discovery in this cause;

e) Plaintiffs be awarded all pre and post-judgment interest on all verdicts, and discretionary costs;

f) Plaintiffs be awarded all reasonable attorney fees and litigation expenses that the Court may deem proper; and,

g) Such further relief as the Court may deem proper.

Respectfully Submitted,

John Mosley, Individually, Clinton Body Shop, Inc., Daniel Mosley, Individually, and Clinton Body Shop of Richland, Inc.

BY: s:/Halbert E. Dockins Jr.
Halbert E. Dockins Jr., MSB# 6138
One of the Attorneys for the Plaintiff

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EXHIBIT D

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REPORT

Arm's Length Auto Collision Repair (ACR) Labor Rates and Their Associated Economic Loss Implications

Frederic B. Jennings Jr., Ph.D.

14 August 2015

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"Consultants to Business and Law"

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1. Introduction

EconoLogistics was retained by Cohen Rosenthal & Kramer LLP to address and analyze three questions, as stated below, based on the following assumptions:

- that Progressive's estimates on its insureds' auto collision repair (ACR) claims are routinely below the estimates of independent ACR shops, which have no choice but to accept or reject these jobs at Progressive's price;
- that the gap between these two sources' estimates at least partially reflects differences in labor costs with respect to hourly labor rates and times allowed for procedures;
- that Progressive's allowable labor rates for ACR work significantly undercut those that independent ACR shops would charge customers in an uncontrolled market; and
- that Progressive acted unlawfully with respect to the practices described above.

The three questions to be addressed in this report are as follows:

1. Is there a general rule as to whether customers pay the difference if independent ACR shops charged more than Progressive was willing to pay for ACR work on its claims?
2. Is there a common means of determining whether all independent ACR shops suffered injury as a result of Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?
3. Is there a common formula for assessing on a class-wide basis the damages resulting from Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?

The structure of this report is as follows. First, in Part 2, the experience and qualifications of Frederic B. Jennings Jr., author of this report and president of *EconoLogistics*, are briefly summarized. Part 3 is an executive summary of findings and the opinions to be offered. Part 4 outlines the general practices of auto insurers in the market for ACR work. Part 5 then addresses the first question, if there is a general rule as to whether customers pay the difference between Progressive's and ACR shops' estimates on ACR claims. Part 6 considers the second question, about whether there is a common means to determine if all independent ACR shops suffered damages as a result of Progressive's unlawful practices with regard to estimates and payments on its ACR claims. Part 7 presents a common formula for assessing class-wide damages. Part 8

offers a brief description of the loss implications stemming from this analysis; Part 9 provides a summary of the analysis, its findings and conclusions.

Reliance on General Data Inputs: The analysis and conclusions presented here are based on the Plaintiffs' Complaints and data provided to *EconoLogistics* by the Plaintiffs through their attorneys as well as on other publicly-available documents specified below in this Report or its Exhibits. *EconoLogistics* has made every attempt to process these data accurately and consistently using generally-accepted economic principles, on an assumption that the information provided is correct, as of the time these data were conveyed to *EconoLogistics*. When and if additional relevant data become available, this report may be subject to revision.

2. Frederic B. Jennings Jr., Ph.D.: Professional Experience and Qualifications

My qualifications are as follows: I have a B.A. in economics (*magna cum laude*) from Harvard College (1968) and an M.A. (1980) and Ph.D. (1985) in economics from Stanford University. I taught microeconomics and other courses at the graduate and undergraduate levels (including business ethics) in economics departments at Tufts University (1979-83) and at Bentley College (1985-87) and have over 25 years of experience as a consultant in economic litigation at Charles River Associates (1973-74 and 1988-91), Arthur Andersen (1991-92) and in my own consulting practice, *EconoLogistics*, founded in 1992.

I have had diverse research and consulting experience in the analysis of many industries, including the automotive industry (aftermarket parts, auto manufacturing, used car sales, autoglass and auto collision repair), and in transfer pricing analysis (applying the arm's length principle to cross-border transactions within multinational enterprises) both at Charles River Associates and at Arthur Andersen.[1] In summary, I have about 35 years of work experience so far as a professional economist in various capacities (cf. my *Curriculum Vita* and the accompanying list of cases in which I have testified for further information on my experience and qualifications, attached hereto as Exhibit One).

I am being compensated for research and testimony in this matter at the rate of $250 per hour.

3. Executive Summary of Findings and Opinions

Three questions were posed as the focus of this report:

1. Is there a general rule as to whether customers pay the difference if independent ACR shops charged more than Progressive was willing to pay for ACR work on its claims?
2. Is there a common means of determining whether all independent ACR shops suffered injury as a result of Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?

[1] As the tools and methods of transfer pricing analysis play an important role in the analysis presented here, it may be helpful to offer additional details of my experience in this particular regard. At Charles River Associates, I analyzed the setting of tolls and division of revenues between U.S. and Canadian owners of The Ambassador Bridge in Detroit, MI. At Arthur Andersen, as Senior Manager in our Economic Analysis Group under the Office of Federal Tax Services (OFTS) at the Washington, DC offices of Arthur Andersen, I was involved in several detailed industry studies of transfer pricing practices and their justification, including for General Motors, Oracle, Levi-Strauss, Makita and several other major multinational firms. I've also opined in favor of the auto mechanical repair (or AMR) labor rate as an economic comparable for what the ACR labor rate would be in an uncontrolled ACR market in several litigation matters as an expert witness since starting *EconoLogistics* in 1992.

3. Is there a common formula for assessing on a class-wide basis the damages resulting from Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?

The analysis of these questions is based on the following set of assumptions:

- that Progressive's estimates on its insureds' auto collision repair (ACR) claims are routinely below the estimates of independent ACR shops, which have no choice but to accept or reject these jobs at Progressive's price;
- that the gap between these two sources' estimates at least partially reflects differences in labor costs with respect to hourly labor rates and times allowed for procedures;
- that Progressive's allowable labor rates for ACR work significantly undercut those that independent ACR shops would charge customers in an uncontrolled market; and
- that Progressive acted unlawfully with respect to the practices described above.

The report to follow addresses the three questions in this manner.

Question One: Is there a general rule as to whether consumers pay the difference? Based on my many years of experience with this industry, the short answer is no. In general, consumers are not asked to pay the difference between ACR estimates prepared by insurers and independent ACR shops, either by insurers or ACR shops, although there is no extant "rule" about this, even as a rule of thumb. Insurers' position is that their estimate is sufficient for all covered repairs as a means to fully and properly restore collision-damaged vehicles, while independent ACR shops are understandably fearful of losing customers and ACR jobs if they inform an insured that the difference must be paid along with the deductible for repairs to be performed by their shop. There are occasions and circumstances where consumers are requested to make up the difference between these two estimated amounts, and it certainly varies across individual ACR shops, but that is not the normal practice, in my opinion based on my years of experience with this industry.

Question Two: Is there a common means to determine if independent ACR shops suffer injury from these practices? The short and simple answer is yes. The business practices of auto insurers including but not limited to Progressive have been very effective in suppressing labor rates and ACR claims reimbursements to independent ACR shops for many years. Consequently, use of other insurers' ACR labor rates – and presenting them as a 'prevailing competitive level' of labor rates in the local area – is not a valid means of identifying what the 'competitive' level of ACR labor rates would be in an uncontrolled market setting characterized by arm's length transactions. Were ACR labor rates determined in such a freely competitive market setting, such as described and mandated by the 1963 Consent Decree,[2] they would be significantly higher than the

[2] This Consent Decree, signed between the U.S. Department of Justice and the two dominant auto insurance trade associations (the Association of Casualty and Surety Companies or now AIA and the American Mutual Insurance Alliance or now AAI) on 27 November 1963, provided – among other things – in Section IV.A. thereof that:

IV. (A) Each defendant is enjoined from placing into effect any plan, program or practice which has the purpose or effect of: (1) sponsoring, endorsing or otherwise recommending any appraiser of damage to automobile vehicles: (2) directing, advising or otherwise suggesting that any person or firm do business or refuse to do business with (a) any appraiser of damage to automobile vehicles with respect to the appraisal of such damage, or (b) any independent or dealer franchised automotive repair shop with respect to the repair of damage to automobile vehicles; (3) exercising any control over the activities of any appraiser of damage to automotive vehicles; (4) allocating or dividing customers, territories, markets or business among any appraisers of damage to automotive vehicles; or (5) fixing, establishing, maintaining or otherwise controlling the prices to be paid for the appraisal of damage to automotive vehicles, or to be charged by independent or dealer franchised automotive repair shops for the repair of damage to automotive vehicles or for replacement parts or

allowable levels set by the auto insurance industry. The analysis of arm's-length standards and how they apply to this situation is set forth in Part 6 below; in sum, they reveal that the arm's length level of ACR labor rates that would prevail in an uncontrolled free-market setting is significantly higher than the allowable levels set by Progressive and other auto insurance companies in the market for ACR services, due to auto insurers' strict control over these transactions.

The analysis in Part 6 starts with the well-established economic standard that is widely used to identify arm's length prices in the context of multinational firms' internally-controlled cross-border 'transfer' pricing, which is of vital concern to every national tax authority as a means to avert international corporate tax avoidance and double taxation. These analytical methods are founded on a use of uncontrolled economic comparables as unencumbered transactions between independent parties operating at arm's length. After a detailed review of various criteria – as specified in U.S. and international tax regulations – for establishing comparability, these criteria are applied to the comparison between the provision of auto mechanical repair (AMR) and ACR services and the prevailing hourly labor rates in each of these sectors. This analysis shows why AMR services are a close economic comparable for ACR services, such that AMR labor rates serve under the arm's length standard as an economic basis for measuring what the level of ACR labor rates would be in an uncontrolled fair market setting of freely independent transactions, such as found in the direct dealings between the owners of vehicles and AMR service providers.

Furthermore, the ascertainable differences between AMR and ACR service provision all point in the same direction, indicating that the arm's length level of ACR labor rates is significantly higher than the ascertainable level of freely-determined AMR labor rates. At a minimum, prevailing AMR labor rates should be seen as a lower bound for what ACR labor rates would be in an uncontrolled market unconstrained by auto insurers' influence over the ACR payment process, such as under the conditions specified in the 1963 Consent Decree. The capital and labor costs, as well as the skill and training requirements, borne by ACR service providers exceed those for AMR service providers. Their risks and other costs are higher as well, for reasons discussed below. Under the tax regulations cited, these differences call for an upward adjustment in the AMR labor rates to make them fully comparable to the arm's length ACR labor rate that would prevail in an uncontrolled market setting free of auto insurers' influence and control. Consequently, the AMR labor rate should be seen as a minimum lower bound for what the true arm's length ACR labor rate would be in a market setting characterized by fully-independent parties transacting on an arm's length basis. Such an arm's length market setting reflects very clearly and forcefully that specified in the 1963 Consent Decree.

Question Three: Is there a common formula for addressing on a class-wide basis the damages resulting from Progressive's unlawful practices? The short and simple answer is yes. The labor rates and hours allowed by Progressive on ACR claims submitted by their policyholders are on record and available through the discovery process, either directly from the insurer or through Mitchell, their data systems provider. The difference between the arm's length ACR labor rates – as determined through the analysis described above and detailed below – and Progressive's allowable labor rates in each year will yield the losses per hour for each type of ACR work. That amount of loss per labor hour, multiplied by the number of allowable hours so reimbursed, will yield the total damages suffered due to inadequate labor rates at any level of aggregation, e.g., on each claim, for each shop or across the class as a whole, for any given time period.

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labor in connection therewith, whether by coercion, boycott or intimidation or by the use of flat rate or parts manuals or otherwise.

The specific determination of the arm's-length ACR labor rates in an uncontrolled market setting is based on prevailing AMR labor rates, which emerge from market domains largely free of auto insurers' control, ascertained through a survey of AMR establishments in the state of Ohio (see Exhibit Four). The currently prevailing AMR labor rates as of August 2015 are then imputed to earlier years by using consumer price index (CPI) data to adjust them to what they would have been during the eleven years at issue in this case, namely from 2005 to 2015 (see Exhibits Two and Five), thus providing a minimum lower bound for the arm's length ACR labor rates that would have been paid to Plaintiffs by the Defendants in an uncontrolled free market setting during these years. It is emphasized that these labor rates and the associated losses per hour incurred by independent ACR shops are (perhaps well) below what the actual losses would be with a proper adjustment of the arm's length AMR "comparable uncontrolled price" or CUP to fully and properly reflect the known cost differentials between AMR and ACR services with respect to: capital equipment; labor skills, training and wages; and economic risks.

Consequently, to summarize, the presence and influence of auto insurers in the ACR payment process has the effect of dramatically reducing hourly labor rates paid to providers of ACR services. This conclusion is based on a survey of hourly labor rates in a closely comparable economic activity, that of the provision of AMR services, which survey indicates that AMR labor rates are about double the level of ACR labor reimbursement rates allowed by auto insurers in general – and by Progressive in particular – in the state of Ohio. Second, an economic consideration taking account of the nature and cost of the risks, skills and capital equipment involved in each type of service shows that unadjusted AMR labor rates serve as a minimum lower bound benchmark for the true arm's length hourly labor rate for ACR services, and that AMR labor rates – as an unadjusted CUP for ACR labor rates – would thus have to be adjusted upward to reflect the true arm's length level of ACR labor rates that would prevail in transactions between independent economic agents on a level competitive field in a fair and free market setting. The question of how and why auto insurers have gained such influence and control over ACR labor rates and repair reimbursements is briefly addressed below.

The analysis and findings summarized above and to follow below are based on substantive and noncontroversial analytical methods well-established in economics. These methods are used in many contexts to determine and validate the worth of goods and services on an objective foundation, not the least by all international tax authorities to justify multinational firms' cross-border pricing practices in order to prevent tax avoidance and double taxation in any jurisdiction.

4. A General Background and Context for Auto Insurers' ACR Claims Payment Practices

Since the 1940s[3] the auto insurance industry has worked to secure control over the ACR damage appraisal and repair process, first through a collective conspiracy found to be a Sherman Act violation in the 1963 Consent Decree, and now through far more individualized methods of tacit collusion and control that remain in direct conflict with the 1963 agreement. The question of how and why auto insurers have gained such influence over ACR processes is briefly addressed.

Auto insurers are able to influence their policyholders' decisions about where to send their crashed vehicles for ACR work, in spite of anti-steering laws that exist in almost every state. Many auto insurers have developed direct repair programs (DRPs) by establishing a contractual network of "preferred provider" shops that do ACR work at reduced hourly labor rates in exchange for an expectation of higher volumes of work being directed toward their DRP shops

[3] See 1963 Consent Decree, Case Filing, 23 October 1963, discussion starting with paragraph 14.

by these affiliated auto insurers. Those low ACR labor rates then are imposed upon independent ACR shops as a 'competitive market rate' despite that these independent shops are not privy to the sales volume benefits afforded to DRP shops (nor do they have any written contractual agreement to perform ACR work at these reduced labor rates), while these independent ACR shops are also at the same time being deprived of those steered sales. The harmful effects on independent ACR shops of these steering activities are reinforced by auto insurers' strict control of the auto collision damage appraisal process through their primary use of internally-employed claims adjusters over independent agencies in the setting of ACR coverage and reimbursement rates and amounts. Both of these factors stand in direct violation of the 1963 Consent Decree that was meant to bar any direct dealings by auto insurers with either the auto damage appraisal process or the ACR process, as discussed in the Westfall Complaint.[4] Furthermore, a general conversion of auto insurers' claims departments into profit centers starting in the early 1990s has led to a well-documented tightening of restrictions and constraints on payments to service providers by a variety of insurers.[5] This offers a context for auto insurers' influence over both the payments for repair procedures and the 'allowed' ACR labor rates analyzed in this report.

5. Question One: Is There a General Rule as to Whether Customers Pay the Difference?

As mentioned above, I am not aware of any "general rule" or even any rule of thumb on this question. Based on my experience with this industry of over 20 years, my understanding is that there are some instances where consumers are requested by individual shops to pay the difference between an ACR shop's and the insurer's estimates, but that this is more the exception than the rule for understandable reasons. An independent ACR shop risks losing or alienating customers by requesting them to pay the difference, and therefore would be concerned about the potentially harmful reputational effects of doing so on a regular basis. This is why, usually, these independent ACR shops simply absorb the loss and attempt to live with this situation. As noted in the Blue Ash Complaint, the fact that an ACR shop (unwillingly) opts to absorb the loss should not be taken as any agreement or even acceptance of these underpayments, and there is no waiver of claims against Progressive signed by ACR shops made or implied by this situation, which is best seen as ACR shops' "attempt to mitigate their losses flowing from Progressive's tortious and unlawful conduct, and to preserve the relationships with their customers."[6]

6. Question Two: The Arm's Length Standard and Comparability as a Valuation Process

As stated above, the question posed is what would hourly ACR labor rates be in the absence of auto insurers' influence on and control over the provision and pricing of ACR services in consumers' collision repair transactions covered by auto insurance, had these auto insurers remained in full and proper compliance with the 1963 Consent Decree? A typical approach to answering such questions involves a use of economic comparables, such as are regularly employed, for example, in the objective valuation of real estate property by an appraiser in advance of its sale. The first step in this process is a search for comparable sales, in a similar area

[4] Cf. Westfall Complaint, Westfall v. Progressive, pp. 17-18.

[5] E.g., cf. Jay M. Feinman, *Delay, Deny, Defend: Why Insurance Companies Don't Pay Claims and What You Can Do About It* (Penguin, New York, 2010); David J. Berardinelli, *From Good Hands to Boxing Gloves: The Dark Side of Insurance* (Trial Guides, LLC, Portland, Oregon, 2008); Ray Bourhis, *Insult to Injury: Insurance Fraud, and the Big Business of Bad Faith* (Berrett-Koehler Publishers, San Francisco, 2005); or Wendell Potter, *Deadly Spin: An Insurance Company Insider Speaks Out on How Corporate PR is Killing Health Care and Deceiving Americans* (Bloomsbury Press, New York, 2010).

[6] Blue Ash Complaint for Blue Ash Auto Body et al. v. Progressive, pp. 42-43; the quote is from p. 43, ¶176.

and with respect to the property's salient characteristics. For example, two identical homes, one with a quiet waterfront view and the other on a busy street, would not be comparable unless the value of the view were determined independently and used to adjust that property valuation to exceed that of the noisier place downtown. Even a home with a beautifully styled kitchen and polished granite countertops might be compared to one with older cabinets and formica counters, but at a valuation duly adjusted to reflect these differences.

An even more pertinent example is the use of economic comparables by the auto insurance industry when determining the value of vehicles in total loss situations, where those values are adjusted to account for extra features or other relevant differences between the damaged and the comparable vehicles. The use of economic comparables is well-established in many contexts to determine a basis of valuation, not only for real estate properties and automotive vehicles, but also for a wide diversity of other independently-traded goods and services. This is the approach taken in the present report to resolve the question of what hourly ACR labor rates would be in an uncontrolled market unconstrained by auto insurers' influence over ACR reimbursements.

An important aspect of establishing comparability in such contexts is that the comparable transactions being considered take place on an arm's length basis between independent agents acting in their own interests without familial or relational affiliations or any external control or influential pressures affecting their freely-made decisions, which – when swayed by external pressures – shall not reflect in transacted prices their true economic valuation. For example, a house sold to a son would not qualify as an arm's length transaction, nor would labor performed under threat from some controlling authority. The key element in an arm's length transaction is that the agreed-upon terms are set through a free process of fairly and equally balanced mutual negotiation and consent, without being encumbered by any externally-influential interest or threat on one side or the other that distorts the bargain to favor one party at the other's expense. For a true and proper evaluation of property, goods or services, economically comparable transactions as a benchmark of valuation need to be free of any biasing influences or negotiating advantages for any one side or party over the other. In this particular regard, they must be uncontrolled transactions freely executed by independent parties acting without encumbrances or any unequal or favoring bias, preferably in an openly-competitive market with a wide range of options and choices for all parties involved.

The arm's length standard, though used in a wide variety of value applications, is generally applied to the assessment of cross-border transfers within multinational firms, for which purpose detailed principles of comparability have been developed by international tax authorities. As a result, well-established methods of economic analysis have been defined for establishing what an uncontrolled price would be in an arm's length setting. These standards were developed and are used to determine fair and equitable prices on multinational firms' internally-controlled cross-border transactions. These transfer pricing methods are of vital interest to every national tax authority as well as to all multinational firms, so as to limit double-taxation and to curtail tax-avoidance; they comprise the most well-established, time-tested, proven and detailed means of valuing goods and services based on the arm's length standard. These transfer pricing methods are also equally applicable to the analysis of any controlled transaction in any other context, as a means of establishing its true value, where adequate economic comparables can be identified.

These transfer pricing methods, used to identify uncontrolled prices under the arm's length standard, reflect what two independent parties would accept when dealing with each other on a fair and level competitive field where neither party enjoys any advantage or influence over the

other. The arm's length standard is also used in contract and tax law to evaluate whether prices set for a transaction reflect an equitable arrangement between the two transacting parties. The arm's length principle helps to confirm that an agreement between two separate and independent parties in a transaction is fair and equitable. As a standard of valuation, the principle states that these controlled prices should be the same as they would be were the parties to the transaction negotiating as fully independent and equal agents, without any influence over or relation to each other by contract, familial or business-related ties, or other indirect means of affiliation or control. These internationally-accepted tax guidelines include detailed criteria and procedures to establish and justify economic comparability, as a means to identify acceptably independent transactions used to determine a level of prices or profits satisfying the arm's length standard.

These carefully-specified methods involve a range of profit and pricing criteria, all founded upon a use of economically comparable entities or transactions as a basis for establishing what an uncontrolled price or range of prices (or profit rates) would be for the controlled or encumbered transactions under scrutiny. The preferred standard is the use of a "comparable uncontrolled price" or CUP, if such can be found. This is the method employed in the analysis of the present report to determine the uncontrolled arm's length ACR labor rate in the absence of auto insurers' influence over ACR damage assessments, reimbursements and hourly labor rates.

There are five generally-accepted factors that are used to determine comparability of two separate economic activities or entities: (1) functions performed; (2) risks assumed; (3) contract terms; (4) economic conditions; and (5) the nature of the property or services transacted.[7] A brief summary of each of these comparative bases follows.

(1) Functional Analysis: Anything that affects prices or profits is considered economically significant as applied to functions performed. The questions to be asked are whether these two entities or activities are comparable with respect to: when, where, how, why and by whom were these functions performed and under what transactional structure; the comparability of various stages of production; the existence of secondary sales or other relevant ancillary activities; compensation of personnel and its structure along with the level of skills, training and education possessed or required for these personnel; the nature of the property, plant and equipment employed by each entity or in each activity compared, with regard to its source of acquisition and overall cost and uniqueness.

(2) Risks Assumed: With regard to the risks borne by each of the entities or in each of the activities to be compared, the relevant questions are concerned with who bears what nature of risk under what sorts of control. The types of risks to be considered include: market risks (such as fluctuations in costs, demand, prices and inventories); risks associated with R&D where relevant; financial risks such as due to changing foreign exchange or interest rates; credit and collection risks; product liability risks; and general business risks relating to property ownership (such as of plant and equipment).

(3) Contractual Terms: Contractual terms, especially by which the controlled entity is bound, are important and should be considered, as well as the actual conduct and legal rights of the contracting parties. The contractual terms to be considered include: payment forms;

[7] Cf. U.S. Treasury Regulations, Subchapter A, Section 1.482-1(d)1; IRS Audits – Part 4 Examining Process, Chapter 61. International Audit Guidelines, Section 3. Development of IRC Section 482 Cases, Part 5. Comparability, Paragraph 2; and Department of the Treasury, Internal Revenue Service, "Report on the Application and Administration of Section 482", Chapter 2, Part II, Section A.1.

the volume of sales; the scope and terms of warranties provided along with their flexibility and duration; any collateral services offered; and credit and payment terms.

(4) Economic Conditions: The comparability of the economic conditions in the two entities or activities should also be considered, especially in their potential effect on prices and profits. The economic conditions should include: location; market size, level and shares; location-specific costs of productive inputs; market competition; and general industry conditions.

(5) The Nature of the Property or Services Being Transacted: The comparability of the two entities or activities will also be based on the nature of the transactions being compared, as described in product or service descriptions, etc.

Another important issue regards imperfect comparability. An uncontrolled transaction need not be identical to the controlled transaction to be considered economically comparable by these standards. The transactions should be sufficiently similar to facilitate a reliable measure of an arm's length result, where adjustments to the uncontrolled price can be made to incorporate observed material differences between the two entities or activities. Such adjustments serve to increase the comparability in the presence of any relevant differences between these transactions.

As discussed in general terms above, there are five widely-accepted factors that are considered to determine comparability between separate economic activities or prices: functions performed; risks assumed; contractual terms; economic conditions; and the nature of the property or services being transacted, as specified in the tax documents cited in note 7 above. A brief summary of each factor and its relevance to the comparability of ACR and AMR services is set forth below.

Functions performed: The functions in both AMR and ACR service activities involve labor and equipment used for automotive repair. AMR work is customarily uniform, standardized and 'programmable': laid out in easily accessible manuals and mostly performed with generalized hand-held tools. ACR work is virtually all customized, as no collision is like any other; it calls for professional judgment along with precise tools and measurements often using heavy-duty equipment. The skill and training requirements of ACR technicians are higher and more rigorous than they are for AMR technicians, *viz.*, ACR workers can shift to AMR work quite easily, while AMR workers cannot as easily shift into ACR work because there is a wider and higher range of skills and training required for customized ACR work than for standardized AMR work. The nature of the capital equipment required for ACR work is also more complex and costly than that used for AMR work. The relevant differences in skills and training of ACR technicians and in the nature of the capital equipment required for the two activities is often noted by industry experts and appears to be common knowledge within the ACR industry.

Risks Assumed: For the provision of both AMR and ACR services, service providers are expected and legally required to stand behind their work with a guarantee of some sort, so the risks assumed are very similar in that particular regard, although the liabilities of an ACR shop may exceed those of an AMR shop because of the differing and more general nature of the repairs performed and the wider variety of hazardous chemicals used in ACR work. There are likely additional business-related risks borne by ACR service providers due to uncertainties stemming from the influence and control of auto insurers over their sales, business prospects, and compensation rates. ACR sales are also influenced by other unpredictable factors such as rain,

snow and weather. Most of the risks assumed by each type of shop are economically comparable, aside from those mentioned.

Contractual terms: The contracts involved in both of these two sectors are between service providers and vehicle owners or customers. The primary difference in contractual terms between AMR and ACR work is that with AMR work, customers deal directly, exclusively and at arm's length with service providers in most cases, whereas with most ACR work an auto insurer has a contract with the vehicle owner to pay for repairs sufficient to return the vehicle to its pre-accident condition (or to compensate the vehicle owner fully and properly for all collision losses incurred). In other words, there is another financially interested and influential party involved in the provision of ACR services that makes this a controlled transaction in the sense referred to in the transfer pricing regulations, due to the presence and role of auto insurers in the ACR damage assessment and reimbursement process. The main difference in contractual terms between the AMR and ACR sectors, the presence of auto insurers' influence over the ACR payment process, is central to this case; it delineates why ACR services are mostly controlled transactions in the sense defined in the transfer pricing regulations.

Economic conditions: The economic conditions within which these two types of transactions take place are virtually identical. First, their "markets" are the same: same customers; same vehicles; same geographical areas. Second, the payment processes for services rendered are the same: payments are made for parts and labor time, which payments must cover all of the costs incurred by these shops in the provision of their repair services. Third, except for routine AMR maintenance, which is generally predictable by owners, mechanical automotive breakdowns and auto collisions are unpredictable; they just "happen" and demand immediate attention by service providers. The primary differences between AMR and ACR service provision lie in: (a) the manner in which payments are made to providers; (b) in the type of repair (to be considered under "property or services" below); and (c) in how well-informed consumers are with regard to their choice of providers for AMR and ACR services.

In terms of the manner in which payments are made, for most AMR work – as already noted – payments are made directly by consumers on an arm's length basis for these services, whereas for most ACR work payments are made (on the basis of auto-insurer-controlled ACR damage appraisals, labor rates, parts markups and allowable labor times on different repair procedures) by auto insurers and not directly by vehicle owners. This is the key difference between the uncontrolled arm's length transactions for AMR services and the auto-insurer-controlled transactions found throughout the ACR industry, which comprise the main reason for examining methods to determine the proper arm's length level of ACR labor rates.

