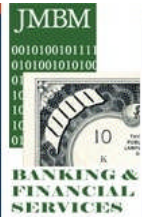


SPECIAL ASSETS LAWYER BLOG

What bankers need to know about problem commercial
and real estate Loans

PUBLISHED BY:
Richard A. Rogan
of Jeffer, Mangels, Butler & Marmaro



How do lenders, manufacturers and investors preserve value, minimize loss and repurpose shuttered motor vehicle dealerships?

Thousands of motor vehicles dealerships will fail before the restructuring of the auto industry is over. Clients of the JMBM Special Assets Team are facing significant potential losses on loans to dealerships and property owners as these once-thriving local businesses fall on hard times, fail and close. As in every crisis, a calm, guiding hand is required to minimize loss, maximize value and perhaps, to find an opportunity to build for the future. The JMBM Special Assets Team provides experienced counsel to lenders holding troubled loans to motor vehicle dealerships and to draw on JMBM's broad expertise representing motor vehicle manufacturers, secured lenders and real estate investors to help find and preserve value.

The JMBM Special Assets Team represents clients' financial interests that are put at risk by failing vehicle, farm implement and marine dealerships. JMBM does not represent consumers, motor vehicle dealers or franchisees; instead, we provide expert guidance for:

- **Manufacturers** who must address the problems created by failing dealerships
- **Secured lenders** who must take prompt action to preserve their collateral or defend lender liability claims and class actions
- **Investors** who have leased sales and service facilities to dealers.

Manufacturers Need Specialized Counsel to Address Failing Dealers

JMBM is well known as a leader in the representation of motor vehicle manufacturers and distributors. A failing dealer creates issues that cut across several legal arenas. A team effort is needed to implement a manufacturer's business plan to address a failing dealer. The JMBM Special Assets Team understands the steps that need to be taken immediately when a dealer is on the verge of failure and has the experience and know-how to represent manufacturers through the termination of franchises, before the New Motor Vehicle Board, receiverships, foreclosure, bankruptcy and the liquidation of the assets of a dealer's real and personal property.

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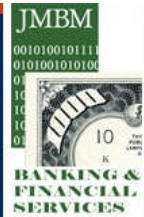
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Failing Dealers Result in the Need for Quick Action to Preserve Collateral Value for Secured Lenders

Commercial banks have long courted local auto dealers because they generate substantial deposits and ongoing business for the bank. As these relationships grow, bankers often made loans to dealers to finance expansion of their facilities, to buy out partners and for other sound business purposes. Because the inventory of a dealership is often pledged to captive finance companies who provide the dealer with flooring lines, the bank's collateral may be much more limited than was initially thought.

The JMBM Special Assets Team has been called on to collect loans from failing dealers and to preserve collateral such as receivables, inventory and real estate. Drawing on the expertise of JMBM's Motor Vehicle practice, the JMBM Special Assets Team has acted swiftly to advise lenders as to whether they can setoff against deposit accounts, foreclose on real and personal property collateral, file suit against dealers and guarantors and have a receiver appointed and take whatever steps might be necessary to collect the loan.

Investors Repurpose Dealer Showrooms, Service Facilities and Car Lots

As the thousands of motor vehicle dealers close for good, valuable real estate is available for repurposing. In many areas, closed car dealerships have freed up valuable real estate for development. The JMBM Special Assets Team can help investors who own these facilities move past difficult enforcement problems in bankruptcy or superior court, take back the properties through negotiation or foreclosure and develop the land for future profitable uses.

Many investors are actively seeking to acquire former auto dealer showrooms and service facilities through bankruptcy sales or after foreclosure. To be successful, these investors need the right team on their side. Working with the JMBM Real Estate and Land Use experts, the JMBM Special Assets Team has significant experience in acquiring former dealership facilities, while making certain that clients properly assess costs and risks of future development, including difficult environmental, zoning and political issues.

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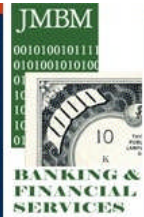
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Here are just a few of the many times that JMBM's valued clients have relied on the JMBM Special Assets Team for expert counsel:

Bank Engages Receiver to Liquidate Farm Implement Dealership

A commercial bank engaged JMBM to plan and execute a successful strategy to close down and liquidate a failing farm implement dealership. JMBM filed suit and obtained the appointment of a receiver who sorted out competing flooring lines, closed down the dealer's service facility, and sold off the personal property assets, thus minimizing clean-up costs prior to an auction of the valuable real property on which the dealership was located. Result: the auction proceeds not only paid the secured lender in full, all of the costs of the receivership and the lender's attorneys' fees were also fully paid.

JMBM Facilitates Transfer of Auto Dealership in Bankruptcy Without Going Dark

A major vehicle manufacturer engaged JMBM in a highly adversarial Chapter 11 case filed by a dealer for the purpose of facilitating the transfer of the franchise to a new operator. JMBM skillfully negotiated a transition to the new dealer without any interruption in the dealership operations.

JMBM Represents Secured Lender in Multiple Bankruptcy Filings by Marine Recreational Dealer

JMBM was called on by a secured lender to appear in eight (8) related Chapter 11 cases filed by a marine recreational dealer and its affiliates, and to protect the interests of the Bank as a secured lender against claims by other lenders.

Manufacturer Engages JMBM to Facilitate Sale of Dealer In Chapter 11 Case and to Collect Sums

A major manufacturer of motorcycles and recreational vehicles engaged JMBM to assist in the Chapter 11 sale of a dealership to a proven successful operator and to obtain immediate repayment of sums due, including attorney's fees.

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If you have a troubled loan to a motor vehicle dealer, or you are interested in acquiring and developing a now-vacant site of a closed dealership, call the JMBM Special Assets Team:

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