

Marina Boulevard vs. Mission Boulevard 2nd Analysis

John Pico – February 7, 2007

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This month marks a full year since I wrote the attached report for you and you passed it on to Chrysler. During the past year I have written several other memos and I have flown to California for three meetings (one here and two in Irvine) and a number of calls with you the factory (March 3, September 8 and November 21) with the end result being that your position in Hayward keeps eroding and you still have no direction with respect to a new facility.

At present there is one piece of property left in the Marina auto mall and, if Chrysler does not tie it up soon, it will be gone and the subject of your future there will be moot.

With respect to Mission Boulevard, Hayward, your next-door neighbor to the north (Hayward Ford) watched new retail sales decrease 22.76% from 1,942 in 2005, to 1,500 in 2006. It also had a record month in November with a \$345,000 loss.

At the same time, your next-door neighbor to the south (Hayward Chevrolet) dropped from 748 new retail in 2005 to 651 new retail in 2006 for a 12.97% decrease. In the interim, there still isn't anyone who will bid on Hayward's Chevrolet store and the owner still cannot get it profitable.

On the other hand, even with its own 4.52% decrease in new retail sales (819 in 2005 versus 782 in 2006), the Chevrolet store on Marina Boulevard outsold Hayward and was profitable.

It should also be noted that in 2006 the Ford store on Marina Boulevard fought a huge battle with the union and still managed to retail 1,153 new vehicles. That fact brings up the issue that while Hayward dealerships are unionized, the Honda, Pontiac-GMC, and Chevrolet stores on Marina Boulevard are all union free stores, resulting in higher profit for the dealer. In addition, Ford took care of the union last year and Nissan and Hyundai-Kia will be taking care of it this year. As a result, it would be reasonable to predict that a new Chrysler store on Marina Boulevard would be non-union.

Another fact that has come to light since my memo of February 2006 is the fact that the facility you are in was misrepresented as being fit for business, when in fact it was ADA deficient; and

All of the facts I outlined in my February 2006 memo still hold true and the fact that you were able to increase Hayward Dodge's sales 59.63% (from 654 in 2005 to 1,044 in 2006), speaks more to your ability to sell cars and your willingness to lose money, than it does to the location.

Based on the demographics, the traffic, the surrounding business and the performance of the existing competitive dealerships on Marina Boulevard (see 2006 memo), if you were there you would have sold double the vehicles. Furthermore, if Chrysler had made you an Alpha dealer with Heavy Duty Truck, you could have tripled your sales.

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Currently, of all the Chrysler, Dodge and Jeep stores in the entire Bay Area (including the Alphas), your single-point Dodge stores ranked 2nd and 3rd in new retail vehicle sales volume, behind only the Alpha store in Sunnyvale. Therefore, based upon your current performance, in your current locations, the projections for you at a Marina Boulevard location are conservative.

In my opinion, here's what needs to be done:

1. Chrysler has to decide whether it wants to be represented with Ford, Chevrolet, Honda, etc. on the new auto row at Marina Boulevard, in San Leandro or not;
2. If it does, it needs to have Bob Behler at Realty immediately look into the possibility of securing the last available auto site there, or the opportunity may be lost;
3. If it does not, it needs to build a new building on Mission Boulevard for any number of reasons, the most urgent of which is the lawsuit that was filed against Hayward Dodge for the building being non-compliant with the American with Disabilities Act (ADA).

I appreciate all the work Charlie Polce has done, but Charlie does not have the authority to do the things I mention above.

Consequently, I would suggest Charlie contact someone in Detroit and get a commitment to get the ball rolling by investigating the property on Marina Boulevard and opening discussions regarding the option to purchase either that property, or if you do not more, the Mission Street property.

As always, should you have any questions, comments or suggestions, please do not hesitate to call.

Best Regards,

John Pico