Another relevant difference lies in how well-informed consumers are about service providers in each of these industries. In general, consumers select a local AMR service provider and develop a long-term and ongoing relationship with that shop and its personnel. For most collision repair services, consumers tend to be ill-informed about ACR service providers and therefore look to their auto insurer (who will likely have marketed their auto insurance services under a theme that they will take good care of their policyholders in the event of an accident) for advice as to where to take their crashed vehicle for ACR services. This "information asymmetry" problem (as defined by economists)[8] yields for auto insurers a significant degree of control over

[8] Cf. A. Postlewaite, "Asymmetric Information" in John Eatwell, Murray Milgate, Peter Newman, eds., *The New Palgrave: A Dictionary of Economics*, Volume I, A to D (Macmillan Press Ltd., London, 1987), pp. 133-35.

the allocation of ACR sales among different ACR service providers. This is especially true where auto insurers maintain networks of "preferred providers" by affiliating with "direct repair program" (DRP) shops that provide ACR services in accord with these auto insurers' standards and directives at contractual labor rates, in exchange for an expected high volume of ACR jobs steered to their affiliated DRP shops by those auto insurers.

Property or services: The other significant difference between these two activities lies in the nature of the repairs being performed on these automobiles. As already mentioned, AMR work is typically standardized, with procedures set forth in repair manuals that are performed mostly with standard hand-held tools in a 'bolt off, bolt on' process of replacing individual parts. ACR work is almost entirely customized; every collision is different, so restoring a vehicle to its pre-accident condition calls for specialized skills and equipment that often must be flexibly adapted to fit these unique crash-damage conditions. The process does not involve one specific part in need of replacement; often multiple parts and functions are in need of repair or replacement in ACR work. Furthermore, a certain amount of ACR work includes some AMR work as well.

These significant differences in the nature of repairs performed would justify an upward adjustment in the "comparable uncontrolled price" (or CUP) for labor time, namely the hourly labor rate, between these two industries. That adjustment might take into account these evident differences: in business risk for each type of shop; in technical skill levels and wage payments required in each activity; and in the nature, amount and cost of the capital equipment used. These differences indicate that unadjusted AMR labor rates should be seen as a minimum lower bound for what ACR labor rates would be in an ACR market uncontrolled by auto insurers and thus operating on an arm's length basis. In other words, the ACR labor rates should exceed the prevailing arm's length AMR labor rates in a free and unencumbered market that is not under the controlling influence of auto insurers. The specific adjustments implied by these differences shall be discussed below, once the unadjusted CUP for an uncontrolled ACR labor rate has been determined.

7. Question Three: Assessing Class-Wide Damages Based on the Arm's Length Standard

Progressive paid allowable hourly ACR labor rates of between $38.00 and $60.00 to the class of Plaintiffs for body, paint, detail, frame and mechanical labor during the period from 2005 to 2015 during which the ACR claims at issue in this case were fulfilled by Plaintiffs. As explained above, based on the economic comparability of AMR and ACR work, AMR labor rates serve as a minimum CUP for an auto repair service that provides a good economic comparable for ACR work. Consequently, AMR labor rates should be considered a minimum lower bound for what the ACR labor rates would be in an uncontrolled market duly characterized by arm's length transactions. These AMR labor rates serve as a minimum bound for an uncontrolled ACR labor rate because of the ascertainable differences between both the technical skills and the capital equipment required for and the risks undertaken in the provision of AMR vs. ACR services. In this case, a determination of the true arm's length ACR labor rate calls for an upward adjustment in the observed AMR labor rates to adequately account for risk and cost differentials, since both the overall risks and costs of ACR service provision exceed those for AMR services.

The AMR labor rate in the state of Ohio, as of August 2015, was found to be as follows. A survey was conducted by Richfield Associates of 96 AMR establishments in August 2015, revealing a range of average AMR posted labor rates being charged from $82.62 per hour for 47 "general automotive repair shops" to $100.10 per hour by 49 "automotive dealerships" in Ohio.

The overall average posted labor rate for the whole sample of all 96 Ohio AMR shops was found to be $91.54 per hour (with a spread from $46.00 to $120.00 per hour). Consequently, the full range of average AMR labor rates by type of shop reported by these 96 AMR establishments was between $82.62 per hour for independent AMR shops and $100.10 per hour for automotive dealerships with an overall average AMR labor rate of $91.54 per hour. The overall average AMR hourly labor rate of **$91.54 per hour** is therefore taken to be an appropriate unadjusted "comparable uncontrolled price" or CUP for what the minimum hourly ACR labor rate would be in an ACR market unconstrained by auto insurers' influence on the payment process, i.e., in a market characterized by a level playing field of transactions between wholly-independent agents who are associating with each other on an arm's length basis, such as prevails in the market for AMR services. The average AMR rates for the two different types of AMR establishments were then used as estimates of the minimum and maximum levels of hourly labor rates based on these AMR-CUP labor rates, as an overall minimum measure of what the general range of true arm's length ACR labor rates would be in a market uncontrolled by auto insurers (see Exhibit Four).

This unadjusted CUP pertains to AMR labor rates – and thus to the minimum arm's length ACR labor rate – as of August 2015 in the state of Ohio, where the Plaintiffs' shops in the designated class are located. To derive equivalent arm's length ACR labor rates for each month and year in which the repairs were performed by the Plaintiffs for all of the ACR claims of concern, consumer price index (CPI) data from the U.S. Treasury Bureau of Labor Statistics for "motor vehicle maintenance and repair" – as adjusted for the state of Ohio – were used to convert this August 2015 CUP to its equivalent value during each month and year between 2005 and 2015. The analysis yielding this adjustment is shown in Exhibits Two and Five.

The question of whether this unadjusted CUP should be adjusted to account for and therefore reflect the identified cost differentials between these two types of auto repair services (as already discussed above) should also be addressed. Further, if an adjustment is warranted, then the question turns to the appropriate size and direction of any such adjustment, based on the findings of a functional analysis of cost differentials (for risk, skill and equipment differences) found between these activities. It has already been noted that the unadjusted CUP as of August 2015 should be considered a minimum lower bound for what the ACR labor rate would be in an uncontrolled ACR market, due to these various cost differentials. What remains to be done is a quantitative estimate of the relevant size of these cost differentials and what the effect might therefore be on the magnitude of any such upward adjustment in the CUP determined above. As of the present moment, this analysis has not been performed, though it would serve to reinforce the argument that the AMR labor rate – as a CUP – provides a minimum lower bound for what the true arm's length ACR labor rate would be in an uncontrolled fair market setting, an issue to be discussed in greater detail below. Consequently, the implied measure of labor rate losses by independent ACR shops in Ohio over this period should be considered as conservatively placing these losses below where they actually are.

With regard to the different skill levels and training requirements for ACR vs. AMR work, one way to consider this difference is in terms of the wages and salaries paid for the two different types of technicians, as an important determinant of the cost differentials between these services. The Bureau of Labor Statistics (BLS) under the U.S. Treasury Department conducts an annual census of wages and salaries for different industries, the Quarterly Census of Employment and Wages (QCEW), which shows that the average weekly wages and annual pay for "Automotive Body and Interior Repair" in the state of Ohio exceeded those for "Automotive Mechanical and

Electrical Repair" by 15 to 19 percent between 2007 and 2014. This comparison shows that the costs of employing auto repair technicians at ACR shops exceed those for AMR shops by approximately 16.5 percent within a range of 15 to 19 percent in the state of Ohio. A detailed summary of these percentage differences in the United States and Ohio is shown in a spreadsheet in Exhibit Three, accompanied by the supporting U.S. Treasury Bureau of Labor Statistics data on which it rests.

The skills and training requirements for ACR work also exceed those required for AMR work. For example, an ACR technician must be competent in AMR work because mechanical repairs must also be performed in the context of ACR work, along with the various additional technical skills required for ACR work, which include knowing how to repair crash-damaged vehicles in structural and suspension components, body panels, autoglass, and supplemental restraint systems. Furthermore, other specialized skills are required for ACR work as well, such as refinishing, paint preparation and blending, etc. For all of these skills, Automotive Service Excellence (ASE) certification is often a necessary job requirement. The job requirements for AMR work are considerably less stringent.

The capital equipment required for an ACR shop far exceeds that for a typical AMR shop, as in addition to the maintenance of a capacity to perform AMR work, the ACR shop must also have the capacity to paint and straighten auto body parts and frames, along with installed paint and preparation booths, precision frame and unibody measurement and correction equipment, and also to have EPA-approved facilities for the handling of hazardous materials used in many paint operations and in auto glass replacement. For example, an ACR shop must have about 30-50 percent of additional square footage for paint mixing, preparation and refinishing booths, separate from the repair bays used for car disassembly and assembly. All of these space and equipment requirements far exceed the space and equipment required for AMR work.

The risks borne by ACR shops exceed those for AMR shops, not only due to the greater use of hazardous chemicals in ACR work (particularly associated with paint operations), but also due to a larger chance of repair errors due to the greater complexity of ACR over AMR processes. AMR work is standardized and mostly routine as well as focused on a particular component or function on a vehicle, whereas ACR work is mostly customized since every crash is different; also ACR work is not limited to particular components since collision damage affects many aspects of automotive function. Furthermore, ACR shops face a financial risk in their inability to pass on to customers additional unexpected costs, such as AMR shops can do, as their ACR reimbursements and prices are under auto insurers' control.

Consequently, as indicated above, the skill requirements for ACR technicians of various kinds exceed those for AMR service technicians, and the capital equipment requirements for the provision of ACR services also exceed those for AMR shops. Further, the risks borne by ACR shops are higher than those for AMR shops due to both the nature of the repairs being performed and the potential influence of auto insurers on ACR reimbursements and profits. These factors in turn imply that the prevailing AMR labor rates as a comparable uncontrolled price or CUP should be seen as a minimum lower bound for what the true arm's length level of ACR labor rates would be in a free and fair market setting characterized by uncontrolled transactions between independent agents.

These differences show that the unadjusted AMR labor rate lies below what the arm's length level of ACR labor rates would be in an uncontrolled market characterized by transactions

between truly independent parties transacting on an arm's length basis. The tax regulations cited provide for adjusted CUPs to improve the comparability of a controlled with an uncontrolled transaction, and one way to improve the comparability of these two sectors would be to adjust the AMR labor rates upward by some measure to incorporate these significant differences in the additional costs and risks borne by ACR service providers over the costs and risks associated with the provision of AMR services. Due to current time and data constraints, such an adjustment has not been performed at the time of this study, although all of these issues strongly imply that the unadjusted AMR-CUP labor rate should be seen as a minimum lower bound for what the true ACR labor rate would be in an uncontrolled market setting of independent transactions executed on an arm's length basis. Consequently, any findings on losses to the Plaintiffs implied by this unadjusted AMR-CUP should be regarded as a very conservative minimum measure of their actual level.

8. The Economic Losses Incurred by the Plaintiffs on ACR Work Insured by Defendants

The average AMR labor rates shown in the August 2015 AMR labor rates survey were then examined to identify a rate or range of rates by AMR shops in the state of Ohio. These average AMR labor rates, used to reveal a range for the unadjusted "comparable uncontrolled price" or CUP for the arm's length ACR labor rate in any analysis of losses, are based on the mean rate for the full sample of 96 AMR shops in this survey, namely, $91.54 per hour as of August 2015. Since the ACR claims under consideration in this case were repaired between 2005 and 2015, this August 2015 CUP – along with its associated minimum and maximum equivalents – was adjusted in the following way to reflect what the range of uncontrolled arm's length AMR labor rates would have been during each of these eleven years in question.

Exhibit Five shows the results of this calculation, based on the CPI conversion in Exhibit Two, which includes the BLS data on which this CPI conversion rests. Exhibit Two shows the input data on page one, and page two presents its conversion from a basis in 1982-84 to an August 2015 basis. The regional adjustment factors based on converting U.S. City Averages to those for the state of Ohio[9] are shown at the bottom of page one, and those regional factors are then applied to the U.S. City Averages for "Motor Vehicle Maintenance and Repair" to derive an equivalent region-specific consumer price index for "Motor Vehicle Maintenance and Repair" based on August 2015 for the state of Ohio, as shown at the bottom of page two in Exhibit Two. That index is then applied to the **$91.54 per hour** AMR-CUP to yield annual (and monthly) equivalent AMR labor rates for the state of Ohio for the relevant years during which these repairs were performed by the Plaintiffs, as shown in Exhibit Five. Then the lower and higher average AMR rates from the survey of **$82.62** per hour and **$100.10** per hour are used to calculate a range of minimum and maximum hourly unadjusted arm's length ACR labor rates for the eleven years at issue. These three unadjusted AMR-CUP labor rates can then be used to calculate the relevant losses associated with the labor rate shortfalls and therewith the hourly economic losses due to these shortfalls incurred by the entire class of Plaintiffs (or any subset thereof) on ACR work for the Defendants' policyholders over the eleven-year period from 2005 through 2015.

Those hourly losses on ACR claims for each year can then be aggregated by the total labor hours of each labor type performed on ACR work for Progressive customers in each year, and then converted into their present dollar values as of the year 2015 by using the number of years

[9] The closest CPI data for Ohio were those reported for the Cleveland-Akron area, which were used to represent the CPI for all items across the entire state of Ohio.

between the repairs and the current year, applying an annual interest rate to those figures over the number of years so indicated. This finding will then be presented to the court as a minimum estimate of these losses with a reasonable degree of economic certainty by the author of this report once the data for that loss calculation are made available through the discovery process..

9. Summary and Conclusions

Three questions were posed as the focus of this report:

1. Is there a general rule as to whether customers pay the difference if independent ACR shops charged more than Progressive was willing to pay for ACR work on their claims?
2. Is there a common means of determining whether all independent ACR shops suffered injury as a result of Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?
3. Is there a common formula for assessing on a class-wide basis the damages resulting from Progressive's unlawful practices involving estimates and payments for labor on ACR jobs?

The analysis of these questions has been based on the following set of assumptions:

- that Progressive's estimates on its insureds' auto collision repair (ACR) claims are routinely below the estimates of independent ACR shops, which have no choice but to accept or reject these jobs at Progressive's price;
- that the gap between these two sources' estimates at least partially reflects differences in labor costs with respect to hourly labor rates and times allowed for procedures;
- that Progressive's allowable labor rates for ACR work significantly undercut those that independent ACR shops would charge customers in an uncontrolled market; and
- that Progressive acted unlawfully with respect to the practices described above.

The report addressed the three questions in the following manner.

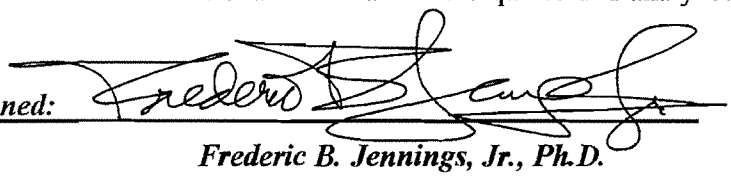
Question One: Is there a general rule as to whether consumers pay the difference? The short answer to this question was no. Consumers are rarely asked to pay the difference between ACR estimates prepared by insurers and independent ACR shops, mostly because independent ACR shops are fearful of losing consumers and ACR jobs if they inform an insured that they must pay the difference along with the deductible for their repairs. There are occasions and circumstances where consumers are requested to make up the difference between these two estimated amounts, and it certainly varies across individual ACR shops, but that is not the normal practice, in my opinion based on my years of experience with this industry.

Question Two: Is there a common means to determine if independent ACR shops suffer injury from these practices? The short and simple answer was yes, because the business practices of auto insurers – including but not limited to Progressive – have been very effective in suppressing labor rates and ACR claims reimbursements to independent ACR shops for many years. Due to this widespread pattern of labor rate suppression, the use of other insurers' ACR labor rates is not a valid means of identifying what the 'competitive' level of ACR labor rates would be in an uncontrolled market setting characterized by arm's length transactions. Were ACR labor rates determined in a free and fair market setting, such as described and mandated by the 1963 Consent Decree, they would be significantly higher than the allowable levels set by the auto insurance industry. The analysis of arm's-length standards and how they apply to this specific case was set forth in Part 6; in sum, it was shown that the arm's length level of ACR labor rates

that would prevail in a free and uncontrolled market setting is significantly higher than the allowable levels set by Progressive and other auto insurance companies in the ACR market. This method demonstrates how independent ACR shops have suffered damages due to Progressive's – and likely other auto insurers' – unlawful control over ACR prices and reimbursements through these insurers' claims management practices.

Question Three: Is there a common formula for addressing on a class-wide basis the damages resulting from Progressive's unlawful practices? The short and simple answer is yes. The labor rates and hours allowed by Progressive on ACR claims by their auto insurance policyholders are on record and available through the discovery process, either directly from the insurer or through Mitchell, their data systems provider. The difference between the arm's length ACR labor rates – as determined through the analysis described above – and Progressive's allowable labor rates in each year will yield the losses per hour for each type of ACR work. That amount of loss per labor hour, multiplied by the number of allowable hours so reimbursed – plus any uncompensated ACR labor hours at their full arm's length value – will yield the total damages due to inadequate labor rates suffered at any level of aggregation including that for the class as a whole, over any given time period. For the assessment of losses incurred from other factors such as the unpaid procedures and materials described in both Complaints, detailed claims data are available from Mitchell and/or Progressive – to be acquired through the discovery process – that should allow a calculation of losses from these additional factors on a class-wide basis (perhaps with a random sampling process then applied to the whole). So common methods and means exist for assessing the class-wide damages resulting from Progressive's unlawful practices.

These economic conclusions are hereby presented with a reasonable degree of economic certainty as an estimate of the losses so described. It is also noted that they may be subject to further revision as additional information is acquired and analyzed prior to trial.

Signed:  *Date: 14 August 2015*

Frederic B. Jennings, Jr., Ph.D.

LIST OF EXHIBITS

EXHIBIT ONE:	*"FREDERIC B. JENNINGS JR.: CURRICULUM VITA AND TESTIMONY EXPERIENCE, 1993 TO PRESENT"*
EXHIBIT TWO:	*"CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES" (WITH BUREAU OF LABOR STATISTICS SOURCE DATA)*
EXHIBIT THREE:	*"ACR VS. AMR WAGE RATES, 2004 - 2014" (WITH BUREAU OF LABOR STATISTICS SOURCE DATA)*
EXHIBIT FOUR:	*"SURVEY RESULTS ON POSTED AMR LABOR RATES IN THE STATE OF OHIO BY RICHFIELD ASSOCIATES"*
EXHIBIT FIVE:	*"CONVERSION OF AMR-CUP TO RELEVANT PERIODS"*

EXHIBIT ONE

FREDERIC B. JENNINGS JR.

A. Curriculum Vita

B. Testimony Experience, 1993 to the present

EXHIBIT ONE

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EDUCATION

STANFORD UNIVERSITY **Ph.D.** (1985), **M.A.** (1980) Economics

DISSERTATION: Public Policy, Planning Horizons and Organizational Breakdown: A Post-Mortem on British Canals and Their Failure

HARVARD COLLEGE **B.A.,** ***magna cum laude*** (1968) Economics

HONORS THESIS: Competition Theory and the Welfare Optimum: A Methodological Analysis

PROFESSIONAL EXPERIENCE

CONSULTING AND ACADEMIC RESEARCH:

1992-present President and Founder ***ECONOLOGISTICS***, Ipswich, MA

- *specializing in antitrust analysis, economic litigation, transfer pricing and business consulting*

1991-92 Sr. Mgr., Office of Fedl Tax Svcs **ARTHUR ANDERSEN & CO.**, Washington, DC

- *analyzed transfer pricing policies of multinational firms in auto, tool, apparel & software industries*
- *developed proposals for internal systems improvements and a practice development marketing plan*

1988-91 Economic and Business Consultant **CHARLES RIVER ASSOCIATES, Inc.**, Boston, MA

- *prepared documentation and testimony for FTC antitrust hearings on merger proposals and other issues*
- *prepared documentation and testimony for antitrust cases in various industries (appliances, paper, etc.)*
- *analyzed tax implications of transfer pricing policies between multinational firms and subsidiaries*
- *evaluated demand forecasts and researched pricing by electric utilities in major bond fraud case*
- *prepared documentation and testimony on US Census data collection and processing schedules*

1988 Economic and Business Consultant **MAC RESEARCH GROUP, Inc.**, Cambridge, MA

- *prepared testimony in tax matter on technical obsolescence of plants in auto industry*

1976-77 Research Assistant **STANFORD ECONOMICS DEPT.**, Palo Alto, CA

- *gathered and processed statistical data for various projects and studies in economic history*
- *verified statistical and mathematical analyses in the preparation of manuscripts for publication*

1976-77 Summer Research Fellow **INST. FOR HUMANE STUDIES**, Menlo Park, CA

- *analyzed construction costs data for British canal system as part of dissertation proposal*
- *developed a general systems (monopolistic competition) model of transport pricing decisions*

1973-74 Research Assistant **CHARLES RIVER ASSOCIATES**, Cambridge, MA

- *conducted statistical and theoretical analyses of antitrust issues in broadcast industry*
- *prepared studies relating to the regulation and profitability of transportation alternatives*

1969-72 Independent Research Fellow **INST. FOR HUMANE STUDIES**, Menlo Park, CA

- *pursued a self-designed study program in economics, philosophy, psychology, and the sciences*

1968-69 Junior Medicare Accountant **MASS. BLUE CROSS-BLUE SHIELD**, Boston, MA

- *worked with professional accountants to coordinate and verify hospital medicare audit procedures*

EDUCATION AND TEACHING:

1985-87 Assistant Professor of Economics **BENTLEY COLLEGE**, Waltham, MA

- *taught courses in introductory and intermediate microeconomics and macroeconomics*
- *team taught in an interdisciplinary business ethics course called "Values and Choices"*

1979-83 Instructor of Economics **TUFTS UNIVERSITY**, Medford, MA

- *taught courses in introductory, intermediate and graduate microeconomics*
- *developed and taught a course in "The Roots of Modern (20th Century) Economics"*

1976-78 Educational Consultant **STANFORD CTR. FOR TEACHING & LEARNING**

- *videotaped classes and counselled teachers on pedagogical approaches and techniques*
- *assisted in program development and the training of educational counsellors*

1975-78 Teaching Fellow in Economics **STANFORD UNIVERSITY**, Palo Alto, CA

- *developed and taught a workshop in teaching techniques and problem-solving approaches*
- *teaching assistant in economic principles and comparative economic systems courses*

ADMINISTRATIVE LEADERSHIP:

2006-present Member, Board of Directors **GREATER BOSTON TROUT UNLIMITED**
2013-2014 Chapter Vice President **GREATER BOSTON TROUT UNLIMITED**
2015-present Chapter President **GREATER BOSTON TROUT UNLIMITED**
2012-present Member, Board of Directors **NOR'EAST CHAPTER TROUT UNLIMITED**
2014-present Chapter President **NOR'EAST CHAPTER TROUT UNLIMITED**
2015-present Secretary **NE COUNCIL, INTNATL. FEDN. OF FLY FISHERS**

- *involved in numerous projects to promote cold-water fisheries conservation in relevant regional areas*

2003-present MA State Co-Chair **MA CHAPTER OF STRIPERS FOREVER**

- *involved in working to achieve gamefish status for striped bass in MA and along the Atlantic Coast*
- *worked to promote legislative initiatives on gamefish, health and the economics of striped bass fishery*

1986-87 Founder/Organizer **THE BENTLEY PARTICIPANTS**

- *organized a three-semester series of formal discussions on topics such as: personal differences, human rights, education, death, injustice, creativity, arms race, personal and organizational growth*

1978-79 Resident Associate **STANFORD OFFICE OF RESIDENTIAL EDUCN.**

- *managed a high-rise apartment building housing 250 graduate students on the Stanford campus*
- *initiated, wrote, edited, and published a biweekly newsletter for building residents*
- *organized a year-long series of educational, social, and recreational activities for residents*

1977-79 Founder and First President **STANFORD GRADUATE STUDENT ASSN.**

- *created a university-wide graduate student organization with a fully-staffed committee structure*
- *worked to encourage more graduate student involvement with and financial aid from Stanford*

1977-78 Chair of Special Commission **A.S.S.U. ELECTION REVIEW BOARD**

- *resolved a constitutional crisis over student senate elections during the fall quarter of 1977-78*
- *designed and secured the Board's unanimous support for a new system of student representation*
- *prepared, authored, and published a 212-page report on our deliberations and recommendations*

1976-77 Student Body Co-President **ASSOCIATED STUDENTS OF STANFORD UNIV.**

- *participated in a successful effort to establish an official university-wide course evaluation system*
- *initiated a successful proposal for a budgeted program for teaching improvement at Stanford*
- *drafted and developed a proposal for a much-needed Graduate Student Association at Stanford*

1974-76 Chairperson and Representative **STANFORD GRADUATE STUDENT COUNCIL**

- *economics department representative for two years; chairperson during the second of those years*
- *conducted and coordinated detailed studies of graduate aid and teacher training proposals*
- *prepared and published a report on alternative forms of graduate financial aid at Stanford*

SELECTED PUBLICATIONS, PREPARATIONS, AND PRESENTATIONS

Numerous confidential reports, market analyses, industry studies and prepared testimony on various matters for private consulting clients and attorneys in antitrust, transfer pricing and other cases since 1988.

"Competitive Failure Due to Horizon Effects: Four Case Studies," forthcoming (in two parts) in the *Forum for Social Economics*.

"The Methods of Planning Horizons, Increasing Returns and Complementarity," presented at the 2015 World Congress for the Association of Social Economics (ASE), Brock University, Ontario, Canada, June 2015.

"The Culture of Complementarity," presented at the 2015 Association for Evolutionary Economics (AFEE) meetings at the Allied Social Science Association (ASSA) Conference, Boston, MA, January 2015; and at the 2014 Association for Institutional Thought (AFIT) conference, Albuquerque, NM, April 2014.

"Atoms, Bits and Wits: A New Economics for the 21st Century," presented at the 2013 Association for Institutional Thought (AFIT) conference, Denver, CO, April 2013; to be published in the *Forum for Social Economics* (forthcoming in two parts).

"Addressing Sustainability: Integrating Macro Goals and Micro Techniques with Meso Analysis," presented at the 2013 Association for Institutional Thought (AFIT) conference, Denver, CO, April 2013.

"A Theory of Planning Horizons (2): The Foundation for an Ethical Economics," *Journal of Philosophical Economics*, Vol. VI, Issue 1, Autumn 2012.

"Planning Horizons as Social Conscience: The Foundation for an Ethical Economics," presented at the Association for Social Economics (ASE) 2012 World Congress, University of Glasgow, Glasgow, Scotland, June 2012.

"Planning Horizons, Conscience and the Ethics of Externalities: Organizational Theory and the Emergence of Social Responsibility," presented at the American Social Science Associations (ASSA) Conference in an Association for Social Economics (ASE) session, Chicago, IL, January 2012, at the 2012 Annual Conference of the International Network for Economic Research (INFER), Coimbra, Portugal, May 2012, and at the Association for Social Economics (ASE) 2012 World Congress, University of Glasgow, Glasgow, Scotland, June 2012.

"Estimating the Cost of Monopsony Power Abuse Imposed by a Single U.S. Auto Insurer upon a Large Individual Auto Body Repair Shop," presented at the 2012 Annual Conference of the International Network for Economic Research (INFER), Coimbra, Portugal, May 2012.

"A Theory of Planning Horizons (1): Market Design in a Post-Neoclassical World," *Journal of Philosophical Economics*, Vol. V, Issue 2, Spring 2012.

"Toward a Horizonal Theory of Justice: Efficiency, Equity, Rights and Capabilities in a Free Market Economy," *Forum for Social Economics*, January 2010.

"The Design of Free-Market Economies in a Post-Neoclassical World" presented at the School of Oriental and Asian Studies Conference on Law and Economics, September 2007; also presented at: the 2009 Annual Conference of the International Network for Economic Research (INFER), University of Stirling, Scotland, September 2009; the 2010 Allied Social Sciences Associations Meetings for the Association for Evolutionary Economics, Atlanta, GA, January 2010; the Association for Institutional Thought (AFIT) Conference, Salt Lake City, UT, April 2011; the International Consortium of Associations for Pluralism in Economics (ICAPE), Amherst, MA, November 2011.

"Atoms, Bits and Wits: The Elements of Economics" presented at the 2010 Conference of the Association for Institutional Thought, Reno, NV, April 2010; also presented at the International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011 and at the Association for Heterodox Economics Conference, Nottingham, U.K., July 2011.

