

## **CHRYSLER DEALER UPDATE**

**May 11, 2009**

- May 14 - Chrysler to submit a list of dealer agreements that it “MAY” accept and assign to the “new” Chrysler.

- If you’re not on this list, it does not mean that you can’t be later assumed. If you are on this list, it does not mean that you are guaranteed a franchise in the “new” Chrysler.

- May 27 10:00 a.m. - Court hearing to approve sale of certain assets to the “new” Chrysler.

BAD NEWS for long-time Chrysler dealers. In all probability, you will need to accept a new agreement with updated terms and conditions. Our guess is that this means that you will have to go from a “permanent” agreement to a “term” agreement.

- There will probably be some modifications from the “old” Chrysler agreement to the “new” Chrysler agreement.

- June 12 - “New” Chrysler serves notice on dealers of their agreement to take the assignment of the contract. NOTE: It is not until this list is published that you will be sure you have an agreement going forward. BE AWARE THAT YOU MAY GET VISITS FROM CHRYSLER REPS TRYING TO STRONG-ARM YOU INTO FACILITY IMPROVEMENTS, DROPPING DUAL LINES, OR A NUMBER OF OTHER THINGS THAT YOU MAY HAVE BEEN RESISTING UP TO THIS TIME. You should seek advice relative to any of these demands.

- If you are not on the initial list, you should seek advice as to assistance in making attempts to get on that May 14<sup>th</sup> list. Our take is that some people who will be ultimately assumed may not be on the initial list and vice versa.

- INCENTIVES. It is still not clear whether or not incentives that are going to be paid are going to be reduced by 25%. The first round wasn’t and according to Jim Press’ telephone conference on Friday, this coming week’s will not be reduced. You should note, however, that the debtor-in-possession budget makes the assumption of a 25% reduction. YOU SHOULD FURTHER BE AWARE that the budget for June 1<sup>st</sup> to July 5<sup>th</sup> assumes a further 50% reduction in incentive payments.

- For those dealers continuing on, this will probably be part of what is known as the “cure cost”. If this comes to pass, you probably will not have much choice about accepting such a package.

- Please note that you will only have a short period of time (June 4) to agree to any new franchise terms and that cram down.

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