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Ramifications of Auto Industry Bankruptcies

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Introduction - Louann Van Der Wiele

Chairman Cohen, Ranking Member Franks and Members of the Subcommittee, thank you for providing this opportunity to discuss the ramifications of Chrysler LLC's ("Old Carco") bankruptcy. I sit here today representing the new Chrysler Group LLC ("Chrysler Group") as Vice President and Associate General Counsel. With me is Kevyn Orr, representing our outside legal counsel. Together we will provide you with a thorough accounting of the legal ramifications of Old Carco's bankruptcy.

I also sit here today as a 20-year employee of Chrysler Corporation, DaimlerChrysler Corporation, Chrysler LLC and Chrysler Group. While there is much about bankruptcy that is dry, legal, and technical, I have first-hand knowledge of the real human impact of a bankruptcy. In the end, the best thing that can be said in favor of the bankruptcy process Old Carco is undergoing is that, as difficult and painful as it has been, it is vastly preferable to the only alternative – the complete liquidation of Old Carco. I hope that the experiences we have gone through will provide useful insights to you about this important process entrusted to your jurisdiction.

Kevyn Orr will provide for you an outline of the bankruptcy process and the transaction that resulted in an entirely new company, Chrysler Group. I will follow with an outline of how the sale of Old Carco's assets to Chrysler Group will benefit the stakeholders in Old Carco, including the taxpayers.

Chrysler's Bankruptcy Process – Kevyn Orr

As Louann stated, my name is Kevyn Orr and I am here today as outside counsel. I am a partner at the law firm of Jones Day. I have provided Old Carco with restructuring advice and eventually its bankruptcy planning since last fall.

Old Carco's efforts to avoid bankruptcy began in early 2007, when the company initiated an operational restructuring effort that met targets through the first half of 2008. Part of that restructuring effort included a search for potential partners and strategic alliances that would produce operational synergies and allow expansion into new products, market segments, and geographic locations. Specifically, Old Carco sought a strategic partner with expertise in smaller, more fuel-efficient vehicles that would also enhance its global presence. To that end, in 2007 and 2008, Old Carco discussed potential alliances with GM and with Fiat.

In the fall of 2008, the global credit crisis affected the liquidity markets and severely restricted the availability of loans to both dealers and consumers. This resulted in an erosion of consumer confidence and a sharp drop in retail vehicle sales. Old Carco was forced to use cash reserves to compensate for the resulting losses and reduced cash flow.

As a result, in late 2008 Old Carco and other domestic entities sought financing from the government to fund their operations during the credit crisis and the economic downturn. At the same time, Old Carco continued to pursue an alliance with Fiat because it viewed Fiat's products and distribution network as complementary and capable of strengthening Old Carco for the long-term, thereby maximizing the value of its enterprise for the benefit of all constituents, including U.S. taxpayers, employees, creditors, dealers, and suppliers.

The Fiat Alliance was conditioned on Old Carco meeting other parts of a viability plan required by the federal government, including concessions from various stakeholders such as the International Union, United Automobile Aerospace and Agricultural Implement Workers of America (the “UAW”), secured lenders, dealers, and suppliers.

On February 17, 2009, Old Carco submitted a viability plan to the U.S. Treasury that included three potential scenarios: (1) a stand-alone restructuring of Old Carco (the “Stand-Alone Viability Plan”) with concessions from all key constituents, some of which had already been agreed upon and others of which remained subject to ongoing negotiations; (2) a scenario showing the positive synergies from the Fiat Alliance (the “Alliance Viability Plan”), and (3) an orderly wind-down or liquidation plan for all of Old Carco’s operations if neither the Stand-Alone Viability Plan nor the Alliance Viability Plan could be achieved. The February 2009 submission included the proposed concessions from all key stakeholder groups, including equity holders, union and non-union employees and retirees, first and second pre-petition lien holders, suppliers, and dealers.

On February 20, 2009, the President’s Auto Task Force (the “Task Force”) was established to evaluate Old Carco’s Viability Plan. The Task Force initiated discussions with Old Carco and its advisors and other key stakeholders to negotiate with all parties to obtain concessions and agreements consistent with Old Carco’s Viability Plan submission.

On March 30, 2009, the Task Force informed Old Carco that although Old Carco could not survive as a stand-alone entity, the company could become a viable entity with an appropriate strategic partner, such as Fiat, if Old Carco modified certain other aspects of the Alliance Viability Plan and obtained additional concessions from key stakeholders. The U.S. Treasury gave Old Carco an additional 30 days to meet these conditions. Consistent with these goals, a revised term sheet for a Fiat Alliance was signed and the U.S. government agreed to fund Old Carco’s working capital needs through April 30, 2009.

