



THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

WANADA Bulletin # 16-09

April 24, 2009

Dealers and Their Associations Look Down the Road

Tighter Operations and Readiness for all the Contingencies Define the Game Plan

As the great storm that is the reordering of the domestic auto industry nears the mainland, the nation's auto dealers and their representatives are readying their response plans to what's coming in May when the fate of Chrysler LLC will be determined.

Industry reports show dealers most likely to be impacted have been reducing their financial exposure steadily over the past six months by limiting new vehicle orders and reducing manufacturer receivables, like warranty claims and incentive monies wherever possible. (A typical medium or large market dealership can have as much as \$500,000 in monthly incentive receivables and \$100,000 in warranty reimbursements). Some have already offered up or sold their franchises and/or dealerships. The remainder are now consulting with their attorneys on the

prospect of Chapter 11 bankruptcy re-organization of Chrysler LLC and General Motors.

According to NADA, well over 200 of its members have also participated in "Bankruptcy Preparedness" webinars it has held and Mike Charapp, auto law advisor to WANADA, MADA and VADA reports "significant interest" at bankruptcy seminars he has organized in the region. (see P. 2 for Webinar Details)

Dealer Associations Chart the Future

For some time NADA, in conjunction with dealer associations comprising the Automotive Trade Associations network (ATAE), have been working with the auto industry task force and Congress to ensure that dealers are fully considered in the economic stimulus programs that are moving forward. Where necessary, this has required differentiating dealer needs from those of automakers on such issues as "too many dealers," and franchisee rights in the event of an OEM bankruptcy. The bankruptcy contingency referenced above is a dealer operations step NADA and ATAEE are taking while plans move ahead to engage

bankruptcy lawyers for a clearinghouse NADA's establishing at such time as OEMs declare bankruptcy.

The National Association of Dealer Counsel (NADC) is acting as a resource to NADA to assemble a pool of qualified bankruptcy lawyers to assist the clearinghouse function and individual dealers seeking their own bankruptcy specialists. As envisioned, the NADA bankruptcy clearinghouse would:

- *Host a secure website where participating dealers and their legal counsel could monitor all matters relevant to the bankruptcy proceedings*
- *Monitor legal proceedings*
- *Participate in negotiations with manufacturers and interested parties on behalf of the NADC*
- *Address, on a collective basis, dealers' rights in respect to amounts owed dealers*
- *Review proposed reorganization plans to ensure they are consistent with the dealers' collective interest*
- *Help create a national network of local bankruptcy practitioners to represent the interests of individual dealers.*

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To cover the costs of retaining the firms, participating dealers will be asked to pay on a “per-rooftop” basis, with Chrysler dealers likely to have a higher cost than GM dealers because there are fewer of them. NADA says participation will likely reduce individual legal expenses by more than the contribution to the collective effort. It also notes that funds not used in connection with the representation will be returned to dealers on a pro-rata basis.

It should be noted that these firms will only represent the collective interests of the dealers and no individual or sub-groups of dealers.

NADA is working with ATAEE dealer associations, including WANADA, MADA and VADA to protect the interests of dealer members at this critical time and WANADA urges its members to look carefully at this “assistance offer,” when NADA contacts you.

- WANADA Webinar -

The Contingency of OEM Bankruptcy

Mon. May 4, 2009,
1p.m.—3 p.m.

No Charge

To WANADA dealerships:

Organized by
WANADA public policy advisor and
Kindred-Line member
Mike Charapp, Esq.

RSVP Enclosed

Contact Kristina Henry for details;
202-237-7200 or kh@wanada.org.

