

FOREBEARANCE AND WORKOUT AGREEMENT

This Agreement is made and entered into, on the date set forth below, by and between:
_____ hereinafter referred to as
"LENDER", and _____ hereinafter
referred to as "BORROWER" and _____
hereinafter collectively referred to as "GUARANTOR".

BORROWER is indebted to LENDER (which indebtedness is, and will continue to be, unconditionally guaranteed by GUARANTOR) for the following:

A floor plan loan dated _____ having an outstanding principal balance of \$_____, hereinafter referred to as "FLOOR PLAN LOAN";

A capital loan to GUARANTOR dated _____ having an outstanding principal balance of \$_____, hereinafter referred to as ""TERM LOAN""; and

Contingent Liability for retail installment contracts purchased by LENDER in an aggregate contingent liability amount estimated to be \$_____, hereinafter referred to as ""DEALER PAPER".

LENDER, on the following dates, notified BORROWER and GUARANTOR, both orally and in writing, of a serious out of trust position relating to BORROWER'S "FLOOR PLAN LOAN":

DATE

LETTER/MEETING

BORROWER and a GUARANTOR admit that vehicle units, for which LENDER had advanced funds, have been sold by BORROWER, and LENDER has not been paid for said units. [LENDER acknowledges BORROWER alleges the number of units sold and unpaid is lower than LENDER'S inventory records indicate].

LENDER has demanded of BORROWER and GUARANTOR, full payment of BORROWER'S indebtedness to LENDER, and protection of LENDER'S collateral by the placement of

on-site LENDER representatives, hereinafter referred to as "KEEPERS", on BORROWER'S premises.

BORROWER has requested from LENDER the right to use the proceeds of the floored vehicles sales, for which LENDER has not been paid, to fund BORROWER'S operating expenses, or alternatively, a capital loan.

BORROWER and GUARANTOR further represent to LENDER that GUARANTOR they are ready and willing to market some of their assets and use the proceeds therefrom to pay BORROWER'S liabilities.

Subject to the following terms and conditions, the parties agree:

- (1) LENDER will allow BORROWER additional time to seek refinancing, or the sale of BORROWER'S and GUARANTOR'S assets to pay the LENDER;
- (2) BORROWER will allow LENDER to place "KEEPERS" upon BORROWER'S premises, subject to the conditions stated in paragraph _____, hereof, to control the "LENDER'S" collateral;
- (3) LENDER will extend to BORROWER a capital loan, under the terms and conditions stated in paragraph _____, hereof; and
- (4) will BORROWER use the proceeds obtained from selling vehicles out of trust, for BORROWER'S operating expenses, or any other payment or expense, except to reduce BORROWER'S liabilities to lender.

in consideration of the mutual covenants and novations contained herein, the parties have agreed as follows:

LENDER hereby agrees to make available to BORROWER an additional credit line loan, hereinafter referred to as "CLL", not to exceed _____ (\$_____) DOLLARS, which monies shall be use to fund BORROWER'S reasonable operating expenses.

BORROWER has represented and warranted to LENDER that such funds as represented by the "CLL" are necessary for BORROWER to continue business and that no other funds will be necessary.

Said "CLL" may be drawn upon by BORROWER from time to time as BORROWER requires to meet expenses and shall be evidenced by a promissory note, a copy of which is attached hereto and marked Exhibit A.

Advances under said "CLL" shall be made into BORROWER'S operating account with LENDER, as set forth; in Paragraph _____, below.

LENDER shall not be obligated to make any advance hereunder unless BORROWER and GUARANTOR are not in default of any provision of Agreement, the Security Agreements, or any other instruments or documents executed in connection therewith, to the extent that such agreements are not modified by this Workout Agreement

Account Number: _____ has been designated by LENDER and BORROWER as BORROWER'S operating account. BORROWER hereby assigns and pledges said operating account to the payment of its indebtedness to LENDER now owing or hereafter arising, regardless of the nature or method such indebtedness arose.