"The Economic Cultures of Fear and Love," presented at the World Congress of the Association for Social Economics, Montreal, Canada, June/July 2010; also presented at the Association for Heterodox Economics Conference, Nottingham, U.K., July 2011.

"'The Hicksian Getaway' and 'The Hirshleifer Rescue': Increasing Returns from Clapham to Kaldor" presented at the European Association for Evolutionary Political Economy Annual Conference, Rome, Italy, November 2008; also presented at: the Association for Institutional Thought Meetings at the Western Social Science Association Annual Conference, Albuquerque, New Mexico, April 2009; the European Society for the History of Economic Thought Annual Conference, Istanbul, Turkey, May 2011; International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011.

"The Joust and the Potlatch as Social Alternatives" presented at the Association for Social Economics Congress in Albertville, France, June 2004; also presented at the Association for Institutional Thought, 2010 Conference, Reno, NV, April 2010.

"Six Choice Metaphors and their Social Implications," *Journal of Philosophical Economics*, Vol. II, Issue 2, Spring, 2009.

"A New Economics of Complementarity, Increasing Returns and Planning Horizons" in Wolfram Elsner and Hardy Hanappi (eds.), *Varieties of Capitalism and New Institutional Deals: Regulation, Welfare and the New Economy*, Edward Elgar, Cheltenham, England, 2008.

Regional Economic Policy in Europe: New Challenges for Theory, Empirics and Normative Interventions, Ulrike Stierle-von Schutz, Michael H. Stierle, Frederic B. Jennings Jr. and Adrian T.H. Kuah (eds.), Edward Elgar, Cheltenham, England, 2008.

"A Horizonal Theory of Pricing in the New Information Economy" in Christian Richter (ed.), *Bounded Rationality in Economics and Finance*, LIT Verlag, Berlin, 2008.

"A Cognitive View of Scale and Growth" in Robert L. Chapman (ed.), *Creating Sustainability Within Our Midst: Challenges for the 21st Century*, Pace University Press, New York, NY, 2008.

"Horizon Effects, Sustainability, Education and Ethics: Toward an Economics of Foresight" in Christian Richter (ed.), *Bounded Rationality in Economics and Finance*, LIT Verlag, Berlin, 2008.

"Six Choice Metaphors and their Economic Implications" first presented at the Association for Institutional Thought Meetings at the Western Social Science Association Annual Conference, Denver, Colorado, April 2008; also at the International Network for Economic Research Annual Conference, Evora, Portugal, September 2008.

"Does Competition Advance or Retard Economic Development? – An Institutional View" presented at the European Association for Evolutionary Political Economy Conference, Porto, Portugal, November 2007; also presented at: a Conference on "Theory and Evidence of Growth, Trade and Economic Development, with Special Reference to Latin America" at the Instituto Polytechnica Nazionale, Mexico City, Mexico, September 2008; International Initiative for Promoting Political Economy, Second Annual Conference, Istanbul, Turkey, May 2011.

"The Economics of Conscience and the Ethics of Externalities" presented at the International Network for Economic Research Annual Conference, Cork, Ireland, October 2007; published in Christian Richter, Antonio Caleiro, and Carlos and Isabel Vieira, eds., *Challenges for Economic Policy Design: Lessons from the Financial Crisis*, Lambert Academic Publishing, Saarbrucken, Germany, 2009.

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"Time, Knowledge and Pricing: Toward a Horizonal Theory of Choice" presented at the International Network for Economic Research Annual Conference, London, England, October 2005.

"Planning Horizons as an Ordinal Entropic Measure of Organization" presented at the Conference on Complex Systems, Liverpool, England, September 2005; also presented at the International Network for Economic Research Annual Conference, Evora, Portugal, September 2008 and at the United States Society for Ecological Economics Conference, Washington, DC, June 2009.

"The Privatization of Ocean Fisheries: A Paradigmatic Systems View" presented at the United States Society for Ecological Economics (USSEE) Conference, Olympia, WA, July 2005; and the Association for Institutional Thought (AFIT) Conference, Salt Lake City, UT, April 2011.

"How Efficiency/Equity Tradeoffs Resolve Through Horizon Effects," *Journal of Economic Issues*, June 2005.

"A Horizonal View of Competition in Transportation Networks" presented at the International Network for Economic Research Workshop on Competition and Networks, Reus, Spain, October 2004.

"Interdependence, Horizon Effects and Ecological Economics," in Raimund Bleischwitz and Oliver Budzinski, eds., *Environmental Economics: Institutions, Competition and Rationality*, VWF (Verlag fur Wissenschaft und Forschung), Berlin and Wuppertal Institute, Wuppertal, Germany, September 2004.

"Economic Analysis in a Complexly Interdependent Ecology" presented at the International Society for Ecological Economics in Montreal, Canada, July 2004.

"Horizon Effects, Sustainability, Education and Ethics" prepared for the Australia – New Zealand Society for Ecological Economics Meetings in Auckland, New Zealand, December 2003.

"The Ecological Economics of Horizon Effects" presented at the Canadian Society for Ecological Economics Meetings in Jasper Park, Canada, November 2003.

"Ecology, Economics and Values," *Environmental Health*, June 2003.

"Four Choice Metaphors for Economic Systems Analysis" presented at the New England Complex Systems Institute's International Conference on Complex Systems, Manchester, NH, June 2000.

"The Answer to Steering: Educate Consumers!" (*Beyond Parts & Equipment*, June 2000).

"Imitation Sheetmetal: An Economist Views MA Hearings" and "Practical Ways to Manage Imitation Parts Problems" (*Beyond Parts & Equipment*, May 2000).

"A Flyfishing Ecology" (essay), *Sea Winds*, Spring 2000.

"The Privatization of Ocean Fisheries: An Institutional View" presented at the Association for Evolutionary Economics Meetings, January 2000.

"Scaring the Fish": A Critique of the NRC's Justification for Individual Transferable Quotas (ITQs) and a 'Systems Analysis' of Their Likely Effects (a joint CEEEE/Greenpeace publication, November 1999).

"Four Choice Metaphors and their Pricing and Growth Implications" presented at the Atlantic Economic Society Meetings, New York, January 1995.

"Autoglass/DRP Networks: 'Efficiency' or 'Market Power'?" (*Hammer & Dolly, Beyond Parts & Equipment, NAGC Update*, 1994).

"The Proposed New Transfer Pricing Rules: New Wine in an Old Bottle?" (*Tax Notes*, 2/10/92, w/ G. Carlson et al.: I drafted the "arm's length" and "intangibles" sections and helped pull the whole thing together).

"The `Hicksian Getaway' and the `Hirshleifer Rescue': The Debate on Increasing Returns (1922-1972)" (a paper in process presented before the Kress Society, Harvard University, February 1991).

"Time, Knowledge and Pricing: Toward a Horizonal Theory of Choice" (written for the *Atlantic Economic Society*, Boston MA, August 1986; revised for *Western Economic Association*, Seattle WA, June 1991; revised for INFER Annual Conference 2005, London, UK, 8 October 2005).

"Public Policy, Planning Horizons and Organizational Failure: A Post-Mortem on British Canals" (Summary of Dissertation, November 1984; revised for *Western Economic Association*, Seattle, WA, June 1991; revised for INFER Competition Workshop on "Competition Policy in Network Industries", London, UK, 30 October 2005).

Public Policy, Planning Horizons and Organizational Breakdown: A Post-Mortem on British Canals and Their Failure (Ph.D. Dissertation, Stanford University, 1985).

"Academy, Society and Personal Growth: Some Thoughts on Our Modern Malaise – For My Students" (*Tufts Meridian*, April 1983; *Bentley Vanguard*, November 1986).

"`Whither Our Education?' – A Lament" (*Tufts Meridian*, October 1983; *Bentley Vanguard*, April 1986).

Democracy in Disarray: The Failures of Stanford's Student Government – A Call for Structural Change (ASSU Publication, May 1978).

"The `Rand-Polanyi Synthesis' and its Methodological Relevance to Economic Theory" (presented at the University of Delaware at Newark's *Symposium on Scientific Methodology*, November 1977).

A Report on Graduate Financial Aid in the School of Humanities and Sciences (jointly published by the ASSU and the Dean of Graduate Studies, Stanford University, November 1976).

Competition Theory and the Welfare Optimum: A Methodological Analysis (undergraduate honors thesis, Harvard Economics Department, March 1968).

"Value, Exchange and Profit: The Bedrock of Economic Science" (*The Freeman*, September 1966; reprinted in two other journals and at least one anthology).

PROFESSIONAL INTERESTS

Industrial Organization	Public Finance and Taxation	Productivity/Economic Growth
Public Policy and Regulation	Intercompany Pricing Analysis	Technology and Systems Theory
Transport and Communications	Social/Environmental Economics	Economic/Industrial History

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Depositions and Testimony Experience, 1993 to present

1. Area Auto Glass of Virginia v. Allstate Insurance Company (Civil Action No. 2:93-CV-384, U.S. District Court, Eastern District of Virginia, Norfolk Division): **deposition** on behalf of plaintiff (9/93)
2. Pond Reload & Storage Corp. v. Western Mass. Truss Company, Inc. et al. (Civil Action No. 95-173, Hampden Superior Court, Springfield, Mass.): **testimony** on behalf of plaintiff (7/97)
3. Daniel O'Connell, et al. v. Corcoran Jennison Co., Inc., et al. (Suffolk Superior Court Civil Action No.: 95-6151, Boston, Mass.): **testimony** on behalf of plaintiff (9/97)
4. Cambridge Camera, Inc. v. Konica U.S.A. (U.S. District Court No. 97-11448 DPW): **deposition** on behalf of plaintiff (5/13/99)
5. Tomaselli and Mangia, Inc. v. Family Bank and Salisbury (Essex Superior Court Civil Action No. 97-0481): **deposition** on behalf of plaintiffs (9/17/99)
6. Merrimak Packaging Corp. v. OfficeMax, Inc. (U.S. Bankruptcy Court, Dist. Of Mass., Eastern Div., Chapter 11, Case No. 98-10911-JNF, Adversary Proceeding No. 98-1062): **testimony** on behalf of plaintiffs (January 2000)
7. Tomaselli and Mangia, Inc. v. Family Bank and Salisbury (Essex Superior Court Civil Action No. 97-0481): **testimony** for plaintiffs (February 2000)
8. Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **deposition** for defense (March 2001)
9. Tufts Electronics Group v. Visiplex Instruments, Ltd. Et al. (Civil Action No. ??): **deposition** for plaintiff (May 2001)
10. Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **testimony** for defense in Daubert proceeding (August-September, 2001)
11. Zabin et al. v. Picciotto et al. (Civil Action No. 99-1594A): **testimony** for defense at trial (December 2001)
12. Fred W. Kolling, III v. American Power Conversion Corporation (U.S. District Court, Civil Action No.: 99CV11953RCL): **deposition** for plaintiff (January, 2002)
13. Peter Wojtkun, D.M.D. and Susan Wojtkun v. John Wolkonocki (Essex County Civil Action No.: 98-2362-C): **testimony** for plaintiff (February 2002)
14. Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **deposition** for plaintiffs on class certification issue (June 2006)
15. Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **deposition** for plaintiffs (August 2008)
16. Artie's Auto Body, Inc., A&R Body Specialty, Skrip's Auto Body and The Auto Body Association of Connecticut v. The Hartford Fire Insurance Company (Connecticut Superior Court Complex Litigation Civil Action No. X08-CV-03-0196141S(CLD)): **testimony** for plaintiffs (November 2009)
17. Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **deposition** for plaintiffs (December 2009)
18. Oliveri v. Oliveri (Plymouth, MA Probate and Family Court, Docket No.03D-1669-DV1): **testimony** for plaintiff (September/October 2010)
19. Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **deposition** for plaintiffs (July 2011)
20. Mid Island Collision v. Allstate Insurance Company (United States District Court, Southern District of New York Civil Action No.: CV 07 187 (JFB) (JO)): **testimony** for plaintiffs in Daubert Hearing (September 2011)
21. Nick's Garage, Inc. v. Nationwide Insurance Companies (United States District Court, Northern District of New York, Civil Action No. 12-CV-0868): **deposition** for plaintiffs (February 2014)
22. LimoLiner, Inc. v. Dattco, Inc. (Commonwealth of Massachusetts, Superior Court Civil Action No. ???): **testimony** for plaintiffs (March 2014)
23. Nick's Garage, Inc. v. Progressive Insurance Companies (United States District Court, Northern District of New York Civil Action No. 512-CV-777): **deposition** for plaintiffs (May 2014)
24. John Mosley and Clinton Body Shop et al. v. GEICO, Progressive and Direct General Insurance Companies et al. (United States District Court for the Southern District of Mississippi, Civil Action No. 3:13-cv-00161-HTW-LRA): **deposition** for Plaintiffs by Progressive Insurance Company (July 2014)
25. John Mosley and Clinton Body Shop et al. v. GEICO, Progressive and Direct General Insurance Companies et al. (United States District Court for the Southern District of Mississippi, Civil Action No. 3:13-cv-00161-HTW-LRA): **deposition** for Plaintiffs by GEICO Insurance Company (August 2014)

EXHIBIT TWO

CPI ANALYSIS OF AMR LABOR RATES

A. Spreadsheet Analysis

B. Bureau of Labor Statistics Source Data

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES — **EXHIBIT TWO** — **PAGE ONE OF TWO**

Consumer Price Index Category

UNADJUSTED CPI DATA US City Averages (1982-84 = 100) All Items	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	190.7	198.3	202.416	211.080	211.143	216.687	220.223	226.665	230.280	233.916	233.707
	February	191.8	198.7	203.499	211.693	212.193	216.741	221.309	227.663	232.166	234.781	234.722
	March	193.3	199.8	205.352	213.528	212.709	217.631	223.467	229.392	232.773	236.293	236.119
	April	194.6	201.5	206.686	214.823	213.240	218.009	224.906	230.085	232.531	237.072	236.599
	May	194.4	202.5	207.949	216.632	213.856	218.178	225.964	229.815	232.945	237.900	237.805
	June	194.5	202.9	208.352	218.815	215.693	217.965	225.722	229.478	233.504	238.343	238.638
	July	195.4	203.5	208.299	219.964	215.351	218.011	225.922	229.104	233.596	238.250	
	August	196.4	203.9	207.917	219.086	215.834	218.312	226.545	230.379	233.877	237.852	**238.911**
	September	198.8	202.9	208.490	218.783	215.969	218.439	226.889	231.407	234.149	238.031	
	October	199.2	201.8	208.936	216.573	216.177	218.711	226.421	231.317	233.546	237.433	
	November	197.6	201.5	210.177	212.425	216.330	218.803	226.230	230.221	233.069	236.151	
	December	196.8	201.8	210.036	210.228	215.949	219.179	225.672	229.601	233.049	234.812	
	ANNUAL	**195.3**	**201.6**	**207.343**	**215.303**	**214.537**	**218.056**	**224.939**	**229.594**	**232.957**	**236.736**	**236.265**

UNADJUSTED CPI DATA US City Averages (1982-84 = 100) Motor Vehicle Maintenance and Repair	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	204.0	211.2	219.262	227.732	241.076	245.567	250.726	256.405	259.752	263.718	268.869
	February	203.9	212.9	220.530	228.731	241.689	245.969	250.851	256.968	260.234	264.523	269.136
	March	204.7	213.4	221.160	229.765	242.118	246.624	250.820	256.616	260.156	264.146	268.907
	April	205.0	213.9	221.508	230.528	242.649	247.355	251.458	256.544	260.341	264.508	269.948
	May	205.6	214.9	221.999	231.730	242.488	247.311	252.376	257.372	261.065	265.013	270.764
	June	206.1	215.5	222.553	233.162	242.683	247.635	252.529	257.629	261.360	265.656	270.981
	July	206.7	216.7	223.487	234.788	243.031	247.536	252.769	257.423	262.229	266.282	
	August	207.3	216.2	224.019	236.125	243.494	248.390	253.337	257.641	262.497	266.129	**272.344**
	September	208.7	217.0	224.302	237.121	244.493	249.231	255.244	258.024	262.960	267.256	
	October	209.8	218.5	224.939	238.227	245.393	249.824	255.774	258.578	263.085	268.094	
	November	210.5	218.5	225.672	239.048	245.511	249.872	255.663	258.943	262.934	268.389	
	December	210.7	218.8	226.120	239.356	245.417	250.134	255.644	258.845	263.081	268.588	
	ANNUAL	**206.9**	**215.6**	**222.963**	**233.859**	**243.337**	**247.954**	**253.099**	**257.582**	**261.641**	**266.025**	**269.768**

UNADJUSTED CPI DATA Cleveland-Akron, Ohio All Items	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	183.3	190.3	191.610	199.686	198.232	203.037	207.587	211.985	215.102	217.445	218.536
	February	*184.8*	*190.5*	*192.927*	*201.093*	*198.845*	*203.307*	*208.480*	*213.364*	*216.024*	*219.204*	*219.490*
	March	186.3	190.7	194.244	202.500	199.457	203.577	209.372	214.743	216.946	220.962	220.444
	April	*186.6*	*191.6*	*195.230*	*203.691*	*199.827*	*203.801*	*210.774*	*214.675*	*217.342*	*221.188*	*220.861*
	May	186.8	192.4	196.216	204.882	200.196	204.024	212.175	214.607	217.738	221.413	221.277
	June	*187.3*	*192.8*	*196.613*	*205.912*	*200.377*	*204.007*	*211.931*	*214.610*	*218.495*	*221.912*	
	July	187.8	193.1	197.010	206.941	200.558	203.989	211.686	214.612	219.251	222.410	
	August	*189.7*	*191.9*	*197.005*	*206.580*	*201.197*	*204.741*	*212.345*	*215.732*	*218.816*	*221.826*	**222.684**
	September	191.6	190.7	197.000	206.219	201.836	205.492	213.004	216.851	218.380	221.242	
	October	*190.8*	*190.1*	*197.363*	*202.203*	*201.654*	*205.830*	*212.115*	*215.756*	*217.576*	*220.617*	
	November	189.9	189.4	197.726	198.187	201.471	206.168	211.225	214.661	216.772	219.992	
	December	*190.1*	*190.5*	*198.706*	*198.210*	*202.254*	*206.878*	*211.605*	*214.882*	*217.109*	*219.264*	
	ANNUAL	**187.9**	**191.1**	**195.970**	**203.004**	**200.491**	**204.570**	**211.024**	**214.706**	**217.462**	**220.622**	**220.381**

Regional Adjustment Factors for CPI Cleveland-Akron, Ohio (August 2015 = 100) Motor Vehicle Maintenance and Repair (est.)	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	1.031	1.030	1.016	1.015	1.007	1.005	1.011	1.003	1.002	0.997	1.003
	February	1.034	1.029	1.017	1.019	1.005	1.006	1.011	1.005	0.998	1.002	1.003
	March	1.034	1.024	1.015	1.017	1.006	1.004	1.005	1.004	1.000	1.003	1.002
	April	1.028	1.020	1.013	1.017	1.005	1.003	1.005	1.001	1.003	1.001	1.002
	May	1.031	1.019	1.012	1.015	1.004	1.003	1.007	1.002	1.003	0.999	0.998
	June	1.033	1.019	1.012	1.010	0.997	1.004	1.007	1.003	1.004	0.999	
	July	1.031	1.018	1.015	1.009	0.999	1.004	1.005	1.005	1.007	1.002	
	August	1.036	1.010	1.017	1.012	1.000	1.006	1.006	1.005	1.004	1.001	**1.000**
	September	1.034	1.008	1.014	1.011	1.003	1.009	1.007	1.005	1.001	0.997	
	October	1.027	1.010	1.013	1.002	1.001	1.010	1.005	1.001	1.000	0.997	
	November	1.031	1.008	1.009	1.001	0.999	1.011	1.002	1.000	0.998	0.999	
	December	1.036	1.013	1.015	1.012	1.005	1.013	1.006	1.004	0.999	1.002	
	ANNUAL	**1.032**	**1.017**	**1.014**	**1.012**	**1.003**	**1.007**	**1.007**	**1.003**	**1.002**	**1.000**	**1.001**

EXHIBIT TWO

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES — **EXHIBIT TWO** — **PAGE TWO OF TWO**

Consumer Price Index Category

UNADJUSTED CPI DATA US City Averages (August 2015 = 100) All Items	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	79.820	83.002	84.724	88.351	88.377	90.698	92.178	94.874	96.387	97.909	97.822
	February	80.281	83.169	85.178	88.607	88.817	90.720	92.632	95.292	97.177	98.271	98.247
	March	80.909	83.629	85.953	89.375	89.033	91.093	93.536	96.016	97.431	98.904	98.831
	April	81.453	84.341	86.512	89.917	89.255	91.251	94.138	96.306	97.329	99.230	99.032
	May	81.369	84.760	87.040	90.675	89.513	91.322	94.581	96.193	97.503	99.577	99.537
	June	81.411	84.927	87.209	91.588	90.282	91.233	94.479	96.052	97.737	99.762	99.886
	July	81.788	85.178	87.187	92.069	90.138	91.252	94.563	95.895	97.775	99.723	
	August	82.206	85.346	87.027	91.702	90.341	91.378	94.824	96.429	97.893	99.557	100.000
	September	83.211	84.927	87.267	91.575	90.397	91.431	94.968	96.859	98.007	99.632	
	October	83.378	84.467	87.453	90.650	90.484	91.545	94.772	96.821	97.754	99.381	
	November	82.709	84.341	87.973	88.914	90.548	91.583	94.692	96.363	97.555	98.845	
	December	82.374	84.467	87.914	87.994	90.389	91.741	94.459	96.103	97.546	98.284	
	ANNUAL	81.746	84.383	86.786	90.118	89.798	91.271	94.152	96.100	97.508	99.090	98.892

UNADJUSTED CPI DATA US City Averages (August 2015 = 100) Motor Vehicle Maintenance and Repair	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	74.905	77.549	80.509	83.619	88.519	90.168	92.062	94.147	95.376	96.833	98.724
	February	74.868	78.173	80.975	83.986	88.744	90.315	92.108	94.354	95.553	97.128	98.822
	March	75.162	78.357	81.206	84.366	88.901	90.556	92.097	94.225	95.525	96.990	98.738
	April	75.272	78.540	81.334	84.646	89.096	90.824	92.331	94.198	95.593	97.123	99.120
	May	75.493	78.907	81.514	85.087	89.037	90.808	92.668	94.502	95.858	97.308	99.420
	June	75.676	79.128	81.718	85.613	89.109	90.927	92.724	94.597	95.967	97.544	99.499
	July	75.897	79.568	82.060	86.210	89.237	90.891	92.812	94.521	96.286	97.774	
	August	76.117	79.385	82.256	86.701	89.407	91.204	93.021	94.601	96.384	97.718	100.000
	September	76.631	79.679	82.360	87.067	89.774	91.513	93.721	94.742	96.554	98.132	
	October	77.035	80.229	82.594	87.473	90.104	91.731	93.916	94.945	96.600	98.439	
	November	77.292	80.229	82.863	87.774	90.147	91.749	93.875	95.079	96.545	98.548	
	December	77.365	80.340	83.027	87.887	90.113	91.845	93.868	95.043	96.599	98.621	
	ANNUAL	75.976	79.174	81.868	85.869	89.349	91.044	92.934	94.580	96.070	97.680	99.054

UNADJUSTED CPI DATA Cleveland-Akron, Ohio (August 2015 = 100) All Items	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	82.314	85.458	86.046	89.673	89.020	91.177	93.221	95.196	96.595	97.648	98.137
	February	82.988	85.547	86.637	90.304	89.295	91.299	93.621	95.815	97.009	98.437	98.566
	March	83.661	85.637	87.229	90.936	89.570	91.420	94.022	96.434	97.423	99.227	98.994
	April	83.774	86.019	87.671	91.471	89.736	91.520	94.652	96.404	97.601	99.328	99.181
	May	83.886	86.401	88.114	92.006	89.902	91.621	95.281	96.373	97.779	99.429	99.368
	June	84.110	86.558	88.293	92.468	89.983	91.613	95.171	96.374	98.119	99.653	
	July	84.335	86.715	88.471	92.931	90.064	91.605	95.061	96.375	98.459	99.877	
	August	85.188	86.176	88.469	92.768	90.351	91.942	95.357	96.878	98.263	99.615	100.000
	September	86.041	85.637	88.466	92.606	90.638	92.280	95.653	97.381	98.067	99.353	
	October	85.660	85.345	88.629	90.803	90.556	92.432	95.254	96.889	97.706	99.072	
	November	85.278	85.053	88.792	88.999	90.474	92.583	94.854	96.397	97.345	98.791	
	December	85.368	85.550	89.232	89.009	90.826	92.902	95.025	96.496	97.496	98.464	
	ANNUAL	84.380	85.817	88.004	91.163	90.034	91.866	94.764	96.418	97.655	99.074	98.966

REGIONALLY ADJUSTED CPI DATA Cleveland-Akron, Ohio (August 2015 = 100) Motor Vehicle Maintenance and Repair (est.)	Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Month											
	January	77.245	79.844	81.765	84.870	89.162	90.645	93.104	94.466	95.582	96.574	99.043
	February	77.393	80.409	82.362	85.594	89.222	90.891	93.092	94.872	95.389	97.292	99.143
	March	77.719	80.238	82.411	85.839	89.438	90.881	92.576	94.636	95.518	97.306	98.901
	April	77.417	80.103	82.424	86.108	89.576	91.092	92.835	94.294	95.860	97.219	99.269
	May	77.828	80.435	82.520	86.336	89.424	91.105	93.354	94.680	96.130	97.164	99.251
	June	78.186	80.647	82.733	86.435	88.814	91.306	93.403	94.915	96.342	97.438	
	July	78.260	81.004	83.269	87.016	89.163	91.242	93.301	94.995	96.959	97.925	
	August	78.878	80.157	83.618	87.709	89.417	91.768	93.544	95.042	96.749	97.775	100.000
	September	79.238	80.345	83.492	88.047	90.013	92.363	94.397	95.252	96.614	97.857	
	October	79.143	81.064	83.704	87.620	90.176	92.619	94.393	95.012	96.553	98.133	
	November	79.693	80.907	83.635	87.859	90.073	92.750	94.036	95.114	96.338	98.495	
	December	80.177	81.370	84.273	88.901	90.548	93.007	94.431	95.432	96.549	98.802	
	ANNUAL	78.424	80.519	83.016	86.864	89.584	91.638	93.538	94.892	96.215	97.665	99.128

US Department of Labor

U.S. Bureau of Labor Statistics

Databases, Tables & Calculators by Subject

Data extracted on: August 8, 2015 (10:18:12 AM)

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0
Not Seasonally Adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	205.709	208.976
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	214.429	216.177
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	213.139	215.935
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638							236.265	

Series Id: CUUR0000SETD
Not Seasonally Adjusted
Area: U.S. city average
Item: Motor vehicle maintenance and repair
Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2005	204.0	203.9	204.7	205.0	205.6	206.1	206.7	207.3	208.7	209.8	210.5	210.7		
2006	211.2	212.9	213.4	213.9	214.9	215.5	216.7	216.2	217.0	218.5	218.5	218.8		
2007	219.262	220.530	221.160	221.508	221.999	222.553	223.487	224.019	224.302	224.939	225.672	226.120		
2008	227.732	228.731	229.765	230.528	231.730	233.162	234.788	236.125	237.121	238.227	239.048	239.356		
2009	241.076	241.689	242.118	242.649	242.488	242.683	243.031	243.494	244.493	245.393	245.511	245.417		
2010	245.567	245.969	246.624	247.355	247.311	247.635	247.536	248.390	249.231	249.824	249.872	250.134		
2011	250.726	250.851	250.820	251.458	252.376	252.529	252.769	253.337	255.244	255.774	255.663	255.644		
2012	256.405	256.968	256.616	256.544	257.372	257.629	257.423	257.641	258.024	258.578	258.943	258.845		
2013	259.752	260.234	260.156	260.341	261.065	261.360	262.229	262.497	262.960	263.085	262.934	263.081		
2014	263.718	264.523	264.146	264.508	265.013	265.656	266.282	266.129	267.256	268.094	268.389	268.588		
2015	268.869	269.136	268.907	269.948	270.764	270.981								