Credit Crunch, Real or Not, Cost Industry 400,000 Sales in First Quarter

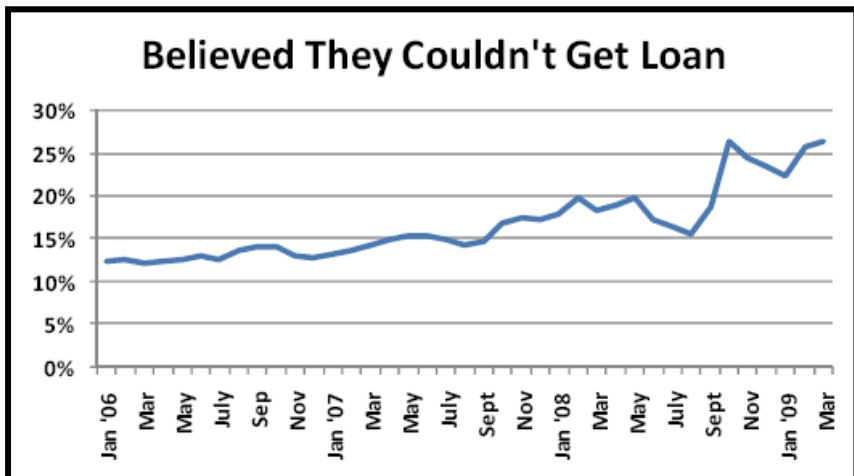
As many as 400,000 consumers with credit histories and FICO scores that would easily have qualified them for a new car loan failed to even consider buying a new vehicle in the first quarter of this year, according to new survey data released by CNW Research. The company, which is well regarded for its ongoing studies of how consumers intend to spend their money, says the reason is because all those consumers believed media reports that said credit was very tight and that even those would-be buyers with exceptional credit scores would not qualify for loans.

CNW found that the lack of “proactive” loan offers from financial institutions that historically have promoted such loans through credit-card bill stuffers, direct mail and in-bank reader boards indirectly strengthened that message. The firm noted that such advertisement, prevalent in years past, virtually disappeared in 2008 and the beginning of 2009.

The perception of not having good enough credit or not enough equity, when combined, would have added at least a *million* units of volume to 2008 sales, CNW calculated and possibly as much as 800,000 units in the first quarter of 2009.

“The Obama administration's focus should be on restoring credit availability for consumers and dealers, not bankruptcy possibilities for GM or Chrysler.”

NADA Chairman John McEleney, during talks with the Auto Task Force this week in Washington.



You Should Know—How Long Do You Keep A Credit Application?

Federal law requires that the application be kept for 25 months (12 months for business credit) after the date that a creditor notifies an applicant of any action taken on their application, or that it lacks required information.

The Show Ends, The Show Begins

Work Begins on 2010 Washington Auto Show

It may indicate a year on the calendar, but the time between the 2009 and 2010 Washington Auto Show (WAS) is little more than a month for those putting the premier auto policy centered event together. In mid-April the staff team, headed by WANADA



The WAS Team with NY Auto Show Producer (L to R) Gerard Murphy, Barbara Pomerance (WAS Promoter), Mark Schienberg (NYAS) and Bob Yoffe (WAS Manager)

president Gerard Murphy, was already on the road interacting with industry executives at the New York Auto Show and renewing contacts with show exhibitors. "It is important that we stay in touch with global shows and equally important to work with our exhibit partners to understand their needs," said Murphy, adding "you just can't do that talking on the telephone

with people or sending them e-mails."

Building on the success of this and previous years, the 2010 WAS will once again focus on the role of the automobile and the auto industry in modern society and how that role is shaped by U.S. legislation and regulation. The WAS is recognized worldwide as "The Policy Show" and Murphy says WANADA is intent on expanding that position.

Congress Moves on Cash for Clunkers

A million new vehicle sales could be in the works under a compromise Congressional plan to retire older and less fuel efficient vehicles and spur auto sales.

The effort could cost as much as \$4 billion, but sponsors say it could be one of the best ways to help the U.S. auto industry and spur economic activity. There are two competing proposals in Congress to offer cash vouchers of up to \$5,000, with one giving larger amounts to American-made vehicles, smaller amounts to North American-made vehicles, and nothing to other foreign-made

vehicles. The other gives voucher amounts based on the fuel economy of the vehicle being traded. Both would require the scrapping of older vehicles and both would give drivers the option of trading in an old car for a bus or subway pass.

