

**CHRYSLER MOTORS LLC**  
**MARKETING INVESTMENT PROGRAM**







The following information provides a general explanation of how Chrysler Motors LLC Marketing Investment Program operates. Once an investment is made in a dealership, it is subject to governance by the terms of the agreements and documents executed in conjunction with that investment with Chrysler Realty Company LLC, an affiliated company of Chrysler Motors.

There are several areas addressed that will assist in the decision-making process when considering investment in a Chrysler Motors franchise. The topics covered include:

1. How the dealership is capitalized
2. How the dealership is managed
3. Compensation
4. The buy-in procedure
5. The buy-out procedure
6. How to qualify for Chrysler Motors Marketing Investment Program
7. How to apply for Chrysler Motors Marketing Investment Program

Also, a detailed example of income taxes is provided within the text. It is important to note that the numbers in the example are approximate, apply only to the specific example, and will vary depending on federal tax laws and how those laws are interpreted.

Neither an offer to sell nor the solicitation of an offer to buy any securities is made herein.



## INTRODUCTION

Much like other automotive companies, Chrysler Motors is looking for successful business professionals who can effectively manage a dealership. Chrysler Motors offers individuals who possess the right experience, exceptional ability and the necessary aggressiveness to succeed, the opportunity to both invest in, and operate dealerships which sell and service Chrysler, Jeep<sup>®</sup> and Dodge products.

A considerable amount of capital is required to operate a dealership, which is why Chrysler Motors has formulated the Marketing Investment Program. It is designed to provide assistance to individuals who otherwise qualify but lack sufficient capital to operate a dealership.

The Marketing Investment Program provides for joint contributions of capital by the individual and Chrysler Realty. To assist in the initial dealership development, Chrysler Realty will, in most cases, contribute the largest investment percentage. The objective of this approach is to enable the General Manager, through the program, to purchase Chrysler Realty's stock interest, eventually becoming the sole owner of the dealership.

The remainder of this brochure provides an overview of pertinent information that will further explain how the Marketing Investment Program can help potential investors reach their goal of owning and profitably managing a Chrysler Motors dealership.



## HOW THE DEALERSHIP IS CAPITALIZED

The capitalization of the dealership is dependent on its size and provides for cash needs, receivables, inventories (used vehicles, parts and miscellaneous), fixed assets, and in many cases, goodwill. New vehicles are generally financed by means of a wholesale finance agreement with Chrysler Financial.

Chrysler Motors will determine the total capital required for each dealership. The prospective General Manager of the dealership must provide a substantial investment, usually around 25 percent, of the total required equity capital of the dealership corporation. Three classes of capital stock will exist in the dealership corporation during the process of the buy-out:

- *\$100 par value, non-voting Common Stock. The shares of this stock will represent the investment of the General Manager of the dealership.*
- *\$100 par value, voting Preferred Stock. Chrysler Realty's investment will be represented by shares of this stock. Until all Preferred Stock is retired, the Common Stock will have no voting rights.*
- *Treasury Stock. Preferred Stock, when it is retired using a portion of the profit generated by the dealership corporation, will then be converted to Treasury Stock.*

In addition, capitalization will include a capital loan from Chrysler Financial in an amount appropriate to meet working capital guidelines and to fund any goodwill paid.



## HOW THE DEALERSHIP IS MANAGED

Although Chrysler Realty retains sole voting rights until the Preferred Stock is fully retired, the General Manager of the dealership is directly responsible for day-to-day operations and wholly responsible for satisfactory sales, customer service and profits. The General Manager appoints all dealership personnel (except officers) and directs all activities of the dealership in accordance with the policies and operating procedures established by the dealership Board of Directors, of which the General Manager is a member.

While Chrysler Motors does not directly participate in the management of the dealerships operated under the Marketing Investment Program, it does offer assistance to the General Manager. With Chrysler Motors help, General Managers can develop a sound and aggressive strategy that will generate sales and profits comparable to successful dealerships owned entirely by private capital. A small monthly charge is assessed for the consulting support services provided by Marketing Investment.



## COMPENSATION

*The General Manager is paid a salary in an amount established by the dealership Board of Directors. In certain instances, General Managers may be paid a bonus based on the operating results of the dealership as an incentive to achieve superior performance.*

### **RELATIONSHIP WITH CHRYSLER MOTORS LLC**

Chrysler Realty, so long as it has ownership interest in the dealership corporation, elects the three members of the dealership's Board of Directors. This Board establishes policies and operating procedures, as well as elects officers. Much like a stockholder of any other corporation, Chrysler Realty is paid dividends out of the dealership's profits in proportion to its stock ownership.