Series Id: CUURA210SA0
Not Seasonally Adjusted
Area: Cleveland-Akron, OH
Item: All items
Base Period: 1982-84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2005	183.3		186.3		186.8		187.8		191.6		189.9		187.9	185.8	190.0
2006	190.3		190.7		192.4		193.1		190.7		189.4		191.1	191.4	190.9
2007	191.610		194.244		196.216		197.010		197.000		197.726		195.970	194.472	197.467
2008	199.686		202.500		204.882		206.941		206.219		198.187		203.004	202.959	203.050
2009	198.232		199.457		200.196		200.558		201.836		201.471		200.491	199.489	201.494
2010	203.037		203.577		204.024		203.989		205.492		206.168		204.570	203.625	205.516
2011	207.587		209.372		212.175		211.686		213.004		211.225		211.024	210.052	211.996
2012	211.985		214.743		214.607		214.612		216.851		214.661		214.706	213.996	215.415
2013	215.102		216.946		217.738		219.251		218.380		216.772		217.462	216.941	217.983
2014	217.445		220.962		221.413		222.410		221.242		219.992		220.622	220.352	220.891
2015	218.536		220.444		221.277									220.381	

EXHIBIT THREE

ACR VS. AMR WAGE RATES, 2004 – 2014

A. Spreadsheet

B. Bureau of Labor Statistics Source Data

U.S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS DATA ON ABR VS. AMR WAGE RATES, 2004 - 2014 — **EXHIBIT THREE**

Year:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
UNITED STATES NATIONWIDE COMPARISON											
(Source: Quarterly Census of Employment and Wages) NAICS Code Number											
Average Weekly Wage (for Private Industry)											(Preliminary)
Automotive Body and Interior Repair 811121	$664.00	$681.00	$709.00	$735.00	$755.00	$761.00	$771.00	$790.00	$804.00	$822.00	$853.00
Automotive Mechanical and Electrical Repair 81111	$575.00	$592.00	$613.00	$632.00	$647.00	$651.00	$660.00	$671.00	$683.00	$697.00	$721.00
Percentage Rate Differential (ABR over AMR):	15.5%	15.0%	15.7%	16.3%	16.7%	16.9%	16.8%	17.7%	17.7%	17.9%	18.3%
Average Annual Pay (for Private Industry)											(Preliminary)
Automotive Body and Interior Repair 811121	$34,509.00	$35,412.00	$36,872.00	$38,218.00	$39,239.00	$39,584.00	$40,090.00	$41,083.00	$41,797.00	$42,719.00	$44,364.00
Automotive Mechanical and Electrical Repair 81111	$29,880.00	$30,775.00	$31,885.00	$32,879.00	$33,644.00	$33,835.00	$34,312.00	$34,906.00	$35,492.00	$36,243.00	$37,488.00
Percentage Rate Differential (ABR over AMR):	15.6%	15.1%	15.6%	16.2%	16.6%	17.0%	16.8%	17.7%	17.8%	17.9%	18.3%

Year:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OHIO STATEWIDE COMPARISON											
(Source: Quarterly Census of Employment and Wages) NAICS Code Number											
Average Weekly Wage (for Private Industry)											(Preliminary)
Automotive Body and Interior Repair 811121	$643.00	$648.00	$667.00	$696.00	$721.00	$720.00	$727.00	$747.00	$755.00	$771.00	$804.00
Automotive Mechanical and Electrical Repair 81111	$566.00	$581.00	$588.00	$602.00	$607.00	$612.00	$628.00	$641.00	$647.00	$662.00	$692.00
Percentage Rate Differential (ABR over AMR):	13.6%	11.5%	13.4%	15.6%	18.8%	17.6%	15.8%	16.5%	16.7%	16.5%	16.2%
Average Annual Pay (for Private Industry)											(Preliminary)
Automotive Body and Interior Repair 811121	$33,436.00	$33,698.00	$34,676.00	$36,206.00	$37,482.00	$37,419.00	$37,819.00	$38,867.00	$39,275.00	$40,096.00	$41,807.00
Automotive Mechanical and Electrical Repair 81111	$29,454.00	$30,220.00	$30,590.00	$31,280.00	$31,570.00	$31,819.00	$32,666.00	$33,310.00	$33,636.00	$34,429.00	$35,976.00
Percentage Rate Differential (ABR over AMR):	13.5%	11.5%	13.4%	15.7%	18.7%	17.6%	15.8%	16.7%	16.8%	16.5%	16.2%

EXHIBIT THREE

U.S. Bureau of Labor Statistics

Databases, Tables & Calculators by Subject

Data extracted on: August 8, 2015 (11:20:19 AM)

Quarterly Census of Employment and Wages

Series Id: ENU3900040581111
State: Ohio
Area: Ohio -- Statewide
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2004					566
2005					581
2006					588
2007					602
2008					607
2009					612
2010					628
2011					641
2012					647
2013					662
2014					692(P)

P : Preliminary.

Series Id: ENU39000405811121
State: Ohio
Area: Ohio -- Statewide
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2004					643
2005					648
2006					667
2007					696
2008					721
2009					720
2010					727
2011					747
2012					755
2013					771
2014					804(P)

P : Preliminary.

Series Id: ENU3900050581111
State: Ohio
Area: Ohio -- Statewide
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Year	Annual
2004	29454
2005	30220
2006	30590
2007	31280
2008	31570
2009	31819
2010	32666
2011	33310
2012	33636
2013	34429
2014	35976(P)

P : Preliminary.

Series Id: ENU39000505811121
State: Ohio
Area: Ohio -- Statewide
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Year	Annual
2004	33436
2005	33698
2006	34676
2007	36206
2008	37482
2009	37419
2010	37819
2011	38867
2012	39275
2013	40096
2014	41807(P)

P : Preliminary.

Series Id: ENUUS00040581111
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2004	546	565	573	613	575
2005	550	586	612	620	592
2006	594	607	613	640	613
2007	615	625	631	659	632
2008	630	641	644	674	647
2009	624	642	649	688	651
2010	613	650	666	709	660
2011	626	663	698	697	671
2012	666	677	679	708	683
2013	673	690	698	727	697
2014	690(P)	710(P)	719(P)	764(P)	721(P)

P : Preliminary.

Series Id: ENUUS000405811121
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Weekly Wage

Year	Qtr1	Qtr2	Qtr3	Qtr4	Annual
2004	634	648	657	715	664
2005	635	671	704	715	681
2006	690	700	701	746	709
2007	717	725	727	771	735
2008	737	744	748	792	755
2009	733	744	755	815	761
2010	719	753	771	841	771
2011	732	774	823	830	790
2012	781	792	801	842	804
2013	787	810	814	875	822
2014	815(P)	839(P)	851(P)	907(P)	853(P)

P : Preliminary.

Series Id: ENUUS00050581111
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 81111 Automotive mechanical and electrical repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Year	Annual
2004	29880
2005	30775
2006	31885
2007	32879
2008	33644
2009	33835
2010	34312
2011	34906
2012	35492
2013	36243
2014	37488(P)

P : Preliminary.

Series Id: ENUUS000505811121
State: U.S. TOTAL
Area: U.S. TOTAL
Industry: NAICS 811121 Automotive body and interior repair
Owner: Private
Size: All establishment sizes
Type: Average Annual Pay

Year	Annual
2004	34509
2005	35412
2006	36872
2007	38218
2008	39239
2009	39584
2010	40090
2011	41083
2012	41797
2013	42719
2014	44364(P)

P : Preliminary.

EXHIBIT FOUR

SURVEY RESULTS ON POSTED AMR LABOR RATES IN THE STATE OF OHIO BY RICHFIELD ASSOCIATES

Richfield Associates

A Strategic Research Consultancy to the Automotive Industry

Erica L. Eversman, Esq.

Attorney at Law

Ohio Mechanical Labor Rate Study

[*August 2015*]

The disclosures made in this document are made with the understanding that they are confidential and will not be used in any way detrimental to Erica L. Eversman, Esq. or Richfield Associates or distributed outside of the firm, without written consent.

EXHIBIT FOUR

Table of Contents

Executive Summary

Purpose

To assist in a portion of a region-specific consumer price index through the use of an Ohio mechanical labor rate market survey.

The index will then be applied to a per hour formula and yield annual (and monthly) equivalent "automotive mechanical repair" (AMR), labor rates and used in calculations during a specific period of time.

The lower and higher (AMR) rates from the survey will then be used to calculate a range of minimum and maximum hourly losses stemming from labor rate shortfalls.

Objective

1. To identify average mechanical labor rates in Ohio through a survey of auto repair facilities in 10 selected cities
2. To identify what percent of the time that repair facilities are able to receive their posted mechanical labor rate
3. To better understand what circumstances influence respondents to accept less than their posted rate
4. To identify different rates that auto manufacturers are compensating repair facilities for completing warrantee work
5. To identify how often respondents increased their labor rate
6. To better understand the circumstances that influence respondents to increase their mechanical labor rate

Methodology & Repondent Base

- The study objectives were addressed through a combination of secondary research and telephone survey research.
- The survey respondents were aware of what their posted labor rates were and other factors that influence what mechanical labor rates are charged at their facilities.
- 96 repair facilities were interviewed with Owners, Service Managers or Service Advisors as primary respondents.

- In total, 76 respondents were used in the creation of the OH region-specific consumer price index from the random sample set as shown in the table below: - See Appendix A

Respondent Base and Characteristics

	Akron	Canton	Cleveland	Cincinnati	Columbus	Dayton	Mansfield	Toledo	Wooster	Youngstown
Independent Repair Facilities	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**1 Low** Annual Revenue/Yr. *(small market)* **1 High** Annual Revenue/Yr. *(small market)*	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.
Dealership Repair Facilities	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**1 Low** Annual Revenue/Yr. *(small market)* **1 High** Annual Revenue/Yr. *(small market)*	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.	**2 Lowest** Annual Revenue/Yr. **2 Highest** Annual Revenue/Yr.
Total Interviews	8	8	8	8	8	8	4	8	8	8

Focus and Questions Studied:

Contacting decision makers that influenced the mechanical labor rates charged at their facilities was a significant challenge. In some cases, mechanical labor rates were received by one service representative and further information from another. However, since only one respondent is associated with each interview, the individual that has the highest level of influence is listed. The questions used in the investigation included the following:

Types of Questions Focused On:

1. What is your posted hourly mechanical labor rate?

2. How often do you increase your posted mechanical labor rate?
3. What factors would cause you to increase your mechanical labor rate?
4. What percentage of the time would you say you get the posted labor rate?
5. Do you ever accept less than your standard rate?
6. What circumstances would influence you to accept less than your standard rate?
7. Do auto manufacturer's pay a different rate than your posted rate for warrantee work?
8. Do you know how auto manufacturer's determine their rates?
9. How much of your business is paid for by insurance companies?

Primary Circumstances In Accepting Less Than Your Standard Rate?

- The top three circumstances in accepting less than the standard rate were subject to:
  - Routine mechanical maintainance repairs
  - Considerations if vehicle owner purchased vehicle from the repair facility
  - To stay competitive in the local market

Supporting Verbatims

- Lee Simeon/Westhill Automotive/Masury, OH – It depends on the job. Tie-rod ends and simple stuff such as window and door handle repairs would not be at the same $70 rate. Non-diagnostic work is usually when we accept less.
- Harold Waldon/Dale James Ford /Apple Creek, OH – We give our customers a 10% discount on parts and labor after they purchase a vehicle from our dealership.
- Cortney Milner/Classic Automotive Group/Mentor, OH – We'll accept less than our posted rate for routine maintainance repairs.
- Jade Weldon/Vandevere/Akron, OH - We have a sliding rate scale based on certain maintainance or repair procedures such as an oil changes or alignments.

Primary Factors That Would Cause You To Increase Your Rate?

- The top three primary factors causing respondents to increase their mechanical labor rate were subject to:
  - Cost of employee expenses such as healthcare and workman's compensation etc.
  - Technician training
  - Cost of living and equipment expenses

Supporting Verbatims

- Lee Simeon/Westhill Automotive/Masury, OH – Technicians and expanded equipment requirements as well as accellerated expenses in general have forced us to raise our rates.
- Tom Martin/Martin Automotive Repair & Machining/Akron, OH – The cost of living adjustments and upgrading of equipment cause a rate increase.
- Tom Alcorn/Klaben Ford Lincoln/Kent, OH – The cost of doing business makes us have to raise our rates.
- Mark Turner/Turner Automotive/Massillon, OH – Workman's compensation and health care expenses cause us to increase our rates.

Study Results

- From the 76 respondents that were included in the OH -region-specific- automotive mechanical rate survey, three critical numbers were calculated (1.) **Dealership Repair Facility** average mechanical labor rate averaged **$100.86** per hr., (2.) **Independent Repair Facility** average mechanical labor rate averaged **$82.82** per hr., (3.) The **combined Dealership/Independent Repair Facility** mechanical labor rate averaged **$91.84** per hr. - See Appendix A

- When the question was asked: **What percentage of the time would you say you get the posted labor rate?**

  1.) Less than 50% of the time.....0%
  2.) 60% - 69% of the time.....0%
  3.) 70% - 79% of the time.....5% - *5 respondents*
  4.) 80% - 89% of the time.....10% - *10 respondents*
  5.) 90% - 99% of the time.....82% - *79 respondents*
  6.) 100% of the time.....2% - *2 respondents*

- When the question was asked: **How much of your business is paid for by an insurance company?**

  1.) Less than 5%.....96% - *92 respondents*
  2.) 6% -10%.....3% - *3 respondents*
  3.) 11% - 15% .....1% - *1 respondents*
  4.) 16% - 20%.....0% - *0 respondents*
  5.) Over 21%.....0% - *0 respondents*

- When the question was asked: **Do you ever accept less than your standard rate?**

  1.) Yes.....95% - 91 respondents
  2.) No.....5% - 5 respondents

Ohio Mechanical Labor Rate Study [August 2015]

Metro Area	Type	Revenue / Yr	Sort		What is your posted hourly mechanical labor rate?	What percentage of the time would you say you get the posted labor rate?	Do you ever accept less than your standard rate?	What circumstances would influence you to accept less than your standard rate?	Do auto manufacturers pay you a different rate than your posted rate for warrantee
Akron, OH	Dealership Repair Shop	$17,516,000	A		$106.95	3.) 70%-79%	Yes	Extended warrantee	Yes but could not
Akron, OH	Dealership Repair Shop	>$100,000	B	1	$115.00	3.) 70%-79%	Yes	Warrantee work	Yes around $100
Akron, OH	Dealership Repair Shop	>$100,000	B	2	$110.00	3.) 70%-79%	Yes	Oil Changes and	Yes but could not
Cleveland, OH	Dealership Repair Shop	>$100,000	B	2	$110.00	3.) 70%-79%	Yes	Routine maintainance	Yes but could not
Cleveland, OH	General Automotive Repair Shop	>$100,000	B	1	$65.00	3.) 70%-79%	No	Could not recall	No
Akron, OH	Dealership Repair Shop	$16,912,000	A		$119.30	4.) 80%-89%	Yes	We have a sliding	Yes but could not
Akron, OH	General Automotive Repair Shop	$4,200,000	A	3	$92.50	4.) 80%-89%	Yes	It depends on type	Yes $86.70
Akron, OH	General Automotive Repair Shop	$8,456,000	A	4	$98.00	4.) 80%-89%	Yes	Basic Maintainance	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	$16,912,000	A		$96.30	4.) 80%-89%	Yes	Oil changes, menu	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	>$100,000	B	2	$117.00	4.) 80%-89%	Yes	Maintainance repairs	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	$1,208,000	A		$80.00	4.) 80%-89%	Yes	Could not recall	Yes but could not
Cleveland, OH	Dealership Repair Shop	$19,328,000	A	4	$101.00	4.) 80%-89%	Yes	Could not recall	No we just adjust the
Cleveland, OH	Dealership Repair Shop	>$100,000	B	1	$100.00	4.) 80%-89%	Yes	Could not recall	Yes but could not
Cleveland, OH	General Automotive Repair Shop	$15,100,000	A	4	$100.00	4.) 80%-89%	Yes	Warrantee	150
Youngstown, OH	Dealership Repair Shop	$66,440,000	B	4	$95.00	4.) 80%-89%	Yes	Lube, Oil and Filters do	Yes but could not recal
Akron, OH	Dealership Repair Shop	$75,500,000	A	3	$115.00	5.) 90%-99%	Yes	Could not recall	Yes $98.92
Akron, OH	Dealership Repair Shop	$76,708,000	A	4	$109.99	5.) 90%-99%	Yes	Could not recall	Yes same $109.99
Akron, OH	General Automotive Repair Shop	$2,416,000	A		$70.00	5.) 90%-99%	Yes	If the rate that it's	No it's my $70 rate
Akron, OH	General Automotive Repair Shop	$2,200,000	A		$85.00	5.) 90%-99%	Yes	Could not recall	same $85
Akron, OH	General Automotive Repair Shop	>$100,000	B	1	$85.00	5.) 90%-99%	Yes	Warrantee work for	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	$18,120,000	A	3	$105.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	$70,064,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes $95.69
Canton-Massillon, OH	Dealership Repair Shop	$16,912,000	A		$109.73	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	>$100,000	B	1	$99.00	5.) 90%-99%	Yes	Warrantee or oil	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	$1,700,000	A	3	$69.00	5.) 90%-99%	Yes	Could not recall	Yes same $69
Canton-Massillon, OH	General Automotive Repair Shop	$16,912,000	A	4	$98.00	5.) 90%-99%	No	Could not recall	No
Canton-Massillon, OH	General Automotive Repair Shop	$800,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	$1,000,000	A		$70.00	5.) 90%-99%	Yes	Could not recall	sometimes depending
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B	1	$46.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B	2	$59.00	5.) 90%-99%	Yes	Could not recall	Same $59.00
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B		$79.95	5.) 90%-99%	Yes	Maintainance repairs	Some, but I only
Cincinnati, OH-KY-IN	Dealership Repair Shop	$6,644,000	A	1	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $91.30
Cincinnati, OH-KY-IN	Dealership Repair Shop	$6,644,000	A	2	$120.00	5.) 90%-99%	Yes	Warrantee and Service	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$164,892,000	A	3	$98.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$183,012,000	A	4	$100.00	5.) 90%-99%	Yes	Could not recall	Yes $97
Cincinnati, OH-KY-IN	Dealership Repair Shop	$7,852,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$99,660,000	A		$105.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$1,700,000	A	3	$87.00	5.) 90%-99%	Yes	Could not recall	Same $87
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$5,436,000	A	4	$119.00	5.) 90%-99%	Yes	Could not recall	Same $119
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$1,400,000	A		$88.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B	1	$65.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B	2	$79.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B		$85.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cleveland, OH	Dealership Repair Shop	$16,912,000	A	3	$120.00	5.) 90%-99%	Yes	Warrantee Work at	Yes but could not
Cleveland, OH	General Automotive Repair Shop	$2,416,000	A	2	$95.00	5.) 90%-99%	Yes	Maintainance work	Yes

Cleveland, OH	General Automotive Repair Shop	$13,288,000	A	3	$109.20	5.) 90%-99%	No	Could not recall	Yes but could not
Columbus, OH	Dealership Repair Shop	$15,704,000	A	3	$69.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	Dealership Repair Shop	$132,880,000	A	4	$106.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	Dealership Repair Shop	>$100,000	B	1	$100.34	5.) 90%-99%	Yes	Could not recall	Between high 80's and
Columbus, OH	Dealership Repair Shop	>$100,000	B	2	$105.00	5.) 90%-99%	Yes	Could not recall	Yes $98
Columbus, OH	General Automotive Repair Shop	$12,080,000	A	3	$110.00	5.) 90%-99%	Yes	Could not recall	Yes $106
Columbus, OH	General Automotive Repair Shop	$14,496,000	A	4	$102.00	5.) 90%-99%	Yes	Could not recall	Yes $102 - 10%
Columbus, OH	General Automotive Repair Shop	>$100,000	B	1	$92.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	General Automotive Repair Shop	>$100,000	B	2	$98.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	Dealership Repair Shop	$4,832,000	A	3	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Dayton, OH	Dealership Repair Shop	$5,436,000	A	4	$103.15	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	Dealership Repair Shop	>$100,000	B	1	$90.00	5.) 90%-99%	Yes	Could not recall	Yes $83 for Nissan
Dayton, OH	Dealership Repair Shop	>$100,000	B	2	$105.00	5.) 90%-99%	Yes	Could not recall	Yes $91.25
Dayton, OH	General Automotive Repair Shop	$1,700,000	A	3	$91.50	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	General Automotive Repair Shop	$2,416,000	A	4	$83.50	5.) 90%-99%	Yes	Could not recall	Yes $83.50 same rate
Dayton, OH	General Automotive Repair Shop	>$100,000	B	1	$65.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	General Automotive Repair Shop	>$100,000	B	2	$85.00	5.) 90%-99%	Yes	Could not recall	Yes $85 same rate
Mansfield, OH	Dealership Repair Shop	$26,576,000	A	2	$99.00	5.) 90%-99%	Yes	Could not recall	Yes $99 same
Mansfield, OH	Dealership Repair Shop	$33,220,000	A	3	$99.00	5.) 90%-99%	Yes	Could not recall	Yes $99 same
Mansfield, OH	Dealership Repair Shop	>$100,000	B	1	$99.95	5.) 90%-99%	Yes	Could not recall	Yes $99.95 same
Mansfield, OH	General Automotive Repair Shop	$1,000,000	A	1	$70.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Mansfield, OH	General Automotive Repair Shop	$14,496,000	A	2	$80.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Mansfield, OH	General Automotive Repair Shop	$17,516,000	A	3	$92.50	5.) 90%-99%	Yes	Could not recall	Yes $92.50 same
Toledo, OH	Dealership Repair Shop	$199,320,000	A	3	$100.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	Dealership Repair Shop	$232,540,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Toledo, OH	Dealership Repair Shop	$12,080,000	A		$84.00	5.) 90%-99%	Yes	Could not recall	Yes 90.23
Toledo, OH	Dealership Repair Shop	$61,608,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	Dealership Repair Shop	>$100,000	B	1	$110.88	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	Dealership Repair Shop	>$100,000	B	2	$98.13	5.) 90%-99%	Yes	Could not recall	88 warrantee
Toledo, OH	General Automotive Repair Shop	$10,268,000	A	3	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Toledo, OH	General Automotive Repair Shop	$11,476,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes $95 same
Toledo, OH	General Automotive Repair Shop	>$100,000	B	1	$72.00	5.) 90%-99%	Yes	Could not recall	Yes $72 same
Toledo, OH	General Automotive Repair Shop	>$100,000	B	2	$48.00	5.) 90%-99%	Yes	Could not recall	Yes $48 same
Wooster, OH	Dealership Repair Shop	$26,576,000	A	3	$96.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	$53,152,000	A	4	$95.95	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	$25,368,000	A		$79.50	5.) 90%-99%	Yes	Could not recall	73.68
Wooster, OH	Dealership Repair Shop	$26,576,000	A		$79.50	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	>$100,000	B	1	$97.03	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	>$100,000	B	2	$82.00	5.) 90%-99%	No	Could not recall	Yes $82 same
Wooster, OH	General Automotive Repair Shop	$1,100,000	A	1	$60.00	5.) 90%-99%	Yes	Could not recall	$60 same
Wooster, OH	General Automotive Repair Shop	$1,300,000	A	2	$77.65	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	General Automotive Repair Shop	$6,040,000	A	3	$64.36	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	General Automotive Repair Shop	$15,100,000	A	4	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Youngstown, OH	Dealership Repair Shop	$36,240,000	A	2	$99.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Youngstown, OH	Dealership Repair Shop	$46,508,000	A	3	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Youngstown, OH	Dealership Repair Shop	$23,556,000	B	1	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Youngstown, OH	General Automotive Repair Shop	$800,000	A	2	$88.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Youngstown, OH	General Automotive Repair Shop	$19,932,000	A	4	$95.00	5.) 90%-99%	Yes	It just depends on circu	No
Youngstown, OH	General Automotive Repair Shop	>$100,000	B	1	$70.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Akron, OH	General Automotive Repair Shop	>$100,000	B	2	$70.00	6.) 100%	No	Could not recall	No
Youngstown, OH	General Automotive Repair Shop	$19,932,000	A	3	$70.00	6.) 100%	Yes	It depends on the job.	No they usually pay the
	Average for All Shops Interviewed:				***$91.54***	***Number of Shops:***	***96***		

How is that determined?	How much of your business is paid for by an insurance company?	How often do you increase that rate?	What factors would cause you to increase your rate?	Fullname	Title	Phone	Company	City	ST		(Recap) Notes	Interview Date
Based on what	3. 10% to 15%	Once a year	Could not recall	John Pareng	Shop Manager	(330) 325-9	Sarchiorne F	Atwater	OH			8.7.15
By Ford, I don't	1. Less than 5%	Every year	Could not recall	Frank Krecji	Service Rep.	(330) 666-(	Montrose Fo	Akron	OH			8.7.15
They survey us	2. 5% to 10%	Once every 2	Cost of doing business	Tom Alcorn	Shop Manager	(330) 678-9	Klaben Ford	Kent	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Cortney Mil	Service Rep.	(440) 953-1	Classic Auto	Mentor	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Jim (?)	Owner	(216) 486-(	3 Way Auto	Mentor	OH			8.7.15
Don't know	2. 5% to 10%	Once every 3	Could not recall	Jade Weldor	Service Rep.	(330) 867-	Vandevere	Akron	OH			8.7.15
Don't know	1. Less than 5%	About every	Expenses	Connie Stile	Service Writer	(330) 527-2	Charles Auto	Garrettsvil	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Pat Patterso	Office Manager	(330) 630-4	Sears Auto (	Akron	OH			8.7.15
Based on	2. 5% to 10%	No specific time	Econonic conditions	Greg Loudor	Owner	(330) 868-1	Loudon Mot	Minerva	OH			8.7.15
Ford	1. Less than 5%	Twice a year at	Ford determines since	Refused	Service Rep.	Refused	Refused	Refused	OH			8.7.15
Don't know	1. Less than 5%	I've been here 4	Could not recall	Adam Wyan	Manager	(330) 478-9	American Ca	Canton	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Marc Di Vinc	President	(440) 944-8	Fred-Vincen	Wickliffe	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Ed Ihnot	Service Manager	(888)-431-	Toyota of Be	Bedford	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Mike (?)	Service Rep.	(216) 771-2	Conrads	Cleveland	OH			8.7.15
GM determines	1. Less than 5%	Jan. 2015 increas	Expenses such as healt	Stephanie P	Office Manager/Co	(330) 726-1	Sweeney Bu	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Johnsor	Service Manager	(330) 376-9	Dave Towell	Akron	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Joe Prah	Service Manager	(330) 688-(	Ron Marhof	Stow	OH			8.10.15
Don't know	1. Less than 5%	Once every 3	Cost of living and	Tom Martin	Owner	(330) 670-9	Martin Auto	Akron	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jim Aronhalt	Owner	(330) 773-4	Automotive	Akron	OH			8.10.15
Don't know	1. Less than 5%	We don't	No plans to increase	David Drenn	Owner	(330) 297-	Drennen Ser	Ravenna	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Ben Melnich	Service Advisor	(330) 966-1	Ron Marhof	North Can	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Dockrill	Service Manager	(330) 456-2	Downtown F	Canton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Barbara Ner	Service Manager	(330) 453-3	Young Volvo	Canton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Rebecca Wi	Service Advisor	(330) 478-1	Waikem For	Massillon	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Sean Hern	Service Manager	(330) 879-2	Hearns Prec	Navarre	OH			8.10.15
Don't know	1. Less than 5%	Don't know	Could not recall	Allen Linard	Store Manager	(330) 966-3	Sears Auto (	Canton	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jeff Davis	Service Manager	(330) 494-3	Jeffs Motor	North Can	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Paul Pratt	Owner	(330) 833-4	Paul Pratt's	Massillon	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Marty Barke	Owner	(330) 821-9	Reese Body	Alliance	OH			8.10.15
Don't know	1. Less than 5%	Haven't raised	Could not recall	Ken Wise	Owner	(330) 832-4	Wises Auto	Massillon	OH			8.10.15
Don't know	1. Less than 5%	It's been two	Workman's Comp.,	Mark Turner	Owner	(330) 830-1	Turner Auto	Massillon	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jeffrey Wyle	Chief Executive	(513) 752-1	Jeff Wyler A	Millford	OH			8.7.15
Don't know	1. Less than 5%	5 years ago was	We're associated with	Matt (?)	Service Rep.	(513) 271-9	Just Blau Mi	Cincinnati	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	David Sig	Service Manager	(513) 870-(	Busam Auto	Fairfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Joe Spaw	Service Manager	(513) 831-1	Mike Castru	Milford	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Clark Meyer	Service Manager	(513) 541-4	Kia	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Greg Volelo	Service Manager	(513) 891-9	Carmago Ca	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Steve Please	Service Manager	(513) 576-1	Milford Auto	Milford	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Wamon Rob	Service Manager	(425) 413-1	Motorplex	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Hamilto	Owner	(513) 860-1	Springdale A	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Robert Man	Service Manager	(513) 752-3	Ohio Pike Au	Amelia	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bill (?)	Service Manager	(513) 921-(	Adams Car (	Cincinnati	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Dick Rice	Owner	(513) 868-1	Dicks Servic	Hamilton	OH			8.10.15
Warrantee	1. Less than 5%	Don't know	Could not recall	Dominic (?)	Service Rep.	(216) 514-1	Central Hun	Beachwoo	OH			8.7.15
Don't know	1. Less than 5%	It's been at $95 t	Certification, cost of	Frank	Owner	(440) 708-(	Highway Ga	Chagrin Fa	OH			8.10.15