Old Carco, Fiat, and Chrysler Group tentatively entered into a Master Transaction Agreement dated as of April 30, 2009 (the “MTA”), pursuant to which Old Carco agreed to transfer substantially all of its operating assets to Chrysler Group. In exchange for those assets, Chrysler Group agreed to assume certain liabilities of Old Carco and pay Old Carco $2 billion in cash. In consideration for this transaction, Fiat agreed to contribute to Chrysler Group access to competitive fuel-efficient vehicle platforms, certain technology, distribution capabilities in key growth markets and substantial cost saving opportunities, and Chrysler Group agreed to issue Membership Interests in Chrysler Group, with 55% going to an employee health care trust fund, 8% to the U.S. Treasury and 2% to Export Development Canada. The Fiat transaction contemplated that a subsidiary of Fiat would own 20% of the equity of Chrysler Group, with the right to acquire up to an additional 31% of Chrysler Group’s Membership Interest under certain circumstances, including: 5 percent for bringing a 40 mpg vehicle platform to Chrysler to be produced in the U.S.; 5 percent for providing a fuel-efficient engine family to be produced in the U.S. for use in Chrysler vehicles; and 5 percent for providing Chrysler access to its global distribution network to facilitate the export of Chrysler vehicles. Fiat's ownership share could not exceed 49% until after all U.S. government loans have been completely repaid.

The U.S. Treasury and Export Development of Canada also agreed to provide debtor-in-possession financing for 60 days and additional loans to support Chrysler Group's operations after the sale.

Despite entering into these transactions and agreements, Old Carco still hoped to avoid a bankruptcy filing and actively engaged in negotiations with its major stakeholders. However, it became apparent that certain creditors would not agree to the concessions necessary to avoid a bankruptcy filing. Thus, on April 30, 2009 (the "Petition Date"), Old Carco and 24 of its affiliated debtors and debtors in possession commenced their reorganization cases by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code").

In order to preserve the value of Old Carco's assets, the Bankruptcy Court approved an order on May 1, 2009, allowing Old Carco to continue warranty, incentive, and extended service program payments. This critical order allowed the Debtors to preserve the value of Old Carco's assets and continue to operate their businesses and manage their properties as debtors in possession pursuant to the Bankruptcy Code.

On May 5, 2009, the Office of the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed an official committee of unsecured creditors, pursuant to the Bankruptcy Code (the "Creditors' Committee"). The Committee, charged with protecting the interest of Old Carco's creditors in the bankruptcy process, was composed of representatives from the various creditor groups including dealers, suppliers, tort claimants, and other unsecured creditor representatives. The Committee actively participated in the sale process and remains active to this date.

In connection with the commencement of the bankruptcies, Old Carco and its Debtor subsidiaries, Fiat S.p.A. ("Fiat") and Chrysler Group entered into a MTA dated as of April 30, 2009. The Purchase Agreement provided, among other things, that: (a) Chrysler would transfer the majority of its operating assets to New Carco Acquisition LLC now known as Chrysler Group LLC ("Chrysler Group"), a newly established Delaware limited liability company formed by Fiat; and (b) in exchange for those assets, Chrysler Group would assume certain liabilities of Old Carco and pay to Old Carco $2 billion in cash (collectively with the other transactions contemplated by the Purchase Agreement, the "Fiat Transaction"). On May 3, 2009, the Debtors filed a motion to approve the Fiat Transaction or a similar transaction with a competing bidder and supplemented this motion on May 22, 2009.

It is important to remember that this was an arms-length transaction with a third-party purchaser. Old Carco had to present an attractive package of assets and liabilities to Fiat in order to avoid liquidation; had Old Carco included additional liabilities that Fiat did not believe it was in the new company's interest to assume, no deal would have been consummated.

Among the liabilities that the new company specifically did not assume were product liability claims arising out of the sale of vehicles before bankruptcy as part of the Sale Transaction.

Assuming future claims on products sold before the bankruptcy was not a feasible option for Chrysler Group because of resource constraints; obviously, Chrysler Group would have needed additional resources if it had agreed to cover these claims. However, Chrysler Group has agreed to indemnify its dealers against product liability lawsuits. These dealers sold approximately 85% of the vehicles sold by Old Carco. As a result, in the vast majority of product liability cases involving Old Carco vehicles sold before the bankruptcy, Chrysler Group will defend its dealers pursuant to its dealership agreements.