Dealerships participating in the Marketing Investment Program are subject to the same sales and service agreement, corporate plans, policies, programs, etc., as privately financed dealerships.

The Automotive Sales Division of Chrysler Motors works with dealerships in the Marketing Investment Program on the same basis as it does for privately financed dealerships. However, the financial responsibility of the dealership rests with Marketing Investment and with the General Manager, operating under the direction of the dealership Board of Directors.



## THE BUY-IN PROCEDURE

Ensuring that participants in the Marketing Investment Program possess the highest ethical standards of business and personal conduct is top priority. All candidates will be required to complete program documentation and submit to a comprehensive background investigation.

Once the selection and appointment of a General Manager of a Marketing Investment dealership are complete, the General Manager will be required to execute specific agreements and invest in the equity capital of the dealership. The agreements include the following:

- *The candidate must have a substantial sum of money available for immediate investment in the dealership. This amount is generally 25 percent of the required dealership equity capital and these funds must be unencumbered.*
- *At the time of buy-in, the dealership corporation must meet the minimum capitalization requirements as determined by Chrysler Motors. In most cases the buy-in is subject to an independent CPA audit as well as a parts physical inventory.*
- *The candidate's request to invest in the dealership corporation must be recommended by the Marketing Investment Branch Manager, the Business Center Director, and Chrysler Motors Marketing Investment Committee.*

Chrysler Motors will assist the General Manager in his or her attempt to achieve a successful and profitable dealership. A comprehensive business plan, including a detailed 12-month operational diagram and a buy-out projection (exit plan) are required. However, as with any investment there is some risk involved and losses may be incurred by the investors. Failure of the General Manager to achieve designated targets and profit projections may result in loss of investment and/or termination of the General Manager's participation in the Marketing Investment Program.



**HOMETOWN CHRYSLER JEEP® DODGE**  
Yourtown, USA

	Initial Investments	Annual Profits and Distribution					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Dealership Income</b>							
Net Profit		\$615,000	\$700,000	\$800,000	\$900,000	\$1,000,000	\$1,000,000
Consulting/Support Charge		(\$24,000)	\$24,000	\$24,000	\$24,000	\$24,000	\$24,000
Dealership Net Profit (before taxes)		\$591,000	\$676,000	\$776,000	\$876,000	\$976,000	\$976,000
Estimated Income Taxes (est. 40.00%)		(\$236,400)	\$270,400	\$310,400	\$350,400	\$390,400	\$390,400
Net Profit for Distribution (after income tax)		= \$354,600	\$405,600	\$465,600	\$525,600	\$585,600	\$585,600
<b>Distribution of Profits</b>							
Retained Earnings for Capital Loan Reduction		(\$88,650)	\$101,400	\$116,400	\$131,400	\$146,400	\$146,400
Available for Preferred Dividend/Treasury Stock		\$265,950	\$304,287	\$349,208	\$394,259	\$439,296	\$439,224
Preferred Stock Dividend		(\$199,463)	\$211,379	\$215,549	\$199,463	\$150,972	\$45,424
Convert Preferred to Treasury Stock		(\$66,400)	\$92,900	\$133,600	\$194,700	\$288,300	\$124,100
Retained Earnings		(\$87)	\$8	\$59	\$96	\$24	\$269,700
Additional Capital Loan Reduction		\$0	\$0	\$0	\$0	\$0	\$269,350
<b>Resulting Capital Structure</b>							BUY-OUT
Preferred Stock	\$900,000	\$833,600	\$740,700	\$607,100	\$412,400	\$124,100	\$0
Common Stock	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Treasury Stock		\$66,400	\$159,300	\$292,900	\$487,600	\$775,900	\$900,000
Retained Earnings		\$88,737	\$190,058	\$306,509	\$437,946	\$584,274	\$1,000,350
<b>Total Equity</b>	<b>\$1,200,000</b>	<b>\$1,288,737</b>	<b>\$1,390,058</b>	<b>\$1,506,509</b>	<b>\$1,637,946</b>	<b>\$1,784,274</b>	<b>\$2,200,350</b>
Capital Loan(s)							
Tangible Asset Amount \$1,200,000 <i>plus</i> Goodwill Amount \$2,000,000	=\$3,200,000	\$3,111,350	\$3,009,950	\$2,893,550	\$2,762,150	\$2,615,750	\$2,200,000
Capital Loan(s) as a % of Equity	266.7%	241.4%	216.5%	92.1%	168.6%	146.6%	100.0%
Total Dealership Capital	\$4,400,000	\$4,400,087	\$4,400,008	\$4,400,059	\$4,400,096	\$4,400,024	\$4,400,350
<b>Ownership</b>							
Chrysler Motors LLC's Ownership (Preferred Stock)	75.0%	69.5%	61.7%	50.6%	34.4%	10.3%	0.0%
Manager's Ownership (Common + Treasury Stock)	25.0%	30.5%	38.3%	49.4%	65.6%	89.7%	100.0%