The bill's sponsors have been meeting with senior Obama administration officials to work out where the funds will come from and how it is to be administered. President Obama has said he favors the incentive approach and has indicated he will sign the measure when passed by Congress.

-NADA Webinars- Helping Dealers Approach New Challenges

Decreasing Revenues, Rising Costs, and Shrinking Margins (May 27, 1–3 p.m.). Jodi Kippe, a CPA working with Crowe Horwath's Retail Dealer Group, will help participants determine how to reduce their expenses and get more value from the dollars they must spend in their ongoing operations.

Dealer Survival: Improving Your Cash Flow in Tough Times (June 18, 1–3 p.m.). NADA Dealer Academy Instructor Steve Lane will teach participants how to measure and reduce their frozen capital and free up cash in the dealership.

Complying with changes to the Family and Medical Leave Act (FMLA) (June 23 from 1–3 p.m.) Christopher Hoffman, regional managing partner of Fisher & Phillips LLP, will cover the changes in detail and provide a checklist for better compliance.

Maximize Your Business in a Challenging Environment, (June 4, 11, and 18. The sessions will cost \$199 per computer connection—the regular NADA price—if purchased separately. Participants can also register for all three sessions for just \$448, a savings of nearly \$150. The series will be presented by Howard Polirer, director of industry relations for AutoTrader.com.

- Kindred Korner -

An Insurance Audit Can Lead to Cost Savings

WANADA dealer members looking for dollar savings in these difficult times may want to consider a full audit of insurance contracts, such as those performed by Kindred-Line member company Lucas LLC.

Policy Audits help you assess the cost and performance of your insurance policies, as well as the viability and financial strength of the underwriting insurance company. For example, a Guaranteed Universal Life policy may provide a much more cost effective solution for Buy-Sell insurance, Key Person coverage, and funding of Irrevocable Life Insurance Trusts than a costly whole life policy, or inexpensive term insurance, with an expiration date, says Matt Lucas, company principal.

He invites you to contact him at (240) 482-3588 or matt@lucasllc.com for more information on their audit services.



The WANADA Open *May 18*



Mark your calendar and sign-up for another spring outing & golf tournament with friends and colleagues. A championship golf course, beautiful scenery, lots of camaraderie and plenty of prizes are the deliverables at the **WANADA Open**.

Be there!

Note: Golf is limited to the first 128 registrants.

Register online at www.wanada.org

For more information contact:

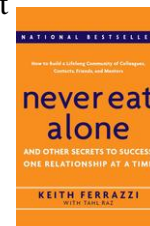
Kristina Henry 202-237-7200 or kh@wanada.org

Highly Regarded Success Strategist to Talk to WANADA Members

Keith Ferrazzi, 10 a.m., June 2

Courtesy of WANADA chairman Tamara Darvish, renowned success strategist and author Keith Ferrazzi is scheduled to talk to WANADA members at 10 a.m. on June 2, 2009 at Bullis High School in Potomac, MD. A succinct, hard-hitting presentation is on tap, where Ferrazzi will bring his renowned success strategies to life right out of the paper of his bestselling book *Never Eat Alone*.

Ferrazzi's strategies are as proven and well accepted in personal relationships as they are in business, which has been the hallmark of his popularity.



A nominal admission fee of \$45 per person will go to benefit Georgetown University Hospital's Pediatric Oncology Department. A follow-up registration sheet to the one included in Tammy Darvish's letter to WANADA members last week is enclosed with this Bulletin.

Staying Ahead...

A bank is a place where they give you an umbrella in fair weather and ask for it back when it rains.

—Robert Frost

Enclosures:

- **Keith Ferrazzi** registration
- **Bankruptcy Contingency Webinar** registration
- **WANADA Open** Registration