BORROWER agrees and warrants that it will not and has not opened any other accounts for deposits of receipts by BORROWER, except the following account which is required to facilitate the handling of credit card deposits, such as Master-Card and Visa:

ACCOUNT

INSTITUTION

BORROWER hereby agrees to deliver to LENDER for deposit into BORROWER'S operating account:

- (1) all proceeds of each sale of whatever nature, including, the proceeds from the sale of each vehicle for which LENDER has advanced funds under "FLOOR PLAN LOAN" with BORROWER. Accompanying each such deposit shall be a check drawn by BORROWER in an amount equal to the principal advanced for each such vehicle less curtailments already paid to reduce "FLOOR PLAN LOAN".
- (2) all other cash and all other payments of any kind shall, received by BORROWER, WITH THE EXCEPTION OF CUSTOMER DEPOSITS AND CUSTOMER TRUST MONIES, such as insurance and warranty payments.

For purposes of this Paragraph 3, BORROWER hereby appoints LENDER as its agent with full power of attorney to execute on BORROWER'S behalf title to any and all motor

vehicles owned by BORROWER and any claims incident thereto, to include, by way of illustration, but not of exclusion: submission of insurance claims for loss, theft or damage to any motor vehicle; execution of any MSO or title to a purchaser of any such vehicle; and endorsement of any check or draft in payment of any such vehicle

LENDER may, in LENDER'S sole and unfettered discretion, floor new or used vehicles not now floored. In cases where LENDER elects to floor additional vehicles:

(a) any NEW VEHICLES floored, shall be floored at a rate and amount in accordance with Section _____ of the existing Loan Agreement between LENDER and BORROWER; and

(b) any USED VEHICLES floored, shall be floored at the lower of cost or 85% of the [NADA, Blue Book, or similar reference] wholesale value and payments from such advances shall be applied as follows:

- (i) first to all existing lien holders of each vehicle so floored;
- (ii) remaining sums shall be deposited in BORROWER'S operating account.

No vehicle shall be floored hereunder without a clear title and Power of Attorney from the seller of the vehicle

After a physical inventory and reconciliation, the parties agree that the units which BORROWER has sold out of trust, have an aggregate value of _____ (\$_____), which sum is hereinafter referred to as the "SET ASIDE AMOUNT".

Except as hereafter provided, LENDER and BORROWER agree that the repayment of the PRINCIPAL ONLY, not the interest, of the "SET ASIDE AMOUNT" shall be deferred to the earlier:

- (a) _____ of the term of Agreement; or
- (b) any default by BORROWER of any of the provisions hereof; whichever occurs first.

Any payments for said out of trust vehicles received after the date of this agreement, such shall be applied to reduce the principal of the "SET ASIDE AMOUNT".

BORROWER agrees that Set Aside amount shall not include missing but unsold vehicles. On or before the close of business _____, BORROWER shall produce such missing vehicles or pay for same.

Hereafter, BORROWER shall within _____ hours after notice, return any subsequently, missing vehicles to the KEEPER, or pay the LENDER for the missing units.

BORROWER shall obtain or repossess, at BORROWER'S expense [or, in the alternative, allow LENDER, after notice to repossess at BORROWER'S expense], all demonstrator vehicles which are not returned to the custody of the KEEPERS on or before 1:00 P.M., _____ . The Floor Planned amount of any missing units shall be added to SET ASIDE AMOUNT until such time the missing unit is repossessed and returned to KEEPERS.

Hereafter, no demonstrator vehicle may be issued by BORROWER to any person without the express written consent of LENDER.

KEEPERS. The KEEPERS shall monitor and protect the LENDER'S collateral and its proceeds.

6.1 LENDER warrants and represents:

(a) the number of KEEPERS on the premises at any one time (not including visits from supervisors) shall not exceed three; and

(b) that subject to the provisions hereof, and KEEPERS' instruction book, of which BORROWER acknowledges having received a copy, KEEPERS shall not interfere with the control or operation of BORROWER'S business.

6.2 In order to induce LENDER to enter into this Workout Agreement, BORROWER and GUARANTOR represent and agree:

(a) BORROWER shall deliver any remaining MSO's, titles and other evidence of title to vehicles in its possession, or hereafter acquired, to LENDER'S Keeper forthwith upon receipt of same.

(b) With respect to vehicles for which a MSO, or title cannot be produced by BORROWER, BORROWER agrees that the LENDER may lock and secure such vehicle until such time as the title is in the possession of Keeper.

