

CHRYSLER FRANCHISE AGREEMENTS

May 8, 2009

Within the next few days, Chrysler is expected to announce through the bankruptcy court the dealers that will continue on with the “new” Chrysler. For those dealers that Chrysler will accept, it is important that a couple of things be done right away:

- GMAC has sent out packages for floor plan financing. Get those back as quickly as possible. Be aware, however, that there are differences in chargeback rights reserved by GMAC that are probably different from current terms. Secondly, GMAC will be requesting personal guarantees, and third those guarantees can be read as personally guaranteeing any obligations to GMAC, not just the floor plan obligation. Also, these agreements are for interim financing subject to underwriting and it’s not clear as to how Chrysler Credit might release inventory liens. Having said that, it probably is the only game in town.

- If you are under site control, get your Site Control Agreement out and have it reviewed.

- Our thought is that there will be a new franchise agreement offered within a few weeks. We will examine that when we have a copy and advise in due course. If you have individual questions, please seek help.

For those dealers whose contracts are rejected, there are issues that will have to be addressed immediately:

- Inventory parts, accessory buy-back.

- Floor plan issues - as of this writing, there is still no order entered by the bankruptcy court relative to inventory buy-back. If Chrysler decides not to honor the inventory buy-back provisions of the franchise agreement, this can place dealers in default. We are currently working with some floor plan lenders for an orderly disposition of inventory so don’t believe that the situation is hopeless.

- If you are under site control, that Site Control Agreement needs to be released.

- Unfortunately some individual Chrysler dealers may be facing a bankruptcy themselves. Our firm has forged a collaboration with one of the leading bankruptcy firms in the state, Hostetler & Kowalik. In that collaboration, they will provide extraordinary bankruptcy expertise and we will supply the automotive information. You may call our firm to set up a consultation.

For further information, please contact Ronald C. Smith, Donn H. Wray, Jeffrey B. Halbert or Michael P. Shanahan at 317-639-5454.