Don't know	1. Less than 5%	Don't know	Could not recall	Erick Halleen	General Manager	(440) 777-1	Halleen Kia	North Olm	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Kirk (?)	Service Rep.	(330) 537-3	Stratton Ch	Columbus	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Josh Smiley	Service Manager	(614) 882-1	Roush Hond	Westervill	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Justin Greer	Service Advisor	(614) 880-1	Bob Caldwel	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Sater	Assistant Service	(614) 476-1	Toyota Direc	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Gynnae Brit	Service Advisor	(877) 410-	Byers Toyot	Deleware	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bruce Ford	Service Advisor	(614) 559-0	AAA Car Car	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Kuchler	Owner	(614) 895-8	Hometown S	Westervill	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jim (?)		(740) 657-8	Midas Auto	Galena	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Charlotte	Service Assistant	(937) 429-0	Hindy Hyun	Dayton	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chanel (?)	Service Assistant	(937) 372-9	Hidy Honda	Xenia	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Josh Mannir	Service Manager	(937) 306-0	Jeff Schmitt	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Becky (?)	Service Assistant	(937) 428-1	Voss Chevrc	Dayton	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Kyle Bohn	Service Manager	(937) 429-1	W & W Autc	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Damon	Service Assistant	(937) 436-4	South Dayto	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike Bicket	Owner	(937) 429-4	Mikes Garag	Xenia	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Rob (?)	Service Manager	(937) 771-0	Precision Tu	Englewoo	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike (?)	Service Advisor	(419) 524-1	Spitzer Mar	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Linda (?)	Service Associate	(419) 347-5	Buckeye Chi	Shelby	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Dave James	Service Advisor	(419) 529-1	Nissan Of M	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Brian Yeater	Service Manager	(419) 886-4	Randys F &	Bellville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Petroff	Owner	(419) 524-3	B & B Auto I	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike (?)	Service Center	(419) 529-0	Sears Auto C	Mansfield	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Amy Campb	Service Associate	(419) 535-1	Ballas Buick	Toledo	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jason (?)	Service Advisor	(419) 698-4	Mathews Fo	Oregon	OH			8.10.15
Don't know	1. Less than 5%	Every year	Could not recall	Brent Budrl	Service Manager	(419) 257-1	Kelley Bob C	North Balti	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike Fauver	Service	(419) 893-0	Charlie's Do	Maumee	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Eric Scott	Service Manager	(419) 874-4	Ed Schmidt	Perrysburg	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jason (?)	Service Assistant	(419) 841-1	Yark Automo	Toledo	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chris (?)	Service Associate	(419) 893-1	Tireman Aut	Maumee	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chris (?)	Store Manager	(419) 841-3	Tuffy Auto S	Toledo	OH			8.10.15
Don't know	1. Less than 5%	I've been in	If you get greedy, you	Ed Pastorek	Owner	(419) 826-4	Ed Pastorek	Swanton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jerry Koppe	Owner	(419) 335-0	Koppenhofe	Wauseon	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Dustin (?)	Service Writer	(330) 345-5	College Hills	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jim Brubake	Service Manager	(330) 682-1	Maibach Fo	Orrville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Harold Walc	Service Manager	(330) 698-1	Dale James I	Apple Cree	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Melonie	Service Associate	(330) 345-8	Park Mazda	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Mike Mullin	Service Advisor	(330) 345-0	Pallotta Ford	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Alan (?)	Service Manager	(800) 589-8	Performanc	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Wayne Uhle	Owner	(330) 695-0	Karch Street	Fredericks	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jeff Stoller	Owner	(330) 683-0	RNS Auto &	Orrville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Justin Corley	Service Manager	(330) 345-4	J D Byrider A	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Justin Davis	Service Manager	(330) 682-0	Flynns Tire &	Orrville	OH			8.10.15
Don't know	1. Less than 5%	1 year ago experi	Certification, cost of te	Bobby Eddy	Owner/Service Ma	(330) 792-5	Bob & Chuc	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Keith Welto	Service Manager	(330) 758-1	Sweeney Ch	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Barry Gonis	Service Manager	(330) 538-1	Spitzer Chev	North Jack	OH			
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Dwayne Rov	Service Manager	(330) 758-1	Midas Auto	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Annually or to sta	If we're able to get it w	Sherri Och	Service Manager	(330) 638-1	Apostolakis	Cortland	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Mike Bosa	Service Manager	(330) 743-8	Shines Auto	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	I haven't had an	Could not recall	Anton Chadi	Owner	(330) 633-	Automotive	Akron	OH			8.7.15
Don't know	1. Less than 5%	It's been three ye	Accellerated expenses	Lee Simeon	Service Manager	(330) 448-0	Westhill Aut	Masury	OH			8.10.15

Ohio Mechanical Labor Rate Study [August 2015]

Metro Area	Type	Revenue / Yr	Sort		What is your posted hourly mechanical labor rate?	What percentage of the time would you say you get the posted labor rate?	Do you ever accept less than your standard rate?	What circumstances would influence you to accept less than your standard rate?	Do auto manufacturers pay you a different rate than your posted rate for warrantee
Columbus, OH	Dealership Repair Shop	$15,704,000	A	3	$69.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Wooster, OH	Dealership Repair Shop	$25,368,000	A		$79.50	5.) 90%-99%	Yes	Could not recall	73.68
Wooster, OH	Dealership Repair Shop	$26,576,000	A		$79.50	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	>$100,000	B	2	$82.00	5.) 90%-99%	No	Could not recall	Yes $82 same
Toledo, OH	Dealership Repair Shop	$12,080,000	A		$84.00	5.) 90%-99%	Yes	Could not recall	Yes 90.23
Dayton, OH	Dealership Repair Shop	>$100,000	B	1	$90.00	5.) 90%-99%	Yes	Could not recall	Yes $83 for Nissan
Cincinnati, OH-KY-IN	Dealership Repair Shop	$6,644,000	A	1	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $91.30
Dayton, OH	Dealership Repair Shop	$4,832,000	A	3	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Youngstown, OH	Dealership Repair Shop	$66,440,000	B	4	$95.00	4.) 80%-89%	Yes	Lube, Oil and Filters do	Yes but could not recal
Canton-Massillon, OH	Dealership Repair Shop	$70,064,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes $95.69
Cincinnati, OH-KY-IN	Dealership Repair Shop	$7,852,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	Dealership Repair Shop	$232,540,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Toledo, OH	Dealership Repair Shop	$61,608,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Youngstown, OH	Dealership Repair Shop	$46,508,000	A	3	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Youngstown, OH	Dealership Repair Shop	$23,556,000	B	1	$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	$53,152,000	A	4	$95.95	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Wooster, OH	Dealership Repair Shop	$26,576,000	A	3	$96.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Canton-Massillon, OH	Dealership Repair Shop	$16,912,000	A		$96.30	4.) 80%-89%	Yes	Oil changes, menu	Yes but could not
Wooster, OH	Dealership Repair Shop	>$100,000	B	1	$97.03	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Cincinnati, OH-KY-IN	Dealership Repair Shop	$164,892,000	A	3	$98.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	Dealership Repair Shop	>$100,000	B	2	$98.13	5.) 90%-99%	Yes	Could not recall	88 warrantee
Canton-Massillon, OH	Dealership Repair Shop	>$100,000	B	1	$99.00	5.) 90%-99%	Yes	Warrantee or oil	Yes but could not
Mansfield, OH	Dealership Repair Shop	$26,576,000	A	2	$99.00	5.) 90%-99%	Yes	Could not recall	Yes $99 same
Mansfield, OH	Dealership Repair Shop	$33,220,000	A	3	$99.00	5.) 90%-99%	Yes	Could not recall	Yes $99 same
Youngstown, OH	Dealership Repair Shop	$36,240,000	A	2	$99.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Mansfield, OH	Dealership Repair Shop	>$100,000	B	1	$99.95	5.) 90%-99%	Yes	Could not recall	Yes $99.95 same
Cleveland, OH	Dealership Repair Shop	>$100,000	B	1	$100.00	4.) 80%-89%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$183,012,000	A	4	$100.00	5.) 90%-99%	Yes	Could not recall	Yes $97
Toledo, OH	Dealership Repair Shop	$199,320,000	A	3	$100.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	Dealership Repair Shop	>$100,000	B	1	$100.34	5.) 90%-99%	Yes	Could not recall	Between high 80's and
Cleveland, OH	Dealership Repair Shop	$19,328,000	A	4	$101.00	4.) 80%-89%	Yes	Could not recall	No we just adjust the
Dayton, OH	Dealership Repair Shop	$5,436,000	A	4	$103.15	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	$18,120,000	A	3	$105.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$99,660,000	A		$105.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	Dealership Repair Shop	>$100,000	B	2	$105.00	5.) 90%-99%	Yes	Could not recall	Yes $98
Dayton, OH	Dealership Repair Shop	>$100,000	B	2	$105.00	5.) 90%-99%	Yes	Could not recall	Yes $91.25
Columbus, OH	Dealership Repair Shop	$132,880,000	A	4	$106.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Akron, OH	Dealership Repair Shop	$17,516,000	A		$106.95	3.) 70%-79%	Yes	Extended warrantee	Yes but could not
Canton-Massillon, OH	Dealership Repair Shop	$16,912,000	A		$109.73	5.) 90%-99%	Yes	Could not recall	Yes but could not
Akron, OH	Dealership Repair Shop	$76,708,000	A	4	$109.99	5.) 90%-99%	Yes	Could not recall	Yes same $109.99
Akron, OH	Dealership Repair Shop	>$100,000	B	2	$110.00	3.) 70%-79%	Yes	Oil Changes and	Yes but could not
Cleveland, OH	Dealership Repair Shop	>$100,000	B	2	$110.00	3.) 70%-79%	Yes	Routine maintainance	Yes but could not
Toledo, OH	Dealership Repair Shop	>$100,000	B	1	$110.88	5.) 90%-99%	Yes	Could not recall	Yes but could not
Akron, OH	Dealership Repair Shop	>$100,000	B	1	$115.00	3.) 70%-79%	Yes	Warrantee work	Yes around $100
Akron, OH	Dealership Repair Shop	$75,500,000	A	3	$115.00	5.) 90%-99%	Yes	Could not recall	Yes $98.92
Canton-Massillon, OH	Dealership Repair Shop	>$100,000	B	2	$117.00	4.) 80%-89%	Yes	Maintainance repairs	Yes but could not
Akron, OH	Dealership Repair Shop	$16,912,000	A		$119.30	4.) 80%-89%	Yes	We have a sliding	Yes but could not
Cincinnati, OH-KY-IN	Dealership Repair Shop	$6,644,000	A	2	$120.00	5.) 90%-99%	Yes	Warrantee and Service	Yes but could not
Cleveland, OH	Dealership Repair Shop	$16,912,000	A	3	$120.00	5.) 90%-99%	Yes	Warrantee Work at	Yes but could not
	Average for Dealerships:				***$100.10***	***Number of Dealerships:***	***49***		

Ohio Mechanical Labor Rate Study [August 2015]

Metro Area	Type	Revenue / Yr	Sort		What is your posted hourly mechanical labor rate?	What percentage of the time would you say you get the posted labor rate?	Do you ever accept less than your standard rate?	What circumstances would influence you to accept less than your standard rate?	Do auto manufacturers pay you a different rate than your posted rate for warrantee
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B	1	$46.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	General Automotive Repair Shop	>$100,000	B	2	$48.00	5.) 90%-99%	Yes	Could not recall	Yes $48 same
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B	2	$59.00	5.) 90%-99%	Yes	Could not recall	Same $59.00
Wooster, OH	General Automotive Repair Shop	$1,100,000	A	1	$60.00	5.) 90%-99%	Yes	Could not recall	$60 same
Wooster, OH	General Automotive Repair Shop	$6,040,000	A	3	$64.36	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Cleveland, OH	General Automotive Repair Shop	>$100,000	B	1	$65.00	3.) 70%-79%	No	Could not recall	No
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B	1	$65.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	General Automotive Repair Shop	>$100,000	B	1	$65.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	$1,700,000	A	3	$69.00	5.) 90%-99%	Yes	Could not recall	Yes same $69
Akron, OH	General Automotive Repair Shop	$2,416,000	A		$70.00	5.) 90%-99%	Yes	If the rate that it's	No it's my $70 rate
Canton-Massillon, OH	General Automotive Repair Shop	$1,000,000	A		$70.00	5.) 90%-99%	Yes	Could not recall	sometimes depending
Mansfield, OH	General Automotive Repair Shop	$1,000,000	A	1	$70.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Youngstown, OH	General Automotive Repair Shop	>$100,000	B	1	$70.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Akron, OH	General Automotive Repair Shop	>$100,000	B	2	$70.00	6.) 100%	No	Could not recall	No
Youngstown, OH	General Automotive Repair Shop	$19,932,000	A	3	$70.00	6.) 100%	Yes	It depends on the job.	No they usually pay the
Toledo, OH	General Automotive Repair Shop	>$100,000	B	1	$72.00	5.) 90%-99%	Yes	Could not recall	Yes $72 same
Wooster, OH	General Automotive Repair Shop	$1,300,000	A	2	$77.65	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B	2	$79.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	>$100,000	B		$79.95	5.) 90%-99%	Yes	Maintainance repairs	Some, but I only
Canton-Massillon, OH	General Automotive Repair Shop	$1,208,000	A		$80.00	4.) 80%-89%	Yes	Could not recall	Yes but could not
Mansfield, OH	General Automotive Repair Shop	$14,496,000	A	2	$80.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	General Automotive Repair Shop	$2,416,000	A	4	$83.50	5.) 90%-99%	Yes	Could not recall	Yes $83.50 same rate
Akron, OH	General Automotive Repair Shop	$2,200,000	A		$85.00	5.) 90%-99%	Yes	Could not recall	same $85
Akron, OH	General Automotive Repair Shop	>$100,000	B	1	$85.00	5.) 90%-99%	Yes	Warrantee work for	Yes but could not
Cincinnati, OH-KY-IN	General Automotive Repair Shop	>$100,000	B		$85.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Dayton, OH	General Automotive Repair Shop	>$100,000	B	2	$85.00	5.) 90%-99%	Yes	Could not recall	Yes $85 same rate
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$1,700,000	A	3	$87.00	5.) 90%-99%	Yes	Could not recall	Same $87
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$1,400,000	A		$88.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Youngstown, OH	General Automotive Repair Shop	$800,000	A	2	$88.00	5.) 90%-99%	Yes	Could not recall	Yes but could not recal
Dayton, OH	General Automotive Repair Shop	$1,700,000	A	3	$91.50	5.) 90%-99%	Yes	Could not recall	Yes but could not
Columbus, OH	General Automotive Repair Shop	>$100,000	B	1	$92.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Toledo, OH	General Automotive Repair Shop	$10,268,000	A	3	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Wooster, OH	General Automotive Repair Shop	$15,100,000	A	4	$92.00	5.) 90%-99%	Yes	Could not recall	Yes $92 same
Akron, OH	General Automotive Repair Shop	$4,200,000	A	3	$92.50	4.) 80%-89%	Yes	It depends on type	Yes $86.70
Mansfield, OH	General Automotive Repair Shop	$17,516,000	A	3	$92.50	5.) 90%-99%	Yes	Could not recall	Yes $92.50 same
Canton-Massillon, OH	General Automotive Repair Shop	$800,000	A		$95.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cleveland, OH	General Automotive Repair Shop	$2,416,000	A	2	$95.00	5.) 90%-99%	Yes	Maintainance work	Yes
Toledo, OH	General Automotive Repair Shop	$11,476,000	A	4	$95.00	5.) 90%-99%	Yes	Could not recall	Yes $95 same
Youngstown, OH	General Automotive Repair Shop	$19,932,000	A	4	$95.00	5.) 90%-99%	Yes	It just depends on circu	No
Akron, OH	General Automotive Repair Shop	$8,456,000	A	4	$98.00	4.) 80%-89%	Yes	Basic Maintainance	Yes but could not
Canton-Massillon, OH	General Automotive Repair Shop	$16,912,000	A	4	$98.00	5.) 90%-99%	No	Could not recall	No
Columbus, OH	General Automotive Repair Shop	>$100,000	B	2	$98.00	5.) 90%-99%	Yes	Could not recall	Yes but could not
Cleveland, OH	General Automotive Repair Shop	$15,100,000	A	4	$100.00	4.) 80%-89%	Yes	Warrantee	150
Columbus, OH	General Automotive Repair Shop	$14,496,000	A	4	$102.00	5.) 90%-99%	Yes	Could not recall	Yes $102 - 10%
Cleveland, OH	General Automotive Repair Shop	$13,288,000	A	3	$109.20	5.) 90%-99%	No	Could not recall	Yes but could not
Columbus, OH	General Automotive Repair Shop	$12,080,000	A	3	$110.00	5.) 90%-99%	Yes	Could not recall	Yes $106
Cincinnati, OH-KY-IN	General Automotive Repair Shop	$5,436,000	A	4	$119.00	5.) 90%-99%	Yes	Could not recall	Same $119
	Average for General Auto Repair Shops:				***$82.62***	***Number of Shops:***	***47***		

How is that determined?	How much of your business is paid for by an insurance company?	How often do you increase that rate?	What factors would cause you to increase your rate?	Fullname	Title	Phone	Company	City	ST		(Recap) Notes	Interview Date
Don't know	1. Less than 5%	Could not recall	Could not recall	Kirk (?)	Service Rep.	(330) 537-3	Stratton Che	Columbus	OH			8.7.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Harold Walc	Service Manager	(330) 698-1	Dale James I	Apple Cree	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Melonie	Service Associate	(330) 345-(	Park Mazda	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Alan (?)	Service Manager	(800) 589-(	Performanc	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Every year	Could not recall	Brent Budri	Service Manager	(419) 257-1	Kelley Bob C	North Balti	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Josh Mannir	Service Manager	(937) 306-(	Jeff Schmitt	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jeffrey Wyle	Chief Executive	(513) 752-1	Jeff Wyler A	Milford	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Charlotte	Service Assistant	(937) 429-(	Hindy Hyun	Dayton	OH			8.8.15
GM determines	1. Less than 5%	Jan. 2015 increas	Expenses such as healt	Stephanie P	Office Manager/Cc	(330) 726-1	Sweeney Bu	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Dockrill	Service Manager	(330) 456-1	Downtown I	Canton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Clark Meyer	Service Manager	(513) 541-(	Kia	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jason (?)	Service Advisor	(419) 698-(	Mathews Fo	Oregon	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike Fauver	Service	(419) 893-(	Charlie's Do	Maumee	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Keith Welto	Service Manager	(330) 758-1	Sweeney Ch	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Barry Gonis	Service Manager	(330) 538-1	Spitzer Chev	North Jack	OH			
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jim Brubake	Service Manager	(330) 682-1	Malbach For	Orrville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Dustin (?)	Service Writer	(330) 345-9	College Hills	Wooster	OH			8.10.15
Based on	2. 5% to 10%	No specific time	Econonic conditions	Greg Loudor	Owner	(330) 868-1	Loudon Mot	Minerva	OH			8.7.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Mike Mullin	Service Advisor	(330) 345-(	Pallotta Ford	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	David Sig	Service Manager	(513) 870-(	Busam Auto	Fairfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jason (?)	Service Assistant	(419) 841-1	Yark Automo	Toledo	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Rebecca Wi	Service Advisor	(330) 478-1	Waikem For	Massillon	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike (?)	Service Advisor	(419) 524-1	Spitzer Mar	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Linda (?)	Service Associate	(419) 347-9	Buckeye Chr	Shelby	OH			8.10.15
Don't know	1. Less than 5%	1 year ago experi	Certification, cost of te	Bobby Eddy	Owner/Service Ma	(330) 792-9	Bob & Chuc	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Dave James	Service Advisor	(419) 529-1	Nissan Of M	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Don't know	Could not recall	Ed Ihnot	Service Manager	(888)-431-	Toyota of Be	Bedford	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Joe Spaw	Service Manager	(513) 831-1	Mike Castru	Millford	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Amy Campb	Service Associate	(419) 535-1	Ballas Buick	Toledo	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Justin Greer	Service Advisor	(614) 880-1	Bob Caldwel	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Don't know	Could not recall	Marc Di Vinc	President	(440) 944-8	Fred-Vincen	Wickliffe	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chanel (?)	Service Assistant	(937) 372-9	Hidy Honda	Xenia	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Ben Melnich	Service Advisor	(330) 966-1	Ron Marhof	North Cant	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Greg Volelo	Service Manager	(513) 891-9	Carmago Ca	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Sater	Assistant Service	(614) 476-1	Toyota Direc	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Becky (?)	Service Assistant	(937) 428-1	Voss Chevro	Dayton	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Josh Smiley	Service Manager	(614) 882-1	Roush Hond	Westervill	OH			8.10.15
Based on what	3. 10% to 15%	Once a year	Could not recall	John Pareng	Shop Manager	(330) 325-9	Sarchiorne F	Atwater	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Barbara Ner	Service Manager	(330) 453-1	Young Volvo	Canton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Joe Prah	Service Manager	(330) 688-(	Ron Marhof	Stow	OH			8.10.15
They survey us	2. 5% to 10%	Once every 2	Cost of doing business	Tom Alcorn	Shop Manager	(330) 678-9	Klaben Ford	Kent	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Cortney Mil	Service Rep.	(440) 953-1	Classic Auto	Mentor	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Eric Scott	Service Manager	(419) 874-(	Ed Schmidt J	Perrysburg	OH			8.10.15
By Ford, I don't	1. Less than 5%	Every year	Could not recall	Frank Krecji	Service Rep.	(330) 666-(	Montrose Fo	Akron	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Johnsor	Service Manager	(330) 376-9	Dave Towell	Akron	OH			8.10.15
Ford	1. Less than 5%	Twice a year at	Ford determines since	Refused	Service Rep.	Refused	Refused	Refused	OH			8.7.15
Don't know	2. 5% to 10%	Once every 3	Could not recall	Jade Weldor	Service Rep.	(330) 867-	Vandevere	Akron	OH			8.7.15
Don't know	1. Less than 5%	5 years ago was	We're associated with	Matt (?)	Service Rep.	(513) 271-9	Just Blau Mi	Cincinnati	OH			8.7.15
Warrantee	1. Less than 5%	Don't know	Could not recall	Dominic (?)	Service Rep.	(216) 514-1	Central Hum	Beachwoo	OH			8.7.15

How is that determined?	How much of your business is paid for by an insurance company?	How often do you increase that rate?	What factors would cause you to increase your rate?	Fullname	Title	Phone	Company	City	ST		(Recap) Notes	Interview Date
Don't know	1. Less than 5%	Could not recall	Could not recall	Marty Barke	Owner	(330) 821-5	Reese Body	Alliance	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jerry Koppe	Owner	(419) 335-8	Koppenhofe	Wauseon	OH			8.10.15
Don't know	1. Less than 5%	Haven't raised	Could not recall	Ken Wise	Owner	(330) 832-4	Wises Auto	Massillon	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Wayne Uhle	Owner	(330) 695-8	Karch Street	Fredericks	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Justin Corley	Service Manager	(330) 345-4	J D Byrider A	Wooster	OH			8.10.15
Don't know	1. Less than 5%	Don't know	Could not recall	Jim (?)	Owner	(216) 486-8	3 Way Auto	Mentor	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Robert Man	Service Manager	(513) 752-3	Ohio Pike Au	Amelia	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike Bickett	Owner	(937) 429-4	Mikes Garag	Xenia	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Sean Hern	Service Manager	(330) 879-1	Hearns Prec	Navarre	OH			8.10.15
Don't know	1. Less than 5%	Once every 3	Cost of living and	Tom Martin	Owner	(330) 670-9	Martin Auto	Akron	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Paul Pratt	Owner	(330) 833-4	Paul Pratt's	Massillon	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Brian Yeater	Service Manager	(419) 886-4	Randys F &	Bellville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Mike Bosa	Service Manager	(330) 743-8	Shines Auto	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	I haven't had an	Could not recall	Anton Chad	Owner	(330) 633-	Automotive	Akron	OH			8.7.15
Don't know	1. Less than 5%	It's been three ye	Accellerated expenses	Lee Slmeon	Service Manager	(330) 448-6	Westhill Aut	Masury	OH			8.10.15
Don't know	1. Less than 5%	I've been in	If you get greedy, you	Ed Pastorek	Owner	(419) 826-4	Ed Pastorek	Swanton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Jeff Stoller	Owner	(330) 683-6	RNS Auto &	Orrville	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bill (?)	Service Manager	(513) 921-6	Adams Car C	Cincinnati	OH			8.7.15
Don't know	1. Less than 5%	It's been two	Workman's Comp.,	Mark Turner	Owner	(330) 830-1	Turner Auto	Massillon	OH			8.7.15
Don't know	1. Less than 5%	I've been here 4	Could not recall	Adam Wyan	Manager	(330) 478-9	American Ca	Canton	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Petroff	Owner	(419) 524-3	B & B Auto I	Mansfield	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Damon	Service Assistant	(937) 436-4	South Dayto	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jim Aronhalt	Owner	(330) 773-4	Automotive	Akron	OH			8.10.15
Don't know	1. Less than 5%	We don't	No plans to increase	David Drenn	Owner	(330) 297-	Drennen Ser	Ravenna	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Dick Rice	Owner	(513) 868-1	Dicks Servic	Hamilton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Rob (?)	Service Manager	(937) 771-6	Precision Tu	Englewood	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Steve Please	Service Manager	(513) 576-1	Milford Auto	Milford	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bob Hamilto	Owner	(513) 860-1	Springdale A	Cincinnati	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Dwayne Rov	Service Manager	(330) 758-1	Midas Auto	Youngstow	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Kyle Bohn	Service Manager	(937) 429-1	W & W Auto	Dayton	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Tim Kuchler	Owner	(614) 895-8	Hometown S	Westervill	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chris (?)	Service Associate	(419) 893-1	Tireman Aut	Maumee	OH			8.10.15
Don't know	1. Less than 5%	Could not recall s	Could not recall specifi	Justin Davis	Service Manager	(330) 682-6	Flynns Tire &	Orrville	OH			8.10.15
Don't know	1. Less than 5%	About every	Expenses	Connie Stile	Service Writer	(330) 527-1	Charles Auto	Garrettsvil	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Mike (?)	Service Center	(419) 529-6	Sears Auto C	Mansfield	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jeff Davis	Service Manager	(330) 494-1	Jeffs Motor	North Can	OH			8.10.15
Don't know	1. Less than 5%	It's been at $95 t	Certification, cost of	Frank	Owner	(440) 708-6	Highway Ga	Chagrin Fa	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Chris (?)	Store Manager	(419) 841-1	Tuffy Auto S	Toledo	OH			8.10.15
Don't know	1. Less than 5%	Annually or to sta	If we're able to get it w	Sherri Och	Service Manager	(330) 638-1	Apostolakis	Cortland	OH			8.10.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Pat Patterso	Office Manager	(330) 630-4	Sears Auto C	Akron	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Allen Linard	Store Manager	(330) 966-1	Sears Auto C	Canton	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Jim (?)		(740) 657-4	Midas Auto	Galena	OH			8.7.15
Don't know	1. Less than 5%	Don't know	Could not recall	Mike (?)	Service Rep.	(216) 771-1	Conrads	Cleveland	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Bruce Ford	Service Advisor	(614) 559-6	AAA Car Car	Columbus	OH			8.8.15
Don't know	1. Less than 5%	Don't know	Could not recall	Erick Halleen	General Manager	(440) 777-1	Halleen Kia	North Olm	OH			8.7.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Gynnae Brit	Service Advisor	(877) 410-	Byers Toyot	Deleware	OH			8.8.15
Don't know	1. Less than 5%	Could not recall	Could not recall	Wamon Rob	Service Manager	(425) 413-1	Motorplex	Cincinnati	OH			8.10.15

