

Billing Code: 6750-01 P

FEDERAL TRADE COMMISSION

16 CFR Part 436

**Disclosure Requirements and Prohibitions Concerning
Franchising and Business Opportunity Ventures**

Agency: Federal Trade Commission.

Action: Invitation to Comment on Requested Exemption from Trade Regulation Rule.

Summary: The Commission is requesting public comment with respect to a request from Daewoo Motor America, Inc., for an exemption from the requirements of the Franchise Rule.

Dates: Written comments will be accepted until (Insert date 60 days after date of publication in the Federal Register).

Addresses: Comments may be filed in person or mailed to: Secretary, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. Requests for copies of the petition and the Franchise Rule should be directed to the Public Reference Branch, Room 130, (202) 326-2222.

For Further Information Contact: Steven Toporoff, Attorney, Room 238, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, DC 20580, (202) 326-3135.

Supplementary Information: On December 21, 1978, the Federal Trade Commission promulgated a trade regulation rule entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" ("the Rule"). 16 CFR Part 436. In general, the Rule provides for pre-sale disclosure to prospective franchisees of important information about the franchisor, the franchise business, and the terms of the proposed franchise

relationship. A summary of the Rule is available from the FTC Public Reference Branch, upon request.

Section 18(g) of the Federal Trade Commission Act provides that any person or class of persons covered by a trade regulation rule may petition the Commission for an exemption from such rule, and if the Commission finds that the application of such rule to any person or class or persons is not necessary to prevent the unfair or deceptive act or practice to which the rule relates, the Commission may exempt such person or class from all or any part of the rule.

Daewoo Motor America, Inc. ("DMA" or "Petitioner") has filed a petition for an exemption from the Franchise Rule pursuant to Section 18(g) of the Federal Trade Commission Act, 15 U.S.C. § 57a(g). DMA's petition asserts that an exemption should be granted because DMA dealers are sophisticated business persons with experience in the industry, and the information-exchange and negotiation process leading to execution of a dealership agreement takes place over a period of several months, ensuring adequate time for review. Petitioner also explains that prospective

Daewoo dealer[s] are highly unlikely to enter into any dealer agreement without a full disclosure of all material information needed for them to fully understand its terms.

DMA will not resist supplying such information because its ability to succeed in the domestic market will ultimately depend on its dealers successfully selling Daewoo products according to the terms set forth in the Dealer Agreement.

Pet. at 10. Petitioner asserts that the experience and sophistication of prospective dealers and the company's selection process leading to the execution of dealership agreements make the abuses

identified by the Commission as the basis for the Franchise Rule unlikely and render application of the Rule to DMA unnecessary and burdensome.

For a complete presentation of the arguments submitted by Petitioner, please refer to the full text of the petition, which may be obtained from the FTC Public Reference Branch, on request.

In assessing the present exemption request, the Commission solicits comments on all relevant issues germane to the proceeding, including the following: (1) Is there evidence indicating that Petitioner may engage in unfair or deceptive acts or practices in the offer and sale of automobile franchises? (2) Are there other reasons that might militate against granting Petitioner an exemption from the Franchise Rule?

The Commission has considered the arguments made by Petitioner and concludes that further inquiry is warranted before a decision regarding the petition may be made. The Commission, therefore, seeks comment on the exemption requested by Petitioner.

All interested parties are hereby notified that they may submit written data, views, or arguments on any issues of fact, law, or policy that may have some bearing on the requested exemption, whether or not such issues have been raised by the petition or in this notice. Such submissions may be made for sixty days to the Secretary of the Commission.

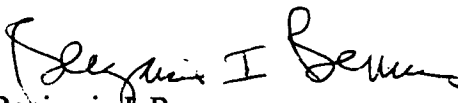
Comments should be identified as "Daewoo Franchise Rule Exemption Comment," and three copies should be submitted.

LIST OF SUBJECTS IN 16 CFR PART 436

Franchising, Trade Practices.

Authority: 15 U.S.C. 41 - 58.

By direction of the Commission.


Benjamin Y. Berman
Acting Secretary