



MIKE KERR, SENIOR VICE PRESIDENT - INSURANCE OPERATIONS  
121 E. PARK SQUARE • OWATONNA, MN 55060  
MAILING ADDRESS: PO BOX 328 • OWATONNA, MN 55060  
OFFICE: (507) 455-8857 • FAX: (507) 455-7840  
(800) 533-0472 • mgkerr@fedins.com

June 1, 2011

Mr. Chuck Roberts, President & CEO  
AYES  
101 Blue Seal Drive SE  
Leesburg, VA 20175

Dear Chuck,

I am happy to respond to your request, seeking clarification on whether Federated Insurance Company would have problems providing property and casualty insurance coverage to an auto dealership who elects to participate in your program, Automotive Youth Educational Systems, Inc. (AYES).

Federated is generally supportive of your program and is not opposed to insuring dealers who partner with your organization. Federated recognizes the AYES mentored internship as an extension of the student's educational experience. We recognize that these dealers will likely be hiring minors and placing them into technical internships or into other non-driving positions at the dealership.

Federated has always promoted careful risk management for its clients, including good hiring practices. We would expect that a dealer client observe good hiring practices for these youthful employees, just as with any other hire. This should include as a minimum:

- Background checks (per dealership policy and where permissible by law) – e.g. MVRs, criminal record checks, drug tests, reference checks with teachers and prior employers, etc.
- Once hired, appropriate discrimination and harassment training, with documentation verifying this and kept in the employee personnel file.
- Assignment to non-driving positions only, including moving cars on the lot
- Overall orientation, including safety training

In short, we believe that a carefully supervised and monitored program should not present any significant change in the exposure or risk of loss for our client dealer.

I commend you for your good efforts seeking to expose young people to the retail automobile business and to provide them with valuable training and experience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Kerr".

Mike Kerr  
Senior Vice President – Insurance Operations  
/jak