EXHIBIT FIVE

CONVERSION OF AMR-CUP TO RELEVANT MONTHS

EXHIBIT FIVE: CONVERSION OF AUGUST 2015 AMR-CUP TO RELEVANT MONTHS FOR DEFICIENCY CLAIMS

CPI ANALYSIS OF AUTO MECHANICAL LABOR RATES

ADJUSTED HOURLY ACR LABOR RATES	***Year:***	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
NY, nNJ, LI-NY, NJ, CT, PA (Sept 2013 = $80.20)	***Month***											
Motor Vehicle Maintenance and Repair (est.)	***January***	$70.71	$73.09	$74.85	$77.69	$81.62	$82.98	$85.23	$86.47	$87.50	$88.40	$90.66
	February	$70.85	$73.61	$75.39	$78.35	$81.67	$83.20	$85.22	$86.85	$87.32	$89.06	$90.76
MEAN CUP-AMR LABOR RATE ($91.54)	***March***	$71.14	$73.45	$75.44	$78.58	$81.87	$83.19	$84.74	$86.63	$87.44	$89.07	$90.53
(AVERAGE FOR ALL SHOP TYPES)	***April***	$70.87	$73.33	$75.45	$78.82	$82.00	$83.39	$84.98	$86.32	$87.75	$88.99	$90.87
	May	$71.24	$73.63	$75.54	$79.03	$81.86	$83.40	$85.46	$86.67	$88.00	$88.94	$90.85
	June	$71.57	$73.82	$75.73	$79.12	$81.30	$83.58	$85.50	$86.88	$88.19	$89.19	
	July	$71.64	$74.15	$76.22	$79.65	$81.62	$83.52	$85.41	$86.96	$88.76	$89.64	
	August	$72.20	$73.38	$76.54	$80.29	$81.85	$84.00	$85.63	$87.00	$88.56	$89.50	***$91.54***
	September	$72.53	$73.55	$76.43	$80.60	$82.40	$84.55	$86.41	$87.19	$88.44	$89.58	
	October	$72.45	$74.21	$76.62	$80.21	$82.55	$84.78	$86.41	$86.97	$88.38	$89.83	
	November	$72.95	$74.06	$76.56	$80.43	$82.45	$84.90	$86.08	$87.07	$88.19	$90.16	
	December	$73.39	$74.49	$77.14	$81.38	$82.89	$85.14	$86.44	$87.36	$88.38	$90.44	
	ANNUAL	***$71.79***	***$73.71***	***$75.99***	***$79.52***	***$82.01***	***$83.89***	***$85.62***	***$86.86***	***$88.08***	***$89.40***	***$90.74***

ADJUSTED HOURLY ACR LABOR RATES	***Year:***	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
NY, nNJ, LI-NY, NJ, CT, PA (Sept 2013 = $78.43)	***Month***											
Motor Vehicle Maintenance and Repair (est.)	***January***	$63.82	$65.97	$67.55	$70.12	$73.67	$74.89	$76.92	$78.05	$78.97	$79.79	$81.83
	February	$63.94	$66.43	$68.05	$70.72	$73.71	$75.09	$76.91	$78.38	$78.81	$80.38	$81.91
MINIMUM CUP-AMR LABOR RATE ($82.62)	***March***	$64.21	$66.29	$68.09	$70.92	$73.89	$75.09	$76.49	$78.19	$78.92	$80.39	$81.71
(AVERAGE FOR AUTO REPAIR SHOPS)	***April***	$63.96	$66.18	$68.10	$71.14	$74.01	$75.26	$76.70	$77.91	$79.20	$80.32	$82.02
	May	$64.30	$66.46	$68.18	$71.33	$73.88	$75.27	$77.13	$78.22	$79.42	$80.28	$82.00
	June	$64.60	$66.63	$68.35	$71.41	$73.38	$75.44	$77.17	$78.42	$79.60	$80.50	
	July	$64.66	$66.93	$68.80	$71.89	$73.67	$75.38	$77.09	$78.48	$80.11	$80.91	
	August	$65.17	$66.23	$69.09	$72.47	$73.88	$75.82	$77.29	$78.52	$79.93	$80.78	***$82.62***
	September	$65.47	$66.38	$68.98	$72.74	$74.37	$76.31	$77.99	$78.70	$79.82	$80.85	
	October	$65.39	$66.98	$69.16	$72.39	$74.50	$76.52	$77.99	$78.50	$79.77	$81.08	
	November	$65.84	$66.85	$69.10	$72.59	$74.42	$76.63	$77.69	$78.58	$79.59	$81.38	
	December	$66.24	$67.23	$69.63	$73.45	$74.81	$76.84	$78.02	$78.85	$79.77	$81.63	
	ANNUAL	***$64.79***	***$66.52***	***$68.59***	***$71.77***	***$74.01***	***$75.71***	***$77.28***	***$78.40***	***$79.49***	***$80.69***	***$81.90***

ADJUSTED HOURLY ACR LABOR RATES	***Year:***	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***2015***
NY, nNJ, LI-NY, NJ, CT, PA (Sept 2013 = $81.97)	***Month***											
Motor Vehicle Maintenance and Repair (est.)	***January***	$77.32	$79.92	$81.85	$84.95	$89.25	$90.74	$93.20	$94.56	$95.68	$96.67	$99.14
	February	$77.47	$80.49	$82.44	$85.68	$89.31	$90.98	$93.18	$94.97	$95.48	$97.39	$99.24
MAXIMUM CUP-AMR LABOR RATE ($100.10)	***March***	$77.80	$80.32	$82.49	$85.92	$89.53	$90.97	$92.67	$94.73	$95.61	$97.40	$99.00
(AVERAGE FOR AUTO DEALERSHIPS)	***April***	$77.49	$80.18	$82.51	$86.19	$89.67	$91.18	$92.93	$94.39	$95.96	$97.32	$99.37
	May	$77.91	$80.52	$82.60	$86.42	$89.51	$91.20	$93.45	$94.77	$96.23	$97.26	$99.35
	June	$78.26	$80.73	$82.82	$86.52	$88.90	$91.40	$93.50	$95.01	$96.44	$97.54	
	July	$78.34	$81.09	$83.35	$87.10	$89.25	$91.33	$93.39	$95.09	$97.06	$98.02	
	August	$78.96	$80.24	$83.70	$87.80	$89.51	$91.86	$93.64	$95.14	$96.85	$97.87	***$100.10***
	September	$79.32	$80.43	$83.58	$88.14	$90.10	$92.46	$94.49	$95.35	$96.71	$97.95	
	October	$79.22	$81.15	$83.79	$87.71	$90.27	$92.71	$94.49	$95.11	$96.65	$98.23	
	November	$79.77	$80.99	$83.72	$87.95	$90.16	$92.84	$94.13	$95.21	$96.43	$98.59	
	December	$80.26	$81.45	$84.36	$88.99	$90.64	$93.10	$94.53	$95.53	$96.65	$98.90	
	ANNUAL	***$78.50***	***$80.60***	***$83.10***	***$86.95***	***$89.67***	***$91.73***	***$93.63***	***$94.99***	***$96.31***	***$97.76***	***$99.23***

EXHIBIT FIVE

EXHIBIT E

[redacted]

IN THE COURT OF COMMON PLEAS
OF CUYAHOGA COUNTY, OHIO

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BLUE ASH AUTO BODY,
INC., et al.,
Plaintiffs,
vs. Case No. CV-12-791816
PROGRESSIVE CASUALTY
INSURANCE COMPANY, et al.,
Defendants.
****
RUSSELL WESTFALL, et al.,
Plaintiffs,
Case No. CV-14-821172
vs.
PROGRESSIVE CASUALTY
INSURANCE COMPANY, et al.,
Defendants.

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Video Deposition of
FREDERIC B. JENNINGS, JR., Ph.D.
October 21, 2015
9:14 a.m.

Taken at:
Baker & Hostetler
1900 East Ninth Street
Suite 3200
Cleveland, Ohio 44114

Tracy Morse, RPR and Notary Public

some kind, you have a hypothesis of something that you're testing against another hypothesis as the alternative and you look at the data to see if it supports the hypothesis at a level of significance, but that's in the context of statistical data analysis." Does that sound like your testimony from a few seconds ago?

A. That's basically what I said, yes.

Q. But in that response, sir, you didn't tell me what the word, "Hypothesis," meant. So I'm asking you now: What does hypothesis mean?

A. A hypothesis would be an interpretation of the data and its significance in what it means or what it says presumably in contrast to an alternative interpretation.

Q. Did you conduct any experiments to prove or falsify the hypothesis in this matter?

MR. TRASKA: Objection.

Go ahead.

A. No. I don't think I would characterize what I did as conducting any experiments.

Q. Did you do anything to prove or falsify a hypothesis in your work that you did

in this case?

MR. TRASKA: Objection.

Go ahead and answer.

A. Well, as I've said before, I'm not sure I would characterize what I did as hypothesis testing. So I guess my answer to the question as asked is, I didn't do anything to prove or falsify any particular hypothesis.

Q. Did you establish the validity of the scientific testing in any way?

MR. TRASKA: Objection.

Go ahead and answer.

A. I'm not quite sure how to answer a question that seems sort of only obliquely related to what I did do, but I certainly believe that the process of analysis that I went through is entirely valid.

Q. Sir, did you do anything in the work that you did to validate the results that you were putting forth in your report?

A. Again, I'm not sure how to answer the question in the way you are framing it, but I certainly believe in the validity of both the analysis I did and the methods I used and the evidence upon which it was based. So I guess

Q. You would agree with me, sir, you're calling into question the reason they gave you for your termination, correct, in that sentence?

A. What was your question?

Q. You are calling into question what you had been told as for the reason that you were being terminated, correct?

A. Well, that's what seems to be implied by this letter, yes.

Q. Yes. Then if you go over on the right-hand column, the top green highlighting, I'm going to read it to you. "What about my research? My work conjoins with emerging ways of thinking about economic systems. What I am ready to publish if I get time and the freedom I need will overturn cherished beliefs in my field." Do you see that, sir?

A. Yes, I do.

Q. Did you write those words?

A. I presume so.

Q. Did you publish the document that you're referring to in this publication?

A. I'm not sure what you mean by, "The document." What I say is, "What I am ready to

any way from today?

MR. TRASKA: Objection.

Go ahead.

A. No.

Q. When you reviewed your report preparing for this deposition, did you notice any errors that you feel like you need to correct?

A. No.

Q. You're satisfied with the content of it?

A. I am, absolutely.

Q. If you could turn to that document, sir.

A. Which document?

Q. Your report. And just tell us for the record what the exhibit number is.

A. Exhibit 4.

Q. Did you have anybody type any aspect of this document, beside obviously yourself?

A. No.

Q. Did you use other reports that you've generated for other cases in generating this report?

A. Yeah. I drew some of the material from other reports.

Q. What other reports?

A. Oh, well, the report in the Moseley case and the report in Nick's Garage case. I don't know which one I used, but it was probably from the Moseley case.

Q. Do you know what the disposition of the Moseley case is or was?

MR. TRASKA: Objection, relevance.

Go ahead.

A. I'm not sure what its current status is.

Q. Did anybody tell you that the defendant insurance companies filed motions for summary judgment?

A. Well, I know there were motions for summary judgments filed in Florida about whatever 19 cases or whatever that were grouped there.

Q. I'm talking about Moseley.

A. I believe Moseley's case was in that group, yes.

Q. Sir, let me point out to you that Progressive and GEICO and Direct General, who

are routinely below the estimates of independent ACR shops."

Now, there's more of the sentence I'll get to after that, but let's just stay on that first part of it. Do you have data at your disposal about Progressive's estimates on its insureds' auto collision repair, and I'm assuming, ACR means collision claims are routinely below the estimates of independent ACR shops?

MR. TRASKA: Objection, form.

A. I was -- these are assumptions that I was asked to make and build my analysis on and I did not research or have -- I do not have data specifically on that point to support that argument or that assumption at the moment.

Q. The second part of that bullet says, "Which have no choice" -- and I'm assuming you mean the independent ACR shops, correct?

A. Yes.

Q. -- "but to accept or reject these jobs at Progressive's price." So do you have any data from the state of Ohio as it relates to this case on the fact that ACR shops have no

choice but to accept or reject these jobs at Progressive's price?

MR. TRASKA: Objection, foundation.

Go ahead.

A. I think my answer would be the same as the answer I just gave to the first part of this assumption, which was that I was asked to make these assumptions and build my analysis on the basis of these assumptions. I do not personally have any data that specifically support these assumptions. These assumptions are the foundation upon which my analysis is based.

Q. And so if the facts that speak to these issues, not based on assumption but in reality are different -- or supported a different position, then your report is flawed because you relied on this assumption, correct?

MR. TRASKA: Objection.

Go ahead.

A. Well, my report specifically relies upon this assumption. If the assumption is proven wrong, then the report might need to be revised in some aspect.

Q. Well, sir, I think you described

industry experts, many conversations with other industry experts who have said basically this and at least one industry expert report that was submitted in the Nick Orso case, which also said this, you know, it's -- I don't see this comparison as the least bit controversial.

Q. Well, do you believe the court in this case should be referred to the Nick Orso report?

MR. TRASKA: Objection.

Go ahead.

A. No, not necessarily. It's -- as I say, I don't see this as a particular controversial statement.

Q. Well, you thought it was important enough to attach to the Nick Orso report, but not to this one. Is there any particular reason why?

MR. TRASKA: Objection as to form.

Go ahead.

A. The subject of this report is different from the subject of the Orso report where we were really trying to -- or I was really trying to calculate damages. I guess I don't feel like -- as I say, I don't feel like

this is a particularly controversial point and that I am making -- making a point that leads to a conclusion that the auto collision repair work is more complex than auto mechanical repair work and therefore -- and higher training requirements and higher risk and higher costs. And therefore, that the auto -- the arm's length auto collision repair labor rate should be above the unadjusted CUP based on the prevailing auto mechanical repair labor rates and that's basically the --

Q. Sir, you keep repeating your conclusion. I'm asking you for the basis. So let me make it a little bit more granular and maybe we can get to the basis part of this.