Similarly, the Fiat Transaction contemplated that Chrysler Group would assume the dealership agreements of 75% of Old Carco's dealers, representing 86% of the volume of that company's sales. Chrysler Group has estimated that bringing forward 100% of Old Carco's dealers would increase its costs and decrease its revenues by an average of $2.1 billion annually over the next four years. Obviously, the Fiat Transaction would have been quite different if Chrysler Group had contemplated that it would be forced to assume dealership agreements with 100% of Old Carco's dealers.

Old Carco selected dealers for rejection using a thoughtful, rigorous and objective process designed to have the least negative impact while still creating a new dealer footprint scaled to be viable and profitable for the long term. The methodology was consistently applied to every dealer in the company's U.S. operations, and reviewed many factors that are unique for each market and dealer.

These factors included:

- Total sales potential for each individual market
- Each dealer's record of meeting minimum sales responsibility
- A scorecard that each dealer receives monthly, and includes metrics for sales, market share, new vehicle shipments, sales satisfaction index, service satisfaction index, warranty repair expense, and other comparative measures
- Facility that meets corporate standards
- Location in regard to optimum retail growth area
- Exclusive representation within larger markets

A team of people within Old Carco's local business centers around the country, as well as headquarter's staff reviewed every market and dealer situation as a group many times. From this analysis, the 2,392 dealers who would best carry the new company forward were identified.

Although Old Carco submitted a plan to reduce total dealer count by 25 percent, those dealers represent only 14 percent of the company's sales volume. Half of these dealerships sell fewer than 100 vehicles a year, or less than nine vehicles per month on average (that compares with 125 vehicles sold per month on average at Toyota dealerships). About 44 percent of the discontinued dealers who reported revenues were profitable, earning $84 million last year, while the remaining 56 percent were unprofitable, losing a total of $136 million.

The bankruptcy court held a hearing to consider approving the Fiat Transaction on May 27, 2009 through May 29, 2009 (the "Sale Hearing"). All interested parties were given the opportunity to appear at the Sale Hearing. During this hearing, numerous parties examined multiple witnesses and also were permitted to make oral argument in support of and against the proposed Fiat Transaction.

The unrebutted testimony of Old Carco's financial advisor showed that the $2.0 billion that Chrysler Group agreed to pay for Old Carco's assets exceeded the value that the lien holders could have recovered in an immediate liquidation. The liquidation analysis was confirmed and reinforced when no legitimate bidders aside from Fiat came forward with an offer to purchase Old Carco's assets.

The Sale Hearing comprised three full days during which more than ten Old Carco witnesses appeared, more than four dealer witnesses were presented and CEO Bob Nardelli was cross-examined for more than seven hours. On May 31, 2009, the Bankruptcy Court issued: (a) an Opinion Granting the Debtors' Motion Seeking Authority to Sell, Pursuant to § 363, Substantially All of the Debtors' Assets (the "Sale Opinion"); and (b) an Opinion and Order Regarding Emergency Economic Stabilization Act of 2008 and Troubled Asset Relief Program (together with the Sale Opinion, the "Opinions"). On June 1, 2009 and consistent with the Sale Opinion, the Bankruptcy Court entered an Order authorizing the Fiat Transaction (the "Sale Order"). In the Opinions and the Sale Order the Bankruptcy Court specifically found that: Old Carco had exercised sound business judgment in entering into the Fiat Transaction; that the deal was negotiated at arms' length with a third-party purchaser and in good faith for a proper purpose; that the value realized via the Fiat Transaction was greater than the value that would be realized via a liquidation; and that Old Carco had presented an adequate factual basis to support the sale under applicable law. On June 5, 2009, the United States Court of Appeals for the Second Circuit affirmed the Opinions and the Sale Order. Several of the objectors then sought a stay of the Second Circuit's opinion. After a brief consideration of the objectors' request, the Supreme Court declined to grant a stay of that opinion on June 9, 2009, and, consistent with the Sale Order, the Fiat Transaction was consummated on June 10, 2009.

After the Sale process was complete, the Bankruptcy Court dealt with the assumption of certain dealership franchise agreements. The Bankruptcy Court heard two days of testimony and oral arguments regarding Old Carco's business decision to reject certain franchise agreements and pass on other franchise agreements to Chrysler Group. At an evidentiary hearing held on June 4, 2009, 15 witnesses testified and approximately 66 witnesses presented testimony by declaration.