(c) that if, upon the expiration of _____ business days, after the delivery of each new or used vehicle to BORROWER'S customer, KEEPERS are not satisfied that payment for such vehicle is forthcoming, BORROWER shall, upon demand

by any KEEPER, repossessed said vehicle, or permit LENDER, after notice to BORROWER and at BORROWER'S cost and expense, repossess said vehicle and immediately return same to the custody of the KEEPER.

6.3 Keepers are hereby granted the right to do any and all of the following:

(a) to keep, secure and maintain, the keys for all vehicles [for which LENDER does not have in its possession an MSO, title or a lien release from all lien holders];

(b) to maintain and control of all MSO's and titles to vehicles which secure BORROWER'S indebtedness to LENDER, under a "FLOOR PLAN" and to release same upon deposit by BORROWER of the floored amount into BORROWER'S operating account, or upon a LENDER verifiable and approved "DEALER PAPER" assignment.

(c) to follow adequately the proceeds from the sale of collateral, including but not limited to, examining all of BORROWER'S records. Such examinations shall include, but not be limited to, the right to review records of sales and receipts.

(d) to ask questions and receive answers from any employee of BORROWER relating to the collateral or its proceeds, chattel paper financing, and such;

(e) to attend meetings related to collateral, chattel paper financing;

(f) to hold the proceeds of the sale of collateral and chattel paper;

(g) to release in constructive trust to BORROWER proceeds for deposit, or for the assignment of chattel paper;

(h) to take physical inventories of the collateral and reconcile LENDER'S records against that of BORROWER;

(i) to take any and all additional, reasonable actions for the protection of LENDER collateral.

As and for consideration for LENDER granting additional credit and in order to adequately secure the repayment of BORROWER'S and GUARANTOR'S liability to LENDER, BORROWER and GUARANTOR hereby agree to deliver and to pledge the following

An assignment and pledge of all of the issued and outstanding stock of BORROWER;

An assignment and pledge of all of BORROWER'S interest in;

An assignment and pledge of all issued and outstanding stock held by BORROWER AND GUARANTOR in

An assignment and pledge of BORROWER'S and GUARANTOR'S portion of any note or payment due to be received by them arising from the sale of any automobile dealership in which GUARANTOR may have an interest;

An assignment and pledge of the proceeds from the sale of any automobile dealership in which BORROWER, or GUARANTOR may have an interest;

A pledge [UCC-1] of the furniture, fixtures, machinery, equipment, parts, accessories, goodwill, blue sky, non-competition rights, or consulting fee rights in, or arising out of BORROWER'S and GUARANTOR'S interest in the following automobile dealerships:

BORROWER and GUARANTOR acknowledge and agree that this Workout Agreement affords BORROWER additional time in which to enable them to seek a refinancing of BORROWER'S indebtedness to LENDER, or to pursue a sale of BORROWER'S assets. BORROWER and GUARANTOR further acknowledge and agree that this agreement is entered into with the reliance by the LENDER that the principal shareholder of BORROWER, to wit: _____, will liquidate some or all of BORROWER'S holdings to repay BORROWER'S indebtedness to LENDER.

Consequently, in consideration of the benefit to be derived by BORROWER from this Agreement, BORROWER and GUARANTOR hereby agree to guarantee all indebtedness of:

to LENDER by the execution of a continuing guarantee agreement in a form satisfactory to LENDER.

In addition to the covenants contained in Section ____ , of Loan Agreement, and paragraph 6, above, BORROWER agrees that during the term hereof, it will:

- (a) Pay as they become due, all interest, principal and other payments required under this Agreement, the notes and any existing Loan Agreements (insofar as said