A. Okay.

Q. Sir, have you ever repaired a carburetor?

A. I've not repaired a carburetor, no.

Q. Have you ever overhauled an engine?

A. Yes.

Q. What kind of engine did you overhaul?

A. I had a VW Camper for many years and I took that engine totally apart at one

IN THE COURT OF COMMON PLEAS
OF CUYAHOGA COUNTY, OHIO

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BLUE ASH AUTO BODY,
INC., et al.,
Plaintiffs,
vs. Case No. CV-12-791816
PROGRESSIVE CASUALTY
INSURANCE COMPANY, et al.,
Defendants.
****
RUSSELL WESTFALL, et al.,
Plaintiffs,
Case No. CV-14-821172
vs.
PROGRESSIVE CASUALTY
INSURANCE COMPANY, et al.,
Defendants.

~~~~~~~~~~~~~~~~~~~~

Continued Video Deposition of
FREDERIC B. JENNINGS, JR., Ph.D.
October 22, 2015
9:06 a.m.

Taken at:
Baker & Hostetler
1900 East Ninth Street
Suite 3200
Cleveland, Ohio 44114

Tracy Morse, RPR and Notary Public

Q. Okay. You utilized prior reports that you had written to form the foundation of the report you started to work on, correct?

A. I used certain sections of the report from other reports, yes.

Q. You read the complaint in this case, correct?

A. Yes.

Q. Which complaint?

A. I believe I read Westfall.

Q. Okay. And did you read the DeLuca transcript prior to beginning your report?

A. I believe so.

Q. Did you have the entire DeLuca transcript?

A. Yes.

Q. Did you have other transcripts as well?

A. No.

Q. You only had the DeLuca transcript?

A. Correct.

Q. Any particular reason why you only had the DeLuca transcript?

MR. TRASKA: Objection.

Go ahead.

correct?

A. I don't know whether we had a conversation directly or not. I think we may have had one phone conversation, a brief one, but I'm not even sure of that.

Q. Okay. Besides that, did you do anything else before writing the final version of your report?

A. I think that you've outlined the main steps that I took correctly.

Q. Okay. So the analysis that you did to determine what you referred to as a CUP was to take the three averages that we just spoke about and you devalued those over time in your report.

MR. TRASKA: Objection as to form.

Go ahead.

A. Well, that was the mathematical part of the analysis. There's a great deal in the report discussing the CUP and that process and what it means and what it implies, so I wouldn't say that that was all I did in terms of identifying the CUP.

Q. Well, the functional analysis is what is verbatim taken from other reports,

correct?

A. That's correct. Mostly verbatim. I'm sure I edited it slightly, but --

Q. Okay. So from a numerical context, what you did, though, was take the three numbers indicated on that one column of the spreadsheet and then you showed what that number would be looking back in time.

A. Yes, that's correct.

Q. And you didn't compare that in any direct way as a differential to what Progressive did over that course of time, correct?

A. No, not directly.

Q. And you didn't do any calculations concerning what has been called omitted operations, have you?

A. No.

Q. And you haven't looked at any Progressive data, correct?

A. Not in the context of this case, no.

Q. And you haven't looked at any data as it relates to the plaintiff body shops, correct?

EXHIBIT F

[redacted]

IRS Audits - Part 4 Examining Process

IRS Audits

Chapter 61. International Audit Guidelines
Section 3. Development of IRC section 482 Cases

4.61.3 Development of IRC section 482 Cases

4.61.3.1 (01-01-2002)
Development of IRC section 482 Cases

1. IRC section 482 cases involve determining whether controlled transactions meet the arm's length standard. This document provides general guidelines to IEs in the development of IRC section 482 cases. They are intended to apply both to inbound and outbound transactions. (The term "inbound" refers to the flow of goods or services into the United States. The term "outbound" refers to the flow of goods or services out of the United States.) IRC section 482 issues occur in the context of a large variety of factual patterns. Consequently, establishing specific guidelines for every type of factual pattern is impractical.
2. IEs should exercise care and good judgment when recommending IRC section 482 adjustments. *De minimis* adjustments are not to be made. In this context, de minimis is not meant to be a specific dollar figure. Rather, IEs should look to those situations where there have been substantial deviations from the arm's length standard, resulting in a significant shifting of income.

   Note:

   Current guidance and procedures are in the process of being written; therefore, this chapter does not necessarily reflect the Service's approach in all respects.

4.61.3.2 (01-01-2002)
The Final IRC section 482 Regulations

1. Final regulations under IRC section 482 were issued on July 1,1994. Generally, they are applicable to taxable years beginning after October 6,1994. The general guidelines provided by this document incorporate the final regulations. The final regulations further define and expand upon rules and methods previously established under IRC section 482. Consequently, previously established procedures and techniques for developing IRC section 482 cases are basically still applicable.
2. The final regulations reflect the following three basic concepts:
   A. **Comparability.** Prices paid or gross profits earned in controlled transactions should compare favorably to prices paid or gross profits earned in similar uncontrolled transactions.

B. **Flexibility.** Uncertainty is inherently prevalent due to the fact-intensive nature of IRC section 482 cases. Using a method that will most likely achieve reliable results accommodates this uncertainty.
C. **Documentation.** The taxpayer must contemporaneously establish the economic justification for its transfer prices.

3. The key components of the final regulations are as follows:
   A. **Best Method Rule:** This rule replaces the strict priority of methods contained in the prior regulations; The best method is the one that provides the most reliable measure of an arm's length result.
   B. **Comparability:** Specific factors for determining comparability should be considered in applying and selecting different methods; Differences between controlled transactions and uncontrolled comparables should be adjusted for. Such adjustments will affect the reliability of the methods applied.
   C. **Arm's Length Range:** The final regulations recognize that there is usually no single correct transfer price; In many situations, however, a range of arm's length results can be determined.

4.61.3.3 (01-01-2002)
Economic Assistance

1. Referrals for economic assistance are mandatory in the following circumstances:
   A. Coordinated Industry Cases Program (CIC) cases, if a pricing issue is present. See the *Coordinated Industry Cases Program Handbook*.
   B. Non-CIC cases, if an issue has either a potential deficiency of more than $500,000 or significant precedential value
2. IEs should consider referrals for economic assistance (either formal or informal) whenever a functional analysis is to be performed. Economists can provide expertise that may result in a stronger, more efficiently developed case.

4.61.3.4 (01-01-2002)
Approaching IRC section 482 Examinations

1. IEs should use the following general guidelines in approaching IRC section 482 examinations. The guidelines cover three basic procedures.
   a. Preaudit Techniques
   b. Gaining an Understanding of the Taxpayer's Operations
   c. Reviewing Balance Sheets and Income Statements

4.61.3.4.1 (01-01-2002)
Preaudit Techniques

1. Preaudit techniques serve as a starting point for approaching IRC section 482 cases. This document describes the most common preaudit techniques.
2. Review Forms 5471 (*Information Return with Respect to a Foreign Corporation*) for controlled transactions reported by the taxpayer In addition, review Forms 5472 (*Information Return of a Foreign Owned Corporation*) for controlled transactions reported by the taxpayer. The analysis of Forms 5471 and 5472 should consider multiple years.
3. Review the tax return and take note of the following:
   A. Principal Industry Activity Code (PIAC)
   B. Business description
4. Compute the following financial ratios based on both tax and financial data.
   A. Gross profit to net sale
   B. Net profit to net sales
   C. Operating expenses to net sales
   D. Gross profit to operating expenses (Berry ratio)
   E. Operating profit to average total assets
5. Financial ratio analysis applies to both inbound and outbound cases.
6. Compare the taxpayer's financial ratios to applicable standard industry ratios. Standard industry ratios can be found in the following publications:
   A. Robert Morris Associates
   B. Dun & Bradstreet
   C. Moody's
7. Consider comparing the taxpayer's financial ratios to Statistics of Income (SOI) data.

8. When comparing financial data, IEs should be familiar with the source of the data. Standard industry ratios are based on financial data. Comparisons to standard industry ratios should therefore be based on the taxpayer's financial data. SOI data is based on tax data. Comparisons to SOI data should therefore be based on the taxpayer's tax data.
9. Substantial deviations from standard industry ratios or SOI data may indicate a transfer pricing problem. Substantial deviations may therefore suggest a need for further probe or inquiry.

4.61.3.4.2 (01-01-2002)
Understanding the Taxpayer's Operations

1. An IRC section 482 examination requires the IE to gain an understanding of the following:
   A. The U.S. taxpayer's operations
   B. The operations of its foreign affiliates
   C. The relationship between the U.S. taxpayer and its foreign affiliates
   D. The role each entity plays in carrying out the activities of the controlled group
2. Gaining an understanding of the taxpayer's operations entails the following procedures:
   A. Review of annual reports
   B. Review of Form 10–K or Form 20–F
   C. Review of articles about the taxpayer from trade publications and other sources
   D. Research reports published by securities firms
   E. Review of internal publications
   F. Review of legal entity and functional organization charts
   G. Review of minutes of meetings of the following: Board of directors; Shareholders; Various departments; Committees reporting to the board of directors
   H. Review of policy and procedure manuals
   I. Review of books and records
   J. Review customs entry documents
   K. Review of sales catalogs, brochures, and pamphlets
   L. Review of telexes, faxes and other written correspondence between the U.S. taxpayer and foreign affiliates
3. Gaining an understanding of the taxpayer's intangibles may require the following procedures:
   A. Review of U.S. and foreign patents and prosecution files U.S. Patent & Trademark Search Room (703) 308–9800
   B. Review of taxpayer's licenses and assignments recorded and made available to the public at the U.S. Patent & Trademark Office (U.S. PTO (703) 308–9723)
   C. Research of patent litigation involving taxpayer
   D. Review of U.S. and foreign trademark and tradename registrations and trademark litigation involving taxpayer
   E. Review of copyright registrations at U.S. Copyright Office (available also via internet)
   F. Review of state franchise registrations
4. The IE should also gain an understanding of the taxpayer's industry. This can entail the following procedures:
   A. Reviewing industry publications
   B. Reviewing industry guidelines contained in the various handbooks
   C. Consulting with the ISP specialist
   D. Consulting with the Market Segment Specialization Program (MSSP) coordinator
   E. Consulting with an IRS engineer
   F. Consulting with an outside industry expert
5. The IE should consider reviewing sources of information such as those listed in Exhibits 2–6 and 2–7 in this handbook. These sources of information may help provide an understanding of the taxpayer's business. Exhibits 2–6 and 2–7 do not list every useful source of information.
6. Gaining an understanding of the taxpayer's business is an essential procedure. This procedure should involve issuing IDRs. Taxpayers often do not fully or adequately respond to inquiries made in IDRs. Additional IDRs and follow-up IDRs are often needed. Therefore, the IE should issue IDRs relating to this procedure early in the examination. If issued late, the IE may not have enough time to get the essential information.
7. Gaining an understanding of the taxpayer's business may involve many inquiries. The following list provides examples and is not all-inclusive.
   A. Are foreign affiliates manufacturing the same or similar products as the U.S. taxpayer?
   B. Are foreign affiliates using the same or similar manufacturing intangibles? If so, were the manufacturing intangibles

sold or licensed?

C. How is technology transferred between foreign affiliates and the U.S. taxpayer?
D. Is there a cost sharing agreement?
E. Did foreign affiliates or the U.S. taxpayer buy into a cost sharing agreement?
F. What members of the controlled group do research and development?
G. How are the results of research and development disseminated among members of the controlled group?
H. What research and development is conducted?
I. Are marketing intangibles being used to market the product?
J. What members of the controlled group developed the marketing intangibles?
K. What members of the controlled group advertise?

4.61.3.4.3 (01-01-2002)
Reviewing Balance Sheets and Income

1. An IRC section 482 examination requires the IE to review the following:
   A. Balance sheets of taxpayers engaged in controlled transactions
   B. Income statements of taxpayers engaged in controlled transactions
2. The IE should obtain product line income statements for taxpayers engaged in controlled transactions. Product line income statements can identify transfer pricing issues relating to specific product lines. Consolidated income statements may not reveal transfer pricing issues relating to specific product lines. For example, a taxpayer may have one highly profitable product line that hides transfer pricing issues in another product line. Product line statements can help the IE identify the product lines that should be examined.
3. The safe harbor provisions of Reg. 1.6038A–3 require taxpayers to provide the following:
   A. Material profit and loss statements for the U.S. market
   B. Material profit and loss statements for products or services exported from the U.S. market
4. The IE should obtain balance sheets and income statements for a multiple year period. See Reg. 1.482–1(f)(2)(iii). Fluctuations and deviations from industry norms may occur for a particular year. Business cycles and product life cycles occurring over a multiple year period may provide an explanation.
5. The IE should obtain internally prepared management reports, financial statements and budgets. The IE should also obtain internal audit reports. This information may provide a detailed description of the taxpayer's operations. Accordingly, it may help the IE perform a functional analysis of the taxpayer.
6. The IE should obtain information on the foreign related entities, particularly foreign tax return information and bank records.

4.61.3.4.4 (01-01-2002)
Taxpayer Documentation

1. Final regulations under IRC section 482 and IRC section 6662(e) require taxpayers to establish economic justification for their transfer prices at the time the transactions occur. Rev. Proc. 94–33 provides detailed guidance on the application of the regulations to specific years.
2. IEs should request taxpayers to provide transfer pricing documentation. IEs should make these requests at the onset of IRC section 482 examinations. If the documentation provided is not adequate, IEs should do the following:
   A. Consider using other means such as issuing a summons to obtain the necessary information. See Exhibits 1–1 and 1–2 in this handbook.
   B. Consider imposing the IRC section 6662(e) penalty. See the *Penalty Handbook*. For penalties under IRC section 6038A, see the *International Procedures Handbook*.
3. The final regulations under IRC section 6662(e) require taxpayers to provide the following documentation:
   A. An overview of the taxpayer's business
   B. A description of the taxpayer's organizational structure covering all related parties engaged in controlled transactions
   C. Any documentation explicitly required under Section 482
   D. A description of the transfer pricing method selected; this description should include an explanation of why it was selected
   E. A description of the transfer pricing methods considered; this description should include an explanation of why they were not selected
   F. A description of the controlled transactions
   G. A description of the comparables used; this description should include an explanation of how comparability was

evaluated

H. An explanation of the economic analysis and projections relied upon in developing the method
I. A description of any relevant data obtained between the end of the year and the filing of the tax return
J. A general index of the principal and background documents

4.61.3.4.5 (01-01-2002)
Transfers of Tangible Property

1. Reg. 1.482–3 establishes five specific methods for determining an arm's length charge for a controlled transfer of tangible property.
   A. The Comparable Uncontrolled Price (CUP) method
   B. The resale price method
   C. The cost-plus method
   D. The Comparable Profits Method (CPM)
   E. The Profit Split Method (PSM)
2. The CUP method emphasizes product comparability. The resale price and cost plus method emphasize functional comparability. The CPM emphasizes objective measures of profitability based on broad product and functional comparability. The PSM allocates combined profit based on the relative value of controlled taxpayers' contributions. The PSM emphasizes comparability based on functions performed, risks assumed and resources employed. If a true comparable uncontrolled price exists, the CUP method is generally best.
3. Reg. 1.482–1(c) establishes a best method rule for selecting the method that should be used. Under the best method rule, the method that provides the most reliable measure of an arm's length result is the best method. The best method rule applies to all controlled transactions, including controlled transfers of tangible property.
4. A taxpayer may have controlled transactions involving many different products or many separate transactions. Here, analyzing every individual transaction to determine its arm's length price is impractical. Applying methods to overall results for product lines or other groupings is more appropriate. The grouping used should be consistent with the grouping used for the comparable. The grouping used should generally be a product line or product type. See Reg. 1.482–1(f)(2)(iv).
5. IEs should consider the following issues when examining controlled transfers of tangible property.
   A. Product bundling (e.g., sale of a computer with software)
   B. Worldwide split of profits among the controlled taxpayers generated by the controlled activity
   C. Component products (e.g., parts assembled into a component product and an end product)
   D. Volume and price discounts
   E. Sales of products supplemented by other agreements (e.g., warranty and maintenance agreements)
   F. Exchange rates
   G. Replacement prices

4.61.3.4.6 (01-01-2002)
Transfers of Intangible Property

1. Reg. 1.482–4 specifies the following methods for determining an arm's length charge for a controlled transfer of intangible property.
   A. The Comparable Uncontrolled Transaction (CUT) method
   B. The Comparable Profits Method (CPM)
   C. The Profit Split Method (PSM)
2. Reg. 1.482–1(c) establishes a best method rule for selecting the method that should be used. Under the best method rule, the method that provides the most reliable measure of an arm's length result is the best method. The best method rule applies to all controlled transactions, including controlled transfers of intangible property.
3. Reg. 1.482–4 defines an intangible as an asset that comprises any of the following items:
   A. Patents, inventions, formulae, processes, designs, patterns, or know-how
   B. Copyrights and literary, musical, or artistic compositions
   C. Trademarks, trade names, or brand names
   D. Franchises, licenses, or contracts
   E. Methods, programs, systems, procedures, campaigns, surveys, studies, forecasts, estimates, customer lists, or technical data
   F. Other similar items that are valuable because of their intellectual or intangible content

4. In addition, intangible property has substantial value independent of the services of any individual.
5. Intangibles can be of great significance. The economic return on intangibles is frequently substantial. When income-producing intangibles are present, determining their arm's length value is important. Considering actual transfers of intangibles (both into and out of the United States) may provide the best measures of arm's length value.
6. Sometimes, a parent may support its subsidiary in its manufacturing and marketing efforts. In doing so, the parent may transfer a bundle of intangibles to the subsidiary. A bundle of intangibles may consist of two or more individual intangibles. In these cases, IEs should identify the different individual intangibles that are being transferred.
7. Determining arm's length royalty amounts for controlled transfers of intangibles is a challenging exercise. It may require the support of the following specialists:
    A. Economists
    B. Engineers
    C. Industry experts
    D. Experts in the field of licensing intangibles
    E. Marketing experts
    F. Other outside experts
8. In examining a controlled transfer of an intangible, an IE should consider the following:
    A. What was the intangible transferred or licensed?
    B. Who developed the intangible?
    C. Who owned the intangible?
    D. What were the terms of the license?
    E. What were the amounts of the royalties paid under the license? Did the controlled licensee use the intangible in its own manufacturing or marketing operations?
    F. Did the controlled licensee sublicense the intangible? If so, to whom did the licensee sublicense? What were the terms of the sublicense? What were the amounts of the royalties paid under the sublicense?
    G. If the royalties were based on sales, what were the amounts of those sales? If the royalties were based on production, what were the amounts of such production?
9. In examining a controlled transfer of an intangible, an IE should obtain the following documents:
    A. License agreements with all amendments
    B. Sublicense agreements with all amendments
    C. Any correspondence relevant to the substance of the license agreements
    D. Any correspondence relevant to the substance of the sublicense agreements
    E. License agreements with unrelated third parties involving the same or similar intangibles
    F. Any U.S. and foreign patent applications, recorded assignments of patents, prosecution files, and litigation history
    G. Any U.S. and foreign trademark registrations, assignments and licenses recorded at Patent & Trademark Office, and litigation history
    H. Any state registrations of franchises or business opportunities, and taxpayer's disclosures to state governments
    I. Any U.S. and foreign copyright registrations

4.61.3.4.7 (01-01-2002)
Services

1. See Reg. 1.482–2(b). RESERVED

4.61.3.5 (01-01-2002)
Comparability

1. The IE should perform a detailed analysis of the controlled transactions. The IE should perform this detailed analysis after the following is completed:
    A. Gaining an understanding of the taxpayer's operations
    B. Identifying the controlled transactions
2. Reg. 1.482–1(d) provides general rules for determining comparability. Reg. 1.482–1(d)(3) provides five factors for determining whether controlled and uncontrolled transactions are comparable. The factors are:
    A. Functions performed
    B. Risks assumed

C. Contractual terms
D. Economic conditions
E. Property or services

3. The relative importance of the five comparability factors depends on the method applied. Some methods emphasize product comparability. Other methods emphasize functional comparability. Still other methods emphasize broad product and functional comparability when comparing measures of profitability.
4. Analyzing a controlled transaction begins with a functional analysis of the controlled transaction. In addition, a functional analysis of a potential comparable uncontrolled transaction must be performed.
5. A functional analysis is not a pricing method. By itself, it does not determine the arm's length result of the controlled transaction. A functional analysis instead determines the basis for identifying comparables.

4.61.3.5.1 (01-01-2002)
Functional Analysis

1. Determining whether controlled and uncontrolled transactions are comparable requires a comparison of functions performed. lEs must therefore analyze the functions performed in both the controlled and uncontrolled transactions. See Reg. 1.482–1(d)(3)(l).
2. A functional analysis identifies the economically significant activities performed in connection with the transaction. An economically significant activity is one that, at arm's length, materially affects the following:
   A. The price charged in a transaction
   B. The profits earned from a transaction
3. A functional analysis involves determining the following:
   A. What functions were performed by the transacting parties concerning the transaction?
   B. Who performed the functions?
   C. When were the functions performed?
   D. Where were the functions performed?
   E. How were the functions performed?
   F. Why were the functions performed?
   G. What intangibles were employed in the performance of functions?
   H. How were intangibles employed in the performance of functions?
   I. Why was the transaction structured the way it was?
4. A functional analysis involves tracing the flow of products and services within the organization. Delivering products to a market generally involves various stages. These may include the following:
   A. Conceptualization
   B. Research and development
   C. Manufacturing
   D. Testing
   E. Marketing
   F. Sales
   G. Internal usage
5. In performing a functional analysis, additional considerations include:
   A. Did the parent or another affiliate sell product in the subsidiary's market: Before the subsidiary's formation? After the subsidiary's formation? If sales were to unrelated distributors, what resale margins did the unrelated distributors earn?
   B. Does the subsidiary actively perform sales or marketing functions?
   C. Does the subsidiary rely on a distribution network that was previously established by the parent?
   D. Did the subsidiary develop new customers for the product it purchases from the parent?
   E. Have sales of the parent's product in the subsidiary's market increased following the subsidiary's formation?
   F. Has the subsidiary entered into any exclusive or nonexclusive distribution agreements with the parent?
   G. Are there any intangibles associated with the parent's sales of products to the subsidiary?
   H. Has the subsidiary entered into any license agreements with the parent?
6. Performing a functional analysis involves more than a review of the books and records. It involves active interaction with the taxpayer. Interaction with the taxpayer should go beyond the tax department. The tax department generally lacks the knowledge needed to complete a functional analysis. lEs should interview the taxpayer's operational personnel most familiar with the taxpayer's operations. lEs should also consider conducting on-site visitations. On-site visitations enable lEs to do the following:

A. View the taxpayer's operations and the functions performed
B. Gain an understanding of the technical jargon used by the taxpayer
C. Gain an understanding of the dependence or independence of the operation
D. Discover additional facts

7. Exhibit 3–1 provides general guidelines on how to conduct an on-site visitation. Exhibit 3–1 also provides general guidelines on how to interview taxpayers' operational personnel.
8. Exhibit 3–2 provides general guidelines on how to perform a functional analysis.
9. Exhibit 3–3 provides general guidelines on how to present the findings of a functional analysis.

4.61.3.5.2 (01-01-2002)
Scope and Depth of Functional Analysis

1. An IE should obtain a functional organization chart for each transacting party. This chart should identify departments, personnel and the functions they perform.
2. Examining the functions performed by personnel involves examining their credentials. Job titles often do not adequately describe the functions that personnel perform. Certain information sheds more light on the functions that personnel perform. An IE should therefore make inquiries about the following:
   A. The compensation paid to the personnel
   B. The way compensation is structured
   C. The level of skills, training and education possessed by the personnel
3. An IE should obtain the following documents in examining the functions performed by various personnel.
   A. Job descriptions
   B. Performance evaluations
4. An IE should identify the intangibles employed by the transacting parties. An IE should identify the transacting parties that own the intangibles. An IE should verify ownership if the IE is not sure who owns the intangibles. In doing so, an IE should identify and obtain documentation that establishes ownership. See Reg. 1.482–4(f)(3).
5. An IE should identify the property, plant and equipment employed by the transacting parties. In addition, the following questions should be addressed:
   A. How was the equipment acquired?
   B. When was the equipment acquired?
   C. From whom was the equipment acquired?
   D. How much did the equipment cost?
   E. Is the equipment generic or custom-designed?
   F. If it is custom-designed, who designed it?

4.61.3.5.3 (01-01-2002)
Risk Analysis

1. Another factor for determining whether controlled and uncontrolled transactions are comparable is risk. A risk analysis should be performed with the functional analysis. A proper risk analysis will normally require consideration of multiple year data.
2. Risk is a position that will yield an outcome that is not known at the time the position is taken. Risk therefore entails exposure to the possibility of loss. If a company takes on more risk, it will have a greater expectation of profit. In other words, a company will seek greater compensation for taking on more risk. Consequently, a risk taker is in a position either to realize greater profits or suffer greater losses.
3. Identifying the taxpayer that is the true bearer of risk is important. If a taxpayer is a true bearer of a risk, it should realize the profits or suffer the losses that result from taking on the risk. If one controlled taxpayer takes on a risk, another controlled taxpayer should not realize the profit or suffer the loss that results from taking on the risk.
4. Generally, the contractual terms of a controlled transaction determine the controlled taxpayer that bears a particular risk. This allocation of risk specified or implied by the contractual terms should generally be respected. This allocation of risks, however, should conform with the economic substance of the controlled transaction. IEs should be aware of contractual terms that artificially manipulate the allocation of risks. In reviewing the substance of a controlled transaction, lEs should consider the following:
   A. Does the controlled taxpayer have the financial capacity to fund losses that may occur because of having assumed a particular risk? The controlled taxpayer that bears the risk is the controlled taxpayer that, at arm's length, would suffer the consequences of resulting losses. See Reg. 1.482–1(d)(3)(iii)(B)(2).
   B. Does the controlled taxpayer have control over the business activities that involve a particular risk? At arm's length,

transacting parties bear risks of business activities that they control. See Reg. 1.482–1(d)(3)(iii)(B)(3).

C. Is the actual conduct of the transacting controlled taxpayers consistent with the contractual terms? If not, the allocation of risks provided by the contractual terms should not be respected. See Reg. 1.482–1(d)(3)(iii)(B)(1).

D. Are the risks assumed commensurate with the potential economic benefit of the controlled transaction? At arm's length, the transacting party that can realize the benefit generally bears the risk.

E. Is the controlled taxpayer engaged in the business activity to which the risk relates? Risk should generally be allocated to a controlled taxpayer engaged in the related business activity.

5. Reg. 1.482–1(d)(3)(iii)(A) provides examples of risks that IEs should consider. They include the following:
   A. Market risks including fluctuations in costs, demand, prices and inventory levels
   B. Risks associated with the success or failure of research and development activities
   C. Financial risks including fluctuations in foreign currency rates of exchange and interest rates
   D. Credit and collection risks
   E. Product liability risks
   F. General business risks relating to the ownership of property, plant and equipment

4.61.3.5.4 (01-01-2002)
Contractual Terms

1. Another factor for determining whether controlled and uncontrolled transactions are comparable is contractual terms. IEs must therefore analyze the contractual terms of both the controlled and uncontrolled transactions.
2. Controlled taxpayers often enter into written sales, distribution, licensing, cost sharing and other agreements. IEs should obtain copies of all written agreements between the taxpayer and related parties. Written agreements may include amendments and correspondence as well as the original agreement. IEs should also consider obtaining documents relating to the negotiation of related party agreements.
3. IEs should respect contractual terms of written agreements between controlled taxpayers if they are consistent with the economic substance of the underlying transactions. In evaluating economic substance, IEs should give greatest weight to the following (see Reg. 1.482–1(d)(3)(ii)(B)):
   A. The actual conduct of the contracting parties
   B. The respective legal rights of the contracting parties
4. Reg. 1.482–1(d)(3)(ii)(A) provides examples of contractual terms. They include the following:
   A. The form of consideration charged or paid
   B. Sales or purchase volume
   C. The scope and terms of warranties provided
   D. Rights to updates, revisions or modifications
   E. The duration of the agreement including termination or renegotiation rights
   F. Collateral services relating to the agreement
   G. Extension of credit and payment terms

4.61.3.5.5 (01-01-2002)
Economic Conditions

1. Another factor for determining whether controlled and uncontrolled transactions are comparable are economic conditions. Economic conditions may affect the prices charged in controlled and uncontrolled transactions. Economic conditions may also affect the profit earned from controlled and uncontrolled transactions. IEs must therefore analyze the economic conditions affecting both the controlled and uncontrolled transactions.
2. Reg. 1.482–1(d)(3)(iv) provides examples of economic conditions. They include the following:
   A. The geographic location of the market
   B. The size of the market
   C. The level of the market
   D. The market share of the relevant product or service
   E. Location-specific costs of the factors of production and distribution
   F. The competition in the market
   G. The economic condition of the industry

4.61.3.5.6 (01-01-2002)

Property or Services

1. Another factor for determining whether controlled and uncontrolled transactions are comparable is the property or services involved. IEs must therefore analyze the property or services involved in both the controlled and uncontrolled transactions.
2. IEs should consider obtaining the following information to analyze property or services.
    A. Sales catalogs, brochures, pamphlets and other sales literature
    B. Technical literature describing the property or services
    C. Descriptions of competing products or services
3. IEs should consider interviewing sales and marketing personnel employed by the taxpayer. Sales and marketing personnel can generally describe the taxpayer's products or services in detail.

4.61.3.6 (01-01-2002)
Searching for Comparables

1. An uncontrolled transaction need not be identical to the controlled transaction to be considered comparable. To be considered comparable, an uncontrolled transaction should be sufficiently similar to the controlled transaction. In other words, it should facilitate a reliable measure of an arm's length result. Material differences with the controlled transaction reduce the comparability of the uncontrolled transaction.
2. The availability of comparables will vary from case to case.
3. The search for a comparable should begin with a review of the taxpayer's operations. The taxpayer may have engaged in uncontrolled transactions potentially comparable to the controlled transactions. This type of comparable is known as an internal comparable. Reviewing the taxpayer's operations may also reveal unrelated parties that engage in comparable uncontrolled transactions. These types of comparables are known as external comparables.
4. Exhibit 2–6 lists reference materials that may be helpful in searching for external comparables. Many of these reference materials are available in public libraries.
5. The U.S. Customs Service has a data base relating to imports into the United States. The source of the information is Form 7501 (*Entry Summary*) filings for imports into the U.S. Form 7501 contains the following information:
    A. Description of the product imported into the U.S.
    B. Value of the product imported into the U.S.
    C. Number of units of the product into the U.S.
    D. Country of export
    E. Import duties paid
6. The U.S. Customs Service will provide import information to the Service upon request. Import information may provide external comparables that can be used to establish an arm's length transfer price.
7. Requests for U.S. Customs information should be directed to the U.S. Customs headquarters office (in Washington, D.C.). The Director, International should make such requests through the International Enforcement Division.

4.61.3.7 (01-01-2002)
Selecting the Method

1. Reg. 1.482–1(c) establishes a best method rule for selecting the method that should be used. Under the best method rule, the best method is one that provides the most reliable measure of an arm's length result.
2. The best method rule looks to two factors in determining which method is best:
    A. The comparability between the controlled transaction and the uncontrolled comparables
    B. The quality of the data and assumptions
3. Material differences with the controlled transaction reduce the comparability of uncontrolled comparables. Adjustments to uncontrolled transactions to account for these differences may increase the comparability of uncontrolled comparables. This depends on the number, size and reliability of those adjustments.
4. IEs should select uncontrolled comparables based on the comparability criteria relevant to the method used. If the uncontrolled comparables are sufficiently comparable, the CUP and CUT methods are generally best. If the comparability of the uncontrolled comparables is less, IEs should consider other methods.
5. In some cases, available information may permit the application of more than one method. Selecting the best of the available methods may not always be so clear-cut. More than one method may be the best method. In this situation, selecting the best method requires lEs to consider confirmation by another method. For example, one method may produce results consistent with results of another method, while a second method may not. If both methods are equally reliable, lEs should select the method with confirmable results. A similar selection process applies to the review of variations of the same method.

6. Before selecting the best method, lEs should complete the following:
   A. Functional and risk analysis
   B. Analysis of the relevant economic conditions, contractual terms, and property or services
   C. Search for comparables

4.61.3.8 (01-01-2002)
Computing the Adjustment

1. Applying the best method to two or more uncontrolled comparables generally determines an arm's length range. An IRC section 482 adjustment is not appropriate if the taxpayer's results fall within an arm's length range.
2. If the taxpayer's results fall outside an arm's length range, an IRC section 482 adjustment is appropriate. Based on the facts and circumstances, lEs can adjust the taxpayer's result to any point within the arm's length range. In some cases, such as when differences between the comparable uncontrolled transactions and the controlled transactions cannot be reasonably quantified or adjusted, the arm's length range will consist of the interquartile range. An IRC section 482 adjustment should generally be to the median point of the interquartile arm's length range.
3. IEs will clearly document and explain IRC section 482 adjustment computations. IRC section 482 adjustment computations will specifically identify the uncontrolled comparables used. IRC section 482 adjustment computations will also explain how the uncontrolled comparables were factored into the computations.
4. Refer to the *International Procedures Handbook* for cases affected by Rev. Proc. 65–17 and also for the treatment of correlative adjustments under IRC section 482.

4.61.3.9 (01-01-2002)
Assistance from Counsel

1. Counsel can provide advice to IEs from a litigating perspective.
2. Counsel can provide the following assistance to IEs:
   A. Reviewing summonses and IRC section 6038A summonses for appropriate wording
   B. Reviewing IRC section 982 formal document requests for appropriate wording
   C. Recommending that certain information be obtained, e.g., through information exchange under the applicable income tax treaty
   D. Interpreting regulations and case law
   E. Interpreting contracts governing controlled or uncontrolled transactions
   F. Researching intellectual property law, foreign law, or any other area of law underlying the contracts or otherwise related to the facts of the case

Exhibit 4.61.3-1 (01-01-2002)
On-Site Visitations

1. Why should an on-site visitation be conducted?

a. IEs may be able to identify issues that are difficult to identify without an on-site visitation. One issue, for instance, may involve the performance of services for a foreign affiliate. This issue may be easier to identify by visiting the foreign affiliate's operation.

b. An on-site visitation may enhance the credibility of an IE report. Personal observations and interviews, for instance, may improve explanations of functions. An IE report with a better description of facts conveys better understanding. Better understanding helps Appeals and Counsel if they become involved with the case.

c. IEs can gain a better understanding of a function by seeing it. Taxpayers will often use technical jargon to explain functions. Technical jargon conveys complexity that can often confuse IEs. Personal observation is often the best way to understand the true meaning of technical jargon.

d. An on-site visitation can help an IE gain a better understanding of the taxpayer's position. It may help the IE identify factual shortcomings in the taxpayer's position. It may also help an IE overcome "spin" that taxpayers sometimes put on the facts.

2. Who should attend an on-site visitation?

a. The purpose of an on-site visitation is to identify and develop potential issues. Thus, the Service personnel responsible for identifying and developing issues should attend the on-site visitation.

