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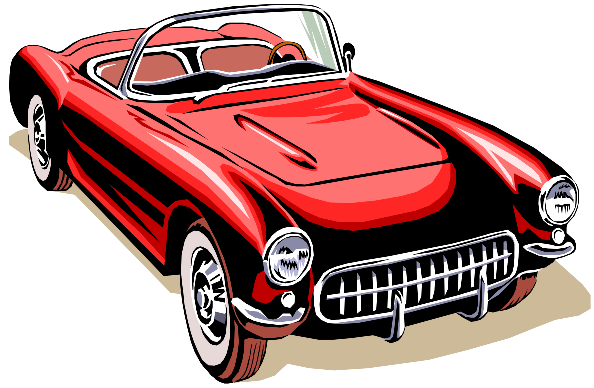

Weekly Car Dealers Newsletter

November 4, 2009

This information that follows is taken from sources including *The Carconnection, Autoweek,* and other industry sources.

Week of November 2, 2009

J.D. POWER SEES U.S. AUTO SALES DOWN 6 PERCENT IN OCTOBER

October U.S. auto sales should be down about 6 percent from a year ago, marking the first single-digit monthly decline since May 2008, influential industry forecasting firm J.D. Power and Associates predicted on Friday. "While year-over-year comparisons benefit from a low selling base in October 2008, improvements in consumer confidence and credit are propelling the return to positive sales gains relative to last year," said Gary Dilts, senior vice president of global automotive operations at J.D. Power and Associates. *Source: Reuters*

FIAT MODELS TO DRIVE CHRYSLER

New lineup will see return of Alfa Romeo, end of many Chryslers, Dodges and Jeeps

Four months after exiting bankruptcy, Chrysler Group LLC is about to unveil a product road map that relies heavily on vehicles from Italian partner Fiat SpA while abandoning many of the U.S. car maker's own models. The plan, due to be revealed Nov. 4, involves the return of Fiat's premium, sporty Alfa Romeo brand to the U.S. starting in 2012... Chrysler also will introduce to Americans the 500, Fiat's tiny car that is popular in Europe. Fiat and Chrysler also are working on several new vehicles with Fiat technology for the U.S., including a midsize Chrysler sedan slated to be released in 2012... Meantime, Chrysler is preparing to phase out many current models, including a number of Dodge cars, the Dodge Grand Caravan minivan and several Jeeps. Many Chrysler and Jeep models also will die. The Jeep Commander is slated to end next year. By 2012, the Chrysler PT Cruiser, Chrysler Sebring midsize sedan and Jeep Compass and Jeep Patriot SUVs all will exit the market. *Source: The Wall Street Journal*

DEALERSHIPS AT RISK IN DISPUTE OVER FINANCING

Chrysler stores are caught in the middle

A conflict between Chrysler Financial and GMAC is threatening about 40 otherwise viable Chrysler, Jeep and Dodge dealerships with loss of financing and possibly foreclosure, according to the National Automobile Dealers Association. As part of Chrysler Group LLC's bankruptcy restructuring, the U.S. Treasury agreed to guarantee floor plan loans ... until Nov. 15, while GMAC absorbed the wholesale financing operations previously serviced by Chrysler Financial. GMAC has informed dealers it needs more collateral. For some dealers, the only way to raise the additional collateral is to draw on their mortgages. But Chrysler Financial, which holds the mortgages on some of these dealerships, has refused to relinquish its stake in those properties. "The parties have taken inconsistent positions and dealers are stuck in the middle," said Forrest McConnell, an official with NADA. *Source: Detroit Free Press*

GMAC ASKS FOR FRESH LIFELINE

Lender in Advanced Talks for Third Slug of Taxpayer Cash -- at Least $2.8 Billion More

The U.S. government is likely to inject $2.8 billion to $5.6 billion of capital into the Detroit company, on top of the $12.5 billion that GMAC has received since December 2008 ... The new capital would help firm up GMAC's balance sheet and solidify its auto-loan business. GMAC provides the vast majority of wholesale financing for GM dealerships across the country, meaning scores of local distributors would be unable to bring new vehicles onto their lots if GMAC were to collapse. *Source: The Wall Street Journal*

FORD LEADS U.S. AUTOMAKER RELIABILITY, MAGAZINE SAYS

Ford Motor Co., the only major U.S. automaker to avoid bankruptcy, ranks higher than its domestic competitors in reliability, with average or above ratings on 90 percent of its models, *Consumer Reports* magazine said. Ford's Fusion and Mercury Milan sedans also did better than Toyota Motor Corp.'s Camry and Honda Motor Co.'s Accord, the top sellers in that segment, the magazine said (Tuesday) in releasing its annual auto-reliability survey. Ford seems to have really differentiated itself from the other domestic automakers," said Tom Libby, an independent automotive analyst based in Birmingham, Michigan. "If they can continue that trend, it will give them a huge advantage." *Source: Bloomberg*