For Old Carco, excess dealerships were burdensome in several ways. First, many dealerships did not sell all three Old Carco brands, so Old Carco had to provide similar products in each of the three different brands so all dealers would have access to as broad a market as possible. This was inefficient and expensive. For example, Old Carco supplied dealers with two similar minivans, Chrysler Town & Country and Dodge Grand Caravan; two similar full-size sport-utilities, Chrysler Aspen and Dodge Durango; two similar mid-size SUVs, Dodge Nitro and Jeep® Liberty; and two similar sedans, the Chrysler Sebring and Dodge Avenger. Based on six major vehicle launches between 2005 and 2008, Old Carco incurred approximately $1.4 billion in incremental costs to develop these multiple pairs of "sister vehicles."

Second, as a result of overdealering, the marketing and advertising messages were split between multiple products, diminishing the reach and frequency of each campaign. For example, in 2008 Old Carco spent about $100 million on each of two marketing and advertising campaigns to launch two redesigned minivans, instead of spending half as much to support a single launch to attain virtually the same sales volume.

Finally, poor performing dealers cost Old Carco customers and lost revenue. Poor performing dealerships cannot afford to keep facilities up-to-date or hire and train the best people, resulting in poor customer experience and lower sales. In fact, in 2008, the 789 discontinued dealers achieved sales of only 73 percent of the minimum sales responsibility, representing 55,000 lost unit sales and $1.5 billion in lost revenue in 2008.

On June 9, 2009, the Bankruptcy Court heard oral arguments on the legal issues related to the rejection of certain franchise agreements. After arguments concluded, the Court issued an Order Pursuant to Sections 105 and 365 of the Bankruptcy Code and Bankruptcy Rule 6006, (A) Authorizing the Rejection of Executory Contracts and Unexpired Leases with Certain Domestic Dealers and (B) Granting Certain Related Relief (the "Rejection Order") and issued its Opinion Regarding Authorization of Rejection of All Executory Contracts and Unexpired Leases with Certain Domestic Dealers and Granting Certain Related Relief (the "Rejection Opinion") on June 19, 2009. Again, in examining the company's decision to reject 789 dealership agreements, the Bankruptcy Court found that "[t]he decision-making process used by [Old Carco] was rational and an exercise of sound business judgment," and amply supported by both the factual record and prevailing case law. The court also found:

> The Debtors identified numerous advantages of having a smaller dealership network, including better and more sustainable sales and profitability for each dealer, which in turn would provide greater resources for marketing, reinvesting in the business, improving facilities, enhancing the customer experience and customer service, and keeping and attracting more experienced and highly qualified personnel to work at the dealerships. . . . A smaller dealership network is expected to concentrate profits such that more capital improvements will be made to a dealership facility, thereby attracting more customers and providing customers with a better experience. A smaller dealership network would also enable the Debtors to reduce expenses and inefficiencies in the distribution system, including reducing costs spent on training, new vehicle allocation personnel, processes, and procedures, dealership network oversight, auditing, and monitoring, and additional operational support functions. Consolidation of "partial line" dealerships would eliminate redundancies and inefficiencies in the dealership network. In re Chrysler LLC *et al.*, No. 09-50002, slip op. at 9 (S.D.N.Y June 9, 2009).

Only one dealer has chosen to appeal this ruling. This appeal is currently pending before the Second Circuit Court of Appeals.

Bankruptcy is not an easy or pleasant process. All bankruptcies are not alike, and in Old Carco's bankruptcy the ability to sell substantially all its assets to a third party purchaser to form a new company with a stronger balance sheet, more competitive labor agreements, and a right-sized dealer network was essential to the new company's survival in the short term and its ability to remain viable in the future. Legislation that would reverse some of the difficult but necessary actions taken during Old Carco's bankruptcy will endanger the new company's viability efforts and the investment of U.S. taxpayers.

Ramifications of Chrysler's Bankruptcy – Louann Van Der Wiele

While the Treasury-supported bankruptcy adversely impacted all of Old Carco's stakeholders, the alternative – liquidation – would have been far worse. Let me give you a brief update on the benefits that this bankruptcy has provided – especially when compared to the complete liquidation of Old Carco:

Customers: Treasury provided product warranty guarantees during the bankruptcy to ease potential customer concerns. Had Old Carco been completely liquidated, Old Carco's existing customers would have effectively lost their warranty coverage, and servicing and parts production would have been inadequate to meet their needs. Chrysler Group is now able to provide Old Carco's customers with a quality sales and service experience.

Dealers: The new Chrysler Group formed as a result of the bankruptcy was able to assume 2,392 dealers -- approximately 75% of the existing dealership network, responsible for approximately 86% of Old Carco's sales. Chrysler Group determined that a reduced number of dealers were necessary in order for the new Company to survive and compete in the realities of today's smaller market. While the industry averaged 16 million new vehicles sold in the U.S. each year between 1990 and 2007, the expected Seasonally Adjusted Annual Rate (SAAR) for 2009 is only 10.1 million units. The average SAAR between 2009-2012 is expected to be no greater than 10.8 million units. Such numbers simply do not support the dealer body that Old Carco maintained before the bankruptcy. If Old Carco had been forced into liquidation, ***the entire dealership network*** would have lost their franchises, resulting in massive job losses.