## THE BUY-OUT PROCEDURE

As previously indicated, the objective of the Marketing Investment Program is to allow the General Manager to purchase Chrysler Realty's stock interest in the shortest possible time, consistent with good business practices. The General Manager then becomes the sole owner of the dealership. The following points summarize how full buy-out is accomplished:

1. *After year-end profits are verified by an independent CPA audit, distribution of available funds from the dealership are utilized to pay down capital loan principal and to retire Preferred Stock owned by Chrysler Realty.*
2. *At the time of buy-out, the debt-to-equity ratio cannot exceed 1.0-to-1.0. In addition, the dealership must meet or exceed the minimum working capital requirement established by Chrysler Motors and be in compliance with its Sales and Service Agreement.*
3. *At the time of buy-out, the dealership must meet or exceed the Minimum Sales Requirement (MSR) for its sales area.*
4. *The buy-out is subject to the recommendation of the Marketing Investment Branch Manager, the Business Center Director and the approval of Chrysler Motors Marketing Investment Committee. The period of time required to buy-out Chrysler Realty's equity interest in the dealership is dependent upon several factors:*
  - *The amount of capital required, in the form of equity and/or capital loan, to adequately fund the dealership.*
  - *The percentage of the total equity capital of the dealership that is initially invested by the General Manager.*
  - *The amount of dealership profits.*

The page to the left depicts a sample exit plan. In this example, total dealership capital is \$4.4 million. This amount consists of initial equity of \$1.2 million, a capital loan of \$1.2 million funding tangible assets and an additional capital loan of \$2.0 million funding goodwill paid in the acquisition. The buy-out plan is structured in this example to be completed in six years.

The example shown does not make provision for any state, city, or other income taxes that may be applicable in a particular market.



## HOW TO QUALIFY FOR CHRYSLER MOTORS MARKETING INVESTMENT PROGRAM:

**Chrysler Motors is looking for specific qualifications from General Manager applicants:**

- 1. The applicant must possess proven superior sales and management ability.*
- 2. The applicant must qualify for a Sales and Service Agreement(s) on the same basis as all potential Chrysler Motors dealers.*
- 3. The applicant must have a minimum of 25 percent of the total required equity capital of the dealership to invest. These funds must be unencumbered.*
- 4. The proposed dealership must offer a sales and profit potential that gives the applicant the opportunity to buy-out Chrysler Realty's interest and become the sole owner of the dealership in a reasonable period of time.*

## HOW TO APPLY FOR CHRYSLER MOTORS MARKETING INVESTMENT PROGRAM

**Applying to become a dealership General Manager can be accomplished in a few easy steps:**

- 1. An individual who desires investment in a Chrysler Motors dealership under the Marketing Investment Program should contact the appropriate Chrysler Motors Business Center Office to apply for a Sales and Service Agreement(s).*
- 2. Each prospective General Manager will be asked to outline their business experience, management ability and personal investment resources on a Confidential Applicant's Statement.*

**The proposed dealership and the prospective General Manager's application package must be recommended for approval by the Marketing Investment Committee.**



## CONCLUSION

Chrysler Motors is dedicated to offering individuals with a history of business success the optimal opportunity to own and operate a dealership. The Marketing Investment Program objective is to provide financial assistance to experienced and motivated entrepreneurs for a limited time, until profits are sufficient to purchase Chrysler Realty's interest in the dealership.

Once this goal is achieved, the General Manager becomes the owner of a sound, properly capitalized automotive business.





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