GM TO DRAW DOWN MORE U.S. FUNDS

General Motors Co. by the end of the week will outline plans to draw down more U.S. government money it will use to aid Delphi Automotive LLP and also give an update on a closely watched escrow account of its bailout funds, according to several people familiar with the matter. The car maker by Friday plans to file a statement with the Securities and Exchange

Commission disclosing its plan to use additional funds from the $30.1 billion in loans the Treasury Department committed to GM when it filed for bankruptcy protection in June. *Source: The Wall Street Journal*

WHITE HOUSE, EDMUNDS IN WAR OF WORDS OVER 'CLUNKERS'

The White House said the influential automotive news Web site Edmunds.com's harsh analysis of the impact of "cash for clunkers" was "faulty" and "implausible." Edmunds CEO Jeremy Anwyl shot back that the White House was "shooting the messenger." Edmunds said cash for clunkers cost taxpayers $24,000 per vehicle sold.

Nearly 690,000 vehicles were sold during the $3 billion cash for clunkers program that offered up to $4,500 rebates, officially known as the Car Allowance Rebate System, but Edmunds.com analysts calculated that only 125,000 of the sales occurred as a result of the program. Edmunds is clearly among the more pessimistic about the program's impact. The White House, in a report in September, said it believed 440,000 were incremental sales -- though it could be as high as 560,000 under its most optimistic scenario.

Ford Motor Co. said in August it believed 30 to 40 percent of clunkers sales were "truly incremental" -- which would translate to an industry increase of 210,000 to 280,000. Moody's said 60 percent were incremental, while General Motors estimated it about was 500,000. As observers pointed out, Edmunds has been skeptical of the program since the summer. In June, Edmunds called it a "non-event" and said cash for clunkers "will struggle to produce the estimated 250,000 vehicle sales."

In fact the program sold nearly that many vehicles in the program's first week.

Edmunds.com's "faulty analysis suggesting that the cash for clunkers program had no meaningful impact on our economy or on overall auto sales. This is the latest of several critical 'analyses' of the cash for clunkers program from Edmunds.com, which appear designed to grab headlines and get coverage on cable TV," the White House said on its blog Thursday afternoon. "Like many of their previous attempts, this latest claim doesn't withstand even basic scrutiny."
The White House said Edmunds based its analysis on the "implausible" assumption that "the market for cars that didn't qualify for cash for clunkers was completely unaffected by this program. In other words, all the other cars were being sold on Mars, while the rest of the country was caught up in the excitement of the cash for clunkers program."

The administration also said Edmunds didn't account for the "beneficial impact" the program will have on fourth-quarter Gross National Product because automakers have ramped up their production to rebuild their depleted inventories. "Most importantly, this program is helping boost our economy and create jobs now when we need it most. In a comprehensive report, the Council of Economic Advisers estimated that cash for clunkers will create 70,000 jobs in the second half of 2009," the White House said. "Edmunds.com, on the other hand, is promoting a bombastic press release without any public access to their underlying analysis."
Edmunds stands by its analysis. "Instead of shooting the messenger, government officials should take heart from the core message of the analysis: The fundamentals of the auto marketplace are improving faster than the current sales numbers suggest," Anwyl wrote.

The central issue, Anwyl said, "is how many of these sales would have occurred anyway. Apparently, the $24,000 figure caught many by surprise. It shouldn't have. The truth is that consumer incentive programs are always hugely expensive when calculated by incremental sales -- always in the tens of thousands of dollars."

Edmunds rejected the White House suggestion that people got caught up in the excitement of the program and bought cars, even if they didn't qualify. And it discarded the notion that automakers boosted production solely because of the program. "No manufacturer increases production, a decision with long-term consequences, based on the 30-day sales blip triggered by an event like cash for clunkers," Edmunds wrote. The White House got a boost from Mike Jackson, chairman and CEO of AutoNation. While Edmunds is usually highly respected within the automotive industry for its accuracy and reliability, he said, its analysis of the cash for clunkers program is "shoddy." "Simply put, they've misrepresented the facts, and the White House is completely justified in calling them out on it," Jackson said, adding that it appears "Edmunds' political views have tainted their usual rigorous approach to research."

"I know from our sales at AutoNation just how significant the impact of the cash for clunkers promotion was in our dealerships, and our own internal figures indicate that the rate of increase was consistent with what other retailers, manufacturers and governmental agencies have been estimating," he said. "We believe that the incremental sales are over 500,000 new vehicles. Edmunds may not want to believe Ford or General Motors or Moody's or the White House or any of the dozens of other reliable parties who saw significant sales increases as a direct and indirect result of the program, but that doesn't make the increases any less real." *Source: Detroit News*