- (b) Pay promptly all taxes and fees of any governmental agency, as they become due, and when required, allow LENDER to verify such payments;
- (c) Deliver or cause to be delivered all MSO's and titles directly to LENDER, or the KEEPERS;
- (d) Deliver or cause to be delivered all chattel paper for the sale of collateral to possession of the LENDER or KEEPERS;
- (e) Execute or cause to be executed, any instrument or document, upon request, necessary for the protection of LENDER'S collateral, or the evidencing of any indebtedness hereunder or under the Loan Agreement;
- (f) Deliver or cause to be delivered at its own expense, all demonstrator vehicles to the custody of KEEPERS in accordance with Paragraph 6 hereof;
- (g) Pay all costs associated with the protection of LENDER'S collateral under this Agreement, which accumulating costs will be discussed by the parties at weekly intervals when requested by BORROWER;
- (h) Diligently seek refinancing of all amounts owed to LENDER and to seek the sale of BORROWER'S and GUARANTOR'S assets at a purchase price calculated to repay BORROWER'S indebtedness to LENDER;
- (i) Deliver or cause to be immediately delivered to LENDER payment for all Floor Planned units sold upon receipt of payment from any source in accordance with Paragraphs ____ and ____ hereof; and
- (j) If requested by LENDER, cause to be delivered to LENDER a Waiver and Consent from BORROWER'S landlord(s) subordinating landlord's security interest in BORROWER'S personal property to that of LENDER.

BORROWER and GUARANTOR agree that during the term of this Agreement they shall not:

- (a) Make payment or disbursement of other property (whether by loan, payment of salaries, loan repayment, expense repayment, or otherwise) to any affiliated

company, officer, director, or shareholder including family members thereof of BORROWER OR GUARANTOR, except reasonable salaries to family members who are officially employed by dealership;

- (b) Make any payment to any creditor on behalf of any of BORROWER'S or GUARANTOR'S shareholders, directors, officers, or any family member thereof, or to any affiliated company of BORROWER or GUARANTOR; and
- (c) Do any act or cause or suffer to be done, any act, in contravention of this Agreement or any outstanding Loan Agreement between BORROWER, GUARANTOR and LENDER, or any combination of said parties.

Default under any term of this Agreement or any Loan Agreement, Notes, or any extensions thereof, shall, in addition to the rights thereunder and hereunder, give the LENDER the right to immediate possession of the collateral securing BORROWER'S and GUARANTOR'S indebtedness to LENDER.

BORROWER and GUARANTOR agree that due to interconnected borrowings of BORROWER'S companies, suit may be brought for replevin in the County of _____, State of _____.

In the event that despite the safeguards above-mentioned the collateral position of LENDER deteriorates further, then, in such event. BORROWER hereby agrees that LENDER may seek without notice to BORROWER, a court order requiring delivery of the collateral to the possession of LENDER forthwith.

The term of this Agreement shall be the earlier of _____, 20__ or default under this Agreement, the Notes, the Security Documents, whichever occurs first.

This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall together constitute and be one and the same instrument.

This document constitutes the entire understanding and agreement of the parties with respect to the subject matter contained herein and any and all prior agreements, understandings or representations are hereby terminated and cancelled in their entirety and are of no further force or effect.

INITIAL: _____

INITIAL: _____

BORROWER AND GUARANTOR ACKNOWLEDGE THEIR UNDERSTANDING THAT NO OFFICER, AGENT OR EMPLOYEE OF LENDER MAY MODIFY THE TERMS OF THIS, OR ANY OTHER AGREEMENT WITH LENDER, UNLESS SUCH MODIFICATION IS IN WRITING AND SIGNED BY AN OFFICER OF LENDER AND THAT BORROWER AND GUARANTOR HAVE NO RIGHT TO RELY ON ANY ORAL REPRESENTATIONS OF SUCH OFFICER, AGENT OR EMPLOYEE.

LENDER has advised BORROWER and GUARANTOR to seek the advice of an attorney licensed to practice law in _____, PRIOR TO THEIR SIGNING OF THIS AGREEMENT and the parties acknowledge an attorney has represented them.

INITIAL: _____

INITIAL: _____

Time is of the essence of this Agreement with respect to the performance by each party of each obligation to be performed by each party hereunder and the strict and timely performance of obligations by a party shall be a condition precedent to the enforcement by that party of the other party's obligations hereunder. If this Agreement is not fully executed and returned to lender on or before 1:00 P.M., _____, 20____, the Agreement shall be null and void, the offers herein withdrawn and the legal positions of each party hereto shall be interpreted as though this Agreement never existed.

Dated the year and date first written above.

By: _____

By: _____

GUARANTOR:

INDIVIDUALLY

INDIVIDUALLY