b. Service personnel should gather as much information as possible when making an on-site visitation. Ordinarily, more than one person is needed to successfully accomplish this task.

c. The IE has primary responsibility for development of international issues. The IE's presence is therefore critical to the success of the on-site visitation.

d. The economist assigned to the case should also attend the on-site visitation.

e. The international manager is ultimately responsible for the development of international issues. The international manager can participate directly in interviews of taxpayer personnel with the IE. This participation may enhance the Service's position in subsequent resolution discussions. The international manager should therefore consider attending the on-site visitation. Generally, the attendance of international managers is more imperative than the attendance of other managers. The international manager is, therefore, usually the first choice of managers to attend.

f. Managerial support of on-site visitations is important in dealing with the taxpayer. Taxpayers will respond more positively to examiners when managers support the effort. Managers can also play an active role in resolving disagreements with taxpayers as they arise. The selection of managers to attend the on-site visitation depends on what must be accomplished.

g. If the taxpayer's operations are highly technical, an engineer should attend the on-site visitation. Engineers are skilled at understanding the technology used in a taxpayer's operation. If already involved with the case, Counsel should consider attending the on-site visitation. Counsel can assist in identifying and developing issues. Counsel should attend an on-site visitation if the taxpayer's attorneys are present.

h. Other Service personnel can help make an on-site visitation successful. These include other international examiners, outside experts and team coordinators.

3. Where should an on-site visitation take place?

a. Selecting the location for the on-site visitation is an important decision. Gaining an understanding of the taxpayer's functions is the primary consideration in making this decision.

b. Examiners should consider visiting the following locations:

(1) ***Manufacturing Plants.*** Visiting a manufacturing plant may help develop an understanding of how the following are produced:

a. Raw Materials

b. Intermediate Components

c. Finished Goods

(2) ***Marketing Offices.*** Visiting a marketing office may help develop an understanding of the following:

a. Marketing and advertising functions performed by the taxpayer and its foreign affiliates

b. The development and exploitation of marketing intangibles

c. The degree of parental support and control

(3) ***Distribution Centers and Warehouses.*** Visiting a distribution center or a warehouse may help develop an understanding of the following:

a. Distribution, warehousing and other functions performed by the taxpayer and its foreign affiliates

b. The goods being distributed

c. The extent to which an inventory of the goods is maintained

d. Inventory-related risks assumed by the taxpayer and its foreign affiliates

(4) ***Research and Development Centers.*** Visiting a research and development center may help develop an understanding of the following:

a. Research and development functions performed by the taxpayer and its foreign affiliates

b. The direction of research and development efforts

c. The degree of support provided by and to other research and development centers

d. The exploitation of the technology and know-how generated by the research and development center

(5) ***Quality Control Locations.*** Visiting a quality control location may help develop an understanding of the following:

a. Quality control functions performed by the taxpayer and its foreign affiliates.

b. The degree of parental control over quality control standards.

c. The sophistication of personnel and equipment utilized in the manufacturing process.

4. What should be done to prepare for an on-site visitation?

a. Preparing for an on-site visitation is critical to its success. If the IE forgets to make essential inquiries, a follow-up visitation may not be possible. Everything that needs to be done during the on-site visitation must be done. The IE should not make a prematurely planned on-site visitation.

b. The IE should make sure that enough time is allowed for the on-site visitation.

c. Before going on the on-site visitation, the IE should consider obtaining the following information:

(1) Diagrams of the physical layouts of manufacturing plants and other facilities to be visited

(2) Photographs and videos of the facilities to be visited

(3) Flowcharts that diagram manufacturing processes performed

(4) Personnel charts

(5) Resumes and job descriptions for key personnel

(6) Lists of patents owned by or licensed to the manufacturing plant during the tax years under examination

(7) Litigation history of each patent licensed or owned during those years

d. The IE should identify positions of interest and personnel to be interviewed in advance. The current personnel may not have worked for the taxpayer during the years under examination. If this is the case, the IE should request to interview personnel that currently occupy the positions of interest.

e. The IE should prepare a list of topics to be covered during the interviews. The IE should prepare an outline of questions to be asked for each interview.

f. The IE and the taxpayer should agree on a timetable for the interviews. The IE should ensure that enough time is allowed for preparation of notes and follow-up questions. IEs should avoid the placement of time constraints on the interviews. Flexibility should be maintained.

g. The Service personnel attending the on-site visitation should choose a primary interviewer for each interview. Service personnel that will not act as the primary interviewer should plan on taking notes. The entire Service team should plan on formulating and asking follow-up questions. Interviews are more productive when performed as a team. Responsibility should be shared. One person cannot do everything.

h. An on-site visitation may involve a tour of a plant and other facilities. The IE should get a description of what will be toured. The IE should know who the guide will be.

i. The IE should obtain and review written functional analyses prepared by the taxpayer.

j. The IE should consider making arrangements to photograph or videotape the location. Videotapes and photographs can convey a much better description than a written report. The IE should consider asking the taxpayer to participate in the videotaping or photographing. A joint effort may result in a more balanced presentation. The IE should also consider making arrangements to have the interviews recorded.

k. The IE should consider discussing on-site visitation plans with Counsel and outside experts. Counsel and outside experts can help the IE determine the inquiries that should be made.

l. The IE should consult with other IEs who have attended similar on-site visitations. Shared experiences may help the IE identify issues and inquiries that should be made.

5. What should be done during an on-site visitation?

a. The Service personnel attending the on-site visitation should conduct interviews and observe the facilities. All Service personnel attending the on-site visitation should take notes during interviews and tours. Service personnel attending the on-site visitation should compare notes daily.

b. The taxpayer may refer to specific documents during an interview. The IE should obtain the name of these documents and ascertain their existence. The IE should inquire about the existence of these documents during the years under examination. The IE should ask the taxpayer to provide copies of documents that will be needed.

c. The IE should consider reviewing the books and records at the location visited. A review of sales and purchases journals may identify potential comparables. A review of detailed asset records may describe the property employed at the location visited. A review of the books and records may identify unrelated license agreements.

d. The timing of the on-site visitation will not coincide with the years under examination. During prior years, the taxpayer may not have performed the functions that it currently performs. The IE should determine the differences in functions performed between the past and present. In conducting interviews, the IE should understand what time period the discussion relates to. The IE should request to look at U.S. and international registrations of trademarks and brand names as well as trademark development files, records or other evidence of first use, marketing plans and expenditures.

e. The IE should consider making visits to local industry organizations to identify possible comparables. The IE should consider scanning the local telephone book for possible comparables. The IE should consider visiting local government organizations. In doing so, the IE can find out if local industrial development incentives are available.

f. The IE should also request to review patent prosecutions files for all patent applications, whether the patent was granted or denied. The patent prosecution files will discuss competing technologies and their advantages and disadvantages over the technology covered in the patent. A patent is often denied because the patent examiner finds the invention obvious when compared with the competing technology. The patent prosecution files are therefore another source for potential comparables. If these files are not available from the taxpayer, the IE may request them from the U.S. Patent & Trademark Office.

g. The IE should also research recorded licenses and assignments of any patents or trademarks. The U.S. Patent & Trademark Office makes all recorded assignments and licenses available to the public. Call (703) 308–9723 for more information. This may prove a valuable source for comparable uncontrolled transactions. (CUT §1.482–4).

6. How should an on-site visitation be arranged?

a. See Chapter 9 of the *International Procedures Handbook* for specific procedures for obtaining permission to travel overseas. The *Travel Handbook* provides general guidelines for travel. The following documents provide information on foreign travel:

(1) *Sourcebook on International Travel* (Document 7397). This document is a general reference for foreign travel.

(2) *On-site Interview Report* (Document 8418). This document provides information concerning the performance of interviews in specific countries.

(3) *Sources of Information from Abroad* (Document 6743). This document lists the types of information available in specific foreign countries.

b. The IE should obtain approval for the visit from the taxpayer. In doing so, the IE should get a written invitation from the foreign affiliate. The foreign government will need to know that the foreign affiliate has granted permission for the visit.

c. The IE should request permission to travel overseas well in advance. Foreign travel requests should be filed:

(1) At least 30 days in advance, if the traveler has an official passport

(2) At least 45 days in advance, if the traveler does not have an official passport

For assistance with foreign travel requests, contact the Foreign Travel Coordinator at FTS or commercial (202) 874–1810.

Note: Obtaining foreign government competent authority approval can take up to 6 weeks.

Exhibit 4.61.3-2 (01-01-2002)
Development of IRC section 482 Cases — General Audit Procedures and Techniques

This exhibit lists procedures for developing IRC section 482 cases in specific inbound and outbound situations. Specific fact patterns will always determine the procedures that examiners should follow.

1. Inbound Situation

Taxpayer is a U.S. corporation owned by a foreign parent. Taxpayer is the exclusive U.S. distributor of three product lines manufactured by the foreign parent. There are no comparable uncontrolled prices relating to purchases from the foreign parent. Taxpayer reported a taxable loss for prior years as well as for the current year. Taxpayer's fiscal year is the calender year.

Developing an IRC section 482 case in this situation involves the following procedures:

a. **Preaudit Techniques**

(1) Review the following:

a. Permanent file

b. Prior examination reports

c. Prior Appeals reports for identification and disposition of IRC section 482 issues

(2) Analyze Form 1120 and attachments, especially Form 5472, noting all controlled transactions.

(3) Calculate key financial ratios, preferably for three or more years.

(4) Compare the taxpayer's financial ratios to published financial ratios for the same industry. Determine if the taxpayer's financial ratios differ significantly from the industry ratios.

(5) Determine whether a potential IRC section 482 pricing issue exists.

b. **Gaining an Understanding of the Operations**

(1) Review the following:

a. The taxpayer's annual reports

b. The taxpayer's audited financial statements

c. Securities and Exchange Commission (SEC) Forms 10–K filed on behalf of the taxpayer, if filed

(2) Review the following:

a. The foreign parent's annual reports

b. The foreign parent's audited financial statements

c. SEC Forms 20–F filed on behalf of the foreign parent, if filed

(3) Review newspapers, journals and periodicals for specific information on the taxpayer and its foreign parent. Review company profiles prepared by security analysts about the taxpayer and its foreign parent.

(4) Obtain a worldwide legal entity organization chart for the foreign parent. This chart should show dates of incorporation. It should also explain the effect of mergers, acquisitions, and reorganizations.

(5) Obtain a functional organization chart for the taxpayer.

(6) Ask for reports on investigations and examinations of the taxpayer such as:

a. U.S. Customs Service import duty investigations

b. U.S. Department of Commerce anti-dumping investigations

c. U.S. International Trade Administration anti-dumping investigations

d. Examination reports of state and foreign government taxing authorities

(7) Review minutes of meetings of the Board of Directors and corporate committees.

(8) Obtain a listing of all corporate policy and procedure manuals.

(9) Obtain sales catalogs, brochures and pamphlets relating to the three product lines.

(10) Review telexes, faxes and other written correspondence between the U.S. taxpayer and foreign affiliates.

c. **Reviewing Balance Sheets and Profit and Loss Statements**

(1) Obtain the most detailed balance sheets.

(2) Obtain the most detailed profit and loss statements. Obtain a breakdown of each of the major income and expense items.

(3) Obtain periodic internal financial statements and budget reports.

(4) Request profit and loss statements for each of the taxpayer's three product lines.

(5) Calculate key financial ratios on a product line basis.

(6) Compare the taxpayer's product line financial ratios to published ratios for the same industry.

(7) Determine the scope of the examination. Determine whether the scope of the examination needs to be limited to specific product lines.

d. Examination of Controlled Transactions — Purchases of Tangible Property

(1) Obtain a copy of the intercompany pricing policy. Request an economic explanation that justifies the policy.

(2) Request a copy of a transfer pricing study prepared by the taxpayer. A transfer pricing study may provide much of the information that is required by an IRC section 482 examination. 1994 is the first year the taxpayer is subject to the IRC section 6662(e) documentation requirements. This request should therefore be limited to years beginning with 1994.

(3) Obtain copies of all fully executed agreements between the taxpayer and its foreign parent. Obtain copies of all amendments to those agreements. The following examples of agreements between the taxpayer and its foreign parent may exist:

a. Distribution agreements

b. Warranty and service agreements

c. Advertising and marketing agreements

d. License agreements relating to the use of trade names and trademarks or franchises

e. License agreements relating to the use of technology protected as a trade secret; the manufacture, use, or sale of a patented invention; or the reproduction, use, or sale of copyrighted materials

(4) Analyze controlled transactions with respect to the following factors:

a. Functions performed such as the following:

1. Regulatory administration (e.g., medical devices

2. Marketing/advertising

3. Sales

4. Warehousing

5. Distribution

6. Minor assembly

7. Shipping

8. Customization

9. Installation

10. Credit and collection

11. After-sale Servicing

12. Warranty administration

b. Risks assumed such as the following:
   1. Market risks
   2. Financial risks, including fluctuations in foreign currency rates of exchange and interest rates
   3. Credit and collection risks
   4. General business risks
   5. Litigation risk (e.g., patent infringement, product liability, antidumping)

c. Contractual terms such as the following:
   1. Form and time of payment
   2. Discounts
   3. Shipment
   4. Purchase commitments
   5. Product returned by the customer
   6. Supportive services

d. Economic conditions:
   1. Level of market
   2. Size of market
   3. Geographical location
   4. Relevant market shares for the products distributed

e. Property or services:
   1. Products distributed
   2. Intangible property associated with the products distributed such as patents, trade names, and trademarks

(5) Conduct interviews with the taxpayer's personnel knowledgeable about the taxpayer's operations and policies. The following inquiries should be made.

a. Operating History
   1. How did the foreign parent market its products in the U.S. prior to the taxpayer's formation?
   2. Why has the taxpayer consistently experienced operating losses?
   3. When does it expect to make a profit?
   4. What will bring about the turnaround?

b. Functional and Risk Analysis
   1. What functions does the taxpayer perform as the exclusive distributor for the foreign parent?
   2. What risks does the taxpayer bear as the exclusive distributor for the foreign parent?

c. Products and Markets
1. Who are the taxpayer's largest customers?
2. Who are the taxpayer's major competitors?
3. What is the outlook for the taxpayer's products in the U.S. marketplace?
4. How important are manufacturing intangibles in marketing and selling the products?
5. How important are marketing intangibles in marketing and selling the products?

(6) Conduct an on-site visitation of the taxpayer's operations using the guidelines provided by Exhibit 3–1.

(7) Prepare a functional analysis based on information obtained from the taxpayer. Use the guidelines provided by Exhibit 3–3.

(8) Determine the arm's length result of the taxpayer's controlled transactions by performing the following steps:

a. Search for potential internal and external comparables.

b. Conduct a functional risk analysis of each of the potential comparables.

c. Adjust the comparables for differences between the comparables and the controlled transactions.

d. Determine an arm's length range from the comparables discovered.

e. Determine whether an IRC section 482 adjustment should be made.

2. Outbound Situation

U.S. taxpayer owns a controlled foreign corporation (CFC). U.S. taxpayer has licensed the CFC to manufacture its proprietary products. The foreign country where the CFC conducts operations grants an income tax exemption to manufactures. Accordingly, the CFC pays no income tax. The CFC sells a substantial portion of the products it manufacturers back to U.S. taxpayer. U.S. taxpayer distributes these products in the U.S. market. The CFC also sells products to unrelated foreign distributors. The CFC reported substantial operating profits during the years under examination.

Developing an IRC section 482 case in an inbound situation involves the procedures described above. Developing an IRC section 482 case in an outbound situation involves the same basic procedures. Additionally, the examiner should request the following information specifically relevant to the outbound situation.

a. **History and Background**

13. Date the CFC was formed
14. Date the CFC commenced manufacturing activities
15. The CFCs profit and loss statements and balance sheets for the years under examination
16. The CFCs audited financial statements
17. All internal audit reports relating to the CFC
18. Form 5471 and supporting schedules

b. **Formation of the CFC**

1. Minutes of Board of Directors meetings relating to the formation of the CFC.
2. All documents relating to the formation of the CFC. These documents may include the following:

f. Business plans
g. Reports and studies
h. Financial analyses and budget forecasts
i. Any documents prepared for the purpose of evaluating the formation of the CFC

c. **Government Benefits and Incentives Provided to the CFC**

1. Applications for tax exemption submitted to the foreign country on behalf of the CFC
2. The foreign country's official response to this application
3. Applications for financial assistance submitted to the foreign country on behalf of the CFC
4. The foreign country's official response to this application
5. Any other documents relating to tax exemptions financial assistance granted to the CFC

d. **Manufacturing Facilities**

1. Blueprints of the CFC's manufacturing facility
2. Summaries of allocations of floor space by functional activity
3. Fixed asset records

e. **Personnel**

1. Total headcount for the CFC
2. Headcount for each of the CFC's departments
3. Personnel chart for the CFC which identifies departments, department managers, and reporting relationships

f. **Products**

1. Sales catalogs, brochures, and price lists relating to the products manufactured by the CFC
2. Bills of materials for products manufactured by the CFC
3. Standard cost sheets for products manufactured by the CFC
4. Description of the manufacturing activities performed by the CFC
5. Listing of the leading manufacturers of competing products

g. **Transfers of Intangibles**

1. License agreements relating to controlled transfers of manufacturing intangibles to the CFC
2. The amount of royalties paid by the CFC pursuant to these agreements
3. Copies of all research and development cost sharing agreements between the CFC and affiliates
4. The amount of cost sharing payments paid by the CFC pursuant to these agreements

5. License agreements relating to controlled transfers of marketing intangibles to the CFC
6. The amount of royalties paid by the CFC pursuant to these agreements

h. **Development of Manufacturing Intangibles**

1. The amount of research and development expenses incurred by the U.S. taxpayer and the CFC
2. A listing of research and development projects undertaken by the U.S. taxpayer and the CFC
3. The amount of engineering expenses incurred by the U.S. taxpayer and the CFC
4. A listing of engineering projects undertaken by the U.S. taxpayer and the CFC

i. **Purchases of Raw Materials**

1. The amount of materials purchased by the CFC
2. The amount of materials purchased from each affiliated vendor
3. Intercompany pricing policy relating to purchases of raw materials from affiliated vendors

j. **Sales of Finished Product**

1. The amount of sales of finished products
2. The amount of sales of finished products (number of units and dollar amount) to each affiliated customer
3. The amount of sales of finished products (number of units and dollar amount) to each unaffiliated customer
4. Distribution agreements with both affiliated and unaffiliated customers
5. Sample of sales invoices for finished products shipped to both affiliated and unaffiliated customers
6. Sample of U.S. Customs documents (e.g. U.S. Customs Form 7501) relating to sales of finished products to the U.S. taxpayer

Exhibit 4.61.3-3 (01-01-2002)
Presentation of Findings

A. Functional Analysis

A functional checklist can be used to present the following information:

- Functions performed by taxpayers engaged in controlled transactions
- Intangible property owned by controlled taxpayers

The functional checklist does not present the arm's length result for the controlled transactions. It instead presents information that is needed to determine the arm's length result.

Example 1 — Offshore Manufacturing

A foreign subsidiary manufactures apparel for its U.S. parent. The U.S. parent and the foreign subsidiary performed the following functions:

Functions Performed	Subsidiary	Parent
a. Product Design		X
b. Product Specification		X
c. Process Engineering:		
1. Small Scale Production		X
2. Large Scale Production	X	
d. Purchasing:		
1. Selection of Materials and Trimmings		X
2. Purchase of Materials and Trimmings from Unrelated Vendors		X
e. Inventory Control	X	
f. Production Scheduling	X	

g. Apparel Production:			
1. Marking	X		
2. Spreading	X		
3. Cutting	X		
4. Sewing	X		
5. Packaging	X		
h. Quality Control	X		
i. Distribution:			
1. Sales of Finished Product to U.S. Parent	X		
2. Resales of Finished Product Under Brand Name to Authorized Dealers and Distributors			X
3. Resales of Finished Product Under Private Labels to Major Retail Chains			X
j. Marketing			X
k. Advertising			X
l. Warranty Administration			X
m. Accounting and Finance	X		X
n. Data Processing	X		X
o. Engineering	X		X
p. Human Resources	X		X

Example 2 — Offshore Manufacturing and Distribution

A U.S. parent established both a manufacturing branch and a distribution subsidiary in a foreign country. The two entities share the same facility. The manufacturing branch sells its output of personal care products to the distribution subsidiary. The U.S. parent, the manufacturing branch and the distribution subsidiary perform the following functions:

Functions Performed	**U.S. Parent**	**Foreign Branch**	**Foreign Subsidiary**
a. Developed formula for product	X		
b. Owns U.S. patent	X		
c. Owns foreign country patent	X		
d. Manufactures personal care product		X	
e. Transfers product title to the subsidiary when subsidiary pulls product to fill shipping orders		X	
f. Owns U.S. trade name	X		
g. Owns foreign country tradename	X		
h. Establishes marketing strategy			X
i. Implements marketing plan			X
j. Sells product to unrelated parties			X
k. Reimburses subsidiary for all budgeted advertising, promotion, and market		X	

research expenses

B. Risk Analysis

A risk checklist can be used to present information about risks and the assumption of risks. Like the functional checklist, it does not present the arm's length result for the controlled transactions. It instead provides information that is needed to determine the arm's length result.

For example, manufacturers producing similar consumer electronic products may assume varying degrees of risk.

Risk Assumed	Contract Manufacturer	Private Label Manufacturer	Brand Name Manufacturer
Research and Development	No	Yes	Yes
Raw Materials Inventory	No	Limited	Yes
Finished Goods Inventory	No	No	Yes
Market	No	No	Yes
Advertising and Promotion	No	No	Yes
Credit and Collection	Limited	Limited	Yes

EXHIBIT G

[redacted]

EXHIBIT "G" TO THE DECLARATION OF MICHAEL R. NELSON IN SUPPORT OF DEFENDANTS' MOTION TO EXCLUDE THE EXPERT REPORT AND PROPOSED TESTIMONY OF FREDERIC B. JENNINGS JR., PH.D., FEBRUARY 12, 2018

CONFIDENTIAL PURSUANT TO THE PARTIES' STIPULATED PROTECTIVE ORDER DATED SEPTEMBER 5, 2013 (ECF NO. 32)

FILED UNDER SEAL IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK 5:12-cv-00777-MAD-ATB

EXHIBIT H

[redacted]

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
JACKSON DIVISION

JOHN MOSLEY,
INDIVIDUALLY, AND CLINTON
BODY SHOP, INC.; DANIEL
MOSLEY, INDIVIDUALLY,
AND, CLINTON BODY SHOP OF
RICHLAND, INC.

PLAINTIFFS

V. CIVIL ACTION NO.3:13-CV-00161 LG-JMR

GEICO INSURANCE COMPANY;
PROGRESSIVE INSURANCE
COMPANY; DIRECT GENERAL
INSURANCE COMPANY; AND
JOHN DOES, 1-5; AND JOHN
DOE CORPORATIONS, 1-5

DEFENDANTS

****

VIDEO DEPOSITION OF FREDERIC JENNINGS, PhD

****

Taken at Dockins, Turnage & Banks,
6520 Dogwood View Parkway, Suite B
Jackson, Mississippi,
on Thursday, July 17, 2014
beginning at approximately 9:13 a.m.

MS. FRY: Objection, relevance.

A. Not to my knowledge.

Q. (By Mr. Nelson) Have you ever been terminated from any job?

A. No.

Q. Have you ever been refused tenure at any educational institution?

A. No.

Q. Have you ever been dismissed from any educational institution?

A. No.

Q. When you worked at Tufts, did you work there as a teacher with the name Deric Jennings?

A. Well, I think people called me Deric Jennings when I was at Tufts, but my official name on any of my employment materials was Frederic B. Jennings, Jr.

Q. When you worked at Bentley College, did you work there as Deric Jennings?

MS. FRY: Objection to relevance.

A. Again, the same answer that I would give for Tufts.

Q. (By Mr. Nelson) Were you dismissed from your employment at Bentley College?

A. They decided not to renew my contract

EXHIBIT I

[redacted]

Letters

Jennings disappointed, *"I do not know why I was dismissed."*

To the Editor:

I was pleased to read your front-page headline in last week's **Vanguard**, that: "Causes of professors' dismissal revealed". Having been offered no official (verbal or written) explanation thus far for my non-renewal of contract, I was revieved that -- finally! -- one would be coming (if in this unorthodox form).

As I read on, my pleasure turned to bemusement, in that Dale Kuntz's remarks were **in no way an explanation** of my dismissal, but only **described the process** by which I was fired! Indeed, I felt myself thrust through a looking glass, into the somewhat Orwellian thought that: 'I'm glad this process is so solicitous of **"student interest"** and **"good teaching"** to guard us against all unorthodox challenges such as I would propose! Thought is a terrible thing, after all. As Yevgeny Zamyatin once said: "...truth is of the machine. error is alive; truth reassures, error disturbs." Perish the chance that we might be disturbed from complacent, orthodox slumbers!

As I returned to the 'Real World' (or at least that's what we laughingly call it!), I decided to comment on my situation -- at least as regards your front-page story. The clear impression is left by my chairperson's comments that I was dismissed for a lack of "effectiveness" in my teaching. "The students' reaction towards the teacher is a very important factor...since it is the students' education [which is] trying to be improved." Yet "students' reaction" -- in my case at least -- appears to have been ignored. Most of it has been **strongly supportive!!** What, then, is the real reason for my dismissal from Bentley College?

I was offered no warning that there was a serious problem, before I was fired. Therefore, I also was given no chance to defend my performance against my colleagues' (admittedly) hostile reactions. Neither at -- nor since -- the time I was fired, have been granted **one word** of official explanation for this outrageous and unjustifiable act (despite my repeated requests). Indeed, as I read in my **Faculty Manual**: "It is an institutional policy not to provide...non-tenured faculty members with a written statement of reasons for nonreappointment." Interesting is it not?

The teaching evaluation process is "confidential" (and should be), as your story rightly reports. This confidentiality aims to protect the sensitive vulnerability of the **evaluatee**, along with the **honesty** of the whole process. I do not feel so protected, and I would challenge the basis of my dismissal. It seems without justification!

There are three things that a faculty member must do to retain any teaching position at Bentley or anywhere else. **Good teaching** comes first at Bentley (though that is decidedly not the case elsewhere, which is the reason I came to Bentley!); **research potential** is second (and would become first, were it not for the tiresome fact that students do pay the bills around here...); **'community service'** is last (often least, though it is important at Bentley, I am told). There is no realistic basis to fault my performance -- and/or my potential -- on **any single one** of these grounds. And decent performance **on any two is sufficient** (I'm told) for promotion.

"What is wrong with this picture?" In the continued absense of any other explanation, I am forced to believe that my contract was not renewed for some other reason. There is a prominent possibility: if I was actually fired for my **unorthodox views and teachng approaches**, my **Faculty Manual** is also extremely explicit about this as well. Let me but quote a few phrases, from its endorsement of "Academic Freedom". Each member of the faculty, whether tenured or not, is assured of the following:

1. Full freedom in research...
2. Full freedom to teach and discuss in her [or her??] classes anything that is pertinent to the subject matter which he is teaching. ...
3. Full freedom to act and speak in his capacity as a citizen without institutional censorship or discipline. ...
4. A sufficient degree of economic security to make the teaching profession attractive.

"Full freedom" means "full freedom". The entire integrity of academics and teaching rests on these grounds. If they are ever trangressed -- whether unwittingly or by design -- it is incumbent on us to defend them. They protect all our inquires from the deadening grip of conformity. Someone such as myself -- who has spent his whole life asking unwelcome questions -- only would do so if trust can be placed in the safeguards erected against such trangressions. Otherwise all these protections are empty words, signifying nothing.

I make no accusations. I do not know why I was dismissed. I have requested an explanation repeatedly over the past several months. So far I have had no response. At some point, these silences speak for themselves. They do not reflect well on Bentley. Who is being protected by this "confidentiality"? I can no longer assume it is I.

I cannot speak for my teacing **effectiveness**. I only can speak for my **efforts** to make my performance as good as I can. "Prof Kuntz stated that the faculty does a good job in the evaluation system. . In any case, Prof. Kuntz assures that they have the students' best interests in mind when making any decision."

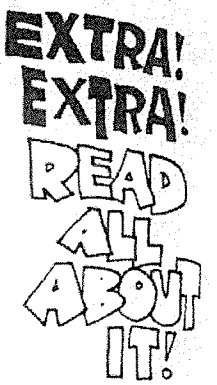
So your article ended. The story, however, is not over yet. Dale Kuntz's remarks may be generally true, but in my case I cannot believe them. But you students must speak for me here, and inform me (and everyone else) whether you indeed deem me as "ineffective" as my colleagues (apparently) claim that I am.

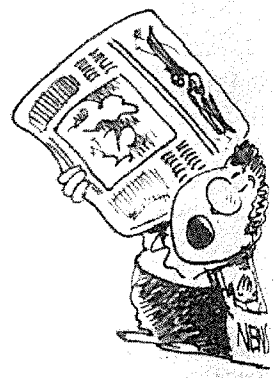
I thank those of you that have done so already, from the heart of my soul. You have no idea what a salving effect it has on my deep disappointment with those who have -- thus far -- judged me so harshly. Those of my students who have not yet spoken in favor of -- even against! -- my performance, I would now ask you to stand and be counted. I would like very much to know what you think, and how I might do my job better!

Thank you for your attention.

Sincerely,

Deric Jennings
Assistant Professor of Economics





Bentley's change a bust

Letters

Clarification of apartheid

To the editor:

Last week, an article with the heading "Bentley acknowledged for African student aid" appeared in the Vanguard (April 9, 1987).

Unfortunately, some members of the Bentley community had some genuine reservations about it; they felt that the letter may be misused as a shield by those who oppose disinvestment. It was thus felt that some clarifications must be made as a matter of extreme urgency:

(1) The writer still stands fully behind the whole context of that letter. In his personal capacity, he feels that a "Thank You" letter was an appropriate move. He does, however, concede that the tone and the phrasing of the first and the last paragraphs may have been too strong.

(2) The views expressed in that letter do not necessarily reflect the views of some Bentley students not the views of some Black South African students (in the USA). The writer had no intention of making it sound like he has just been given a "mandate" to speak on behalf of every South African (at home or abroad). He was simply addressing the issue in this personal capacity with an understanding that many Bentley students and other South Africans (at home or abroad) agree with the views expressed in last week's letter.

(3) EDUCATION is one of the vital political tools in my struggle. Highly educated Blacks will be necessary in a post-apartheid era. The letter did not in any way suggest that education is the only solution to South African troubles. The letter simply highlighted the necessity of good education in a "new South Africa".

(4) DISINVESTMENT is one other major political tool that may be used to dismantle apartheid. Last week's letter did not mention the disinvestment, divestment, and divestiture issues simply because of time and space constraints. Those people who were concerned about this omission must realize that divestment is a full two-page article in itself. Addressing the two issues together would have resulted in an extraordinarily long letter that the VANGUARD possibly could not have been able to print in full at that short space of time.

In summary, disinvestment is one of the necessary tools in ending (dismantling) apartheid. It is a means to an end, and not an end in itself.

A highly literate and educated society is a necessity for true independence, economic and otherwise. Highly educated blacks will thus be one of the necessary factors for prosperity and stability in a post-apartheid South Africa. Political independence without economic independence is no freedom. Even Karl Marx acknowledged this when he said that "you cannot organize the political infrastructure until the economic base has been put into shape."

Bonke Dumisa

WBTY president plays favorites

To the editor:

I am truly amazed at Paul Campaniello's remarkable ability to cover up and distort the truth in his letter last week. I must say that almost everything he wrote was true, yet he failed to address the issues at hand.

In his letter, Mr. Campaniello, the president of WBTY, admits that there was an incident a few weeks ago involving one of the station's officers and a general member, but "felt it would be unfair to take actions solely by himself or HIS board" and so he brought the incident to the general members. The incident was brought before the general members, but Mr. Campaniello failed to mention that at first the Executive Board did not want them to know or be able to vote on the issue. Is this not oligarchical rather than democratic, Mr. Campaniello? And when a leader refers to the organization under his direction as HIS, is that not an example of oligarchy also?

When the general members were told that the "Executive Board" had voted to omit them from the decision process, Mr. Campaniello actually had the audacity to lie to them and say that that was not the case. But it was, wasn't it Mr. Campaniello?

In my letter of two weeks ago I also mentioned an officer who rarely shows up to meetings, and who was not present at his own election. Yes, it is true that he ran unopposed, but shouldn't something be done about an officer who does not show enough interest in an organization to show up to meetings? Apparently WBTY's "Executive Board" does not think so.

Mr. Campaniello also seems to think that I am under the impression that I deserved more time to speak at a meeting because I was an officer. I was an officer, but I was also a general member and as such I expected to be given the fair chance to express my view of the situation, as any general member should. Yet this did not happen. Mr. Campaniello did give me the opportunity to speak a great deal at the meeting in question, but responded to my statements by saying that they were lies. Were they Mr. Campaniello?

Maggie Brittan

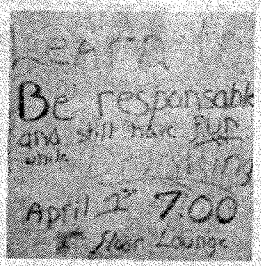
Learn to spell, responsibly

To the editor:

Did you see this sign hanging in your building? Well I did, it was hanging in Linden. Everyone is always ranking on Antonio and its true, he does get a little bit out of hand once in a while, and he does send letters for print which are a bit too radical. But anticipating the biggest tuition increase yet, 9.9%, is it too much to ask to have Bentley students taught how to spell first? Does Bentley just take the cash and ignore the fact that many of its students can't spell even simple words like "responsible"?

Sure, we'll be able to calculate interest rates and anticipate how GNP will fluctuate due to changes in the market structure, but will we be able to write a comprehensive evaluation report on our employees not including the word responsible? If that's the case, I hope a Bentley graduate doesn't write my evaluation.

To have had that poster hanging in my hall was very embarrassing to me. My parents were shocked that an error such as that



could be plastered all over the building. Didn't Residence Life notice the error when they approved the poster for its hanging? Or can't they spell either? I guess it doesn't matter though, housing rates went up too.

Alexandra Lanza

Jennings speaks out

To the Editor:

In all the official deliberations over my non-reappointment, there is one person who has been excluded: Me! My colleagues gave me no warning (verbal or written, despite what they claim) nor hearing, and still offer no explanation (or, at least, not one that makes any sense). Now the SCA's own AAB has proclaimed the Jennings case "closed", with another (purely procedural) statement. The point, however, lies not with the process, but in the decision's merits.

When an organization contravenes its own explicit safeguards--and no one sets things right--there are always invisible costs. Organizations survive or break down on the strength of their ethical standards. Trust in members' 'good faith' is the glue that holds all our systems together.

Decent performance in two of three things is sufficient for reappointment: "research, service and teaching" (not in that order, I hope!). The AAB says that I was fired "...not because of (my) teaching ability but because of a lack of need for economic teachers." This is amazing/amusing! By my count the department is losing two people, and just hired three to replace us! What is the truth behind all these smoke-screens?

No one faults my "service" to Bentley, and students have made a strong case for my "teaching". What about my "research"? My work conjoins with emerging ways of thinking about economic systems. What I am ready to publish--if I get time and the freedom I need--will overturn cherished beliefs in my field. Colleagues at Bentley and elsewhere have encouraged me in this research. So why have I been dismissed?

Is Bentley's explicit endorsement of "full freedom" in teaching and research being upheld or subverted here? I pose a question to faculty colleagues: "What worth elusive 'collegial' threads? Do they not weaken, unstretched?

I leave you all with this thought. If freedom--unguarded--must wither, it is incumbent on us to protect it. If we close our eyes to transgressions, we will lose the freedoms we cherish. Those with the courage to speak what they think will not do so without our protection. Lessons are taught in such moments as these, affecting all future behavior.

Can Bentley teach this and gain "excellence" too? Can anyone? I do not think so.

Deric Jennings

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BENTLEY

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