Chrysler Group has worked hard to assure a soft landing for the Old Carco dealers whose contracts have not been assumed, including the redistribution of 100% of inventory, parts, and special tools. Chrysler Group quickly put together a program with GMAC to provide wholesale financing so all remaining inventory would be redistributed to the dealers going forward. There were 42,000 vehicles in stock at discontinued dealers on May 14, and to date approximately 39,500 have been sold to customers or transferred to retained dealers. The remaining approximately 2,500 vehicles will be transferred to retained dealers by July 24. Chrysler Group has pledged to complete the redistribution of special tools and parts within 90 days, and to date, commitments are in place for 87% of parts inventory value of the discontinued dealers.

As expected, many discontinued dealers are remaining open as used vehicle retailers or operating competing franchises and are therefore reducing the number of displaced workers. To assist dealership workers who lose their jobs, Chrysler Group has expanded its current online job posting hiring process to help place dealership employees who lose their positions. This job posting site averages 600 job views per week, and as of July 11, 436 displaced workers have found jobs at 239 dealers.

As noted earlier, Chrysler Group continues to stand behind its products and its dealers. As part of the Sale Transaction, Chrysler Group specifically did not assume product liability claims arising out of the sale of vehicles before bankruptcy. However, because Chrysler Group will indemnify its dealers against product liability lawsuits, we anticipate being involved in future claims on Old Carco's products. While we are saddened anytime someone is injured in one of our vehicles, vehicles sold by Old Carco, like the vehicles sold by Chrysler Group, meet or exceed all federal safety standards and have warranties that remain in full force and effect.

Suppliers: As noted, in prior years Old Carco had more than 1,300 production suppliers and purchased more than $30 billion of goods and services from suppliers annually. Chrysler Group intends to move forward with approximately 1,100 production suppliers that employ thousands of people throughout the country. Chrysler Group anticipates spending $22 billion with suppliers in 2009**.** Had Old Carco completely liquidated instead of selling substantially all of its assets to a new company, many of these suppliers would not have been able to survive. Their failures would have cascaded across the entire industry and further added to the nation's economic woes. Even with the creation of Chrysler Group and the new GM, many automotive suppliers are financially strained given the events of the last 12 months.

Employees: Chrysler Group will continue to employ more than 30,000 people in the U.S. **–** including approximately 20,000 employees in Michigan, which as you know has the highest unemployment rate in the nation. The company was able to maintain workers' compensation payments during bankruptcy and to a large extent has maintained retiree benefits. Liquidation would have wiped out these jobs and benefits, shifting an enormous economic burden upon our fragile local and state governments.

Taxpayers: Chrysler Group is well-positioned to become a viable company capable of fully repaying its debt to American and Canadian taxpayers. Old Carco's liquidation would have caused taxpayers to pick up significant costs for unemployment support, health care and pensions that would default to the Pension Benefit Guarantee Corporation (PBGC) the government agency that insures private sector pension plans. In addition, given the current economic downturn, a failure of Chrysler Group would be a severe setback to the efforts to restore confidence and revive growth.

The Alternate Scenario: Liquidation

The only alternative to bankruptcy was liquidation of Old Carco and all of its assets. In a liquidation analysis prepared for Old Carco,[1] Robert Manzo of Capstone Advisory Group, a financial advisor to the company as part of its bankruptcy process, stated that this would be the first liquidation of a major domestic automaker. He noted that due to the depressed circumstances in the automotive industry and economy in general, under a liquidation scenario the recovery for assets such as tooling, plant property, equipment, product lines, and other corporate assets would be only a fraction of their value.

Plants would have remained mothballed until they were sold and the resulting unemployment and economic impact in our plant communities would have been swift and severe. All dealer and supplier contracts likely would have been voided, leading to further bankruptcies and economic distress. Mr. Manzo's analysis concluded that at the completion of the liquidation there would not be any residual value available for the benefit of any other class of claimant (with the exception of first lien creditors), including the general unsecured creditors.

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1 "Preliminary Hypothetical Liquidation Analysis – Orderly Liquidation," (January 30, 2009).

The impact of liquidation on Old Carco's employees would have been severe. Due to the lack of liquidity in Old Carco, private debtor-in-possession financing was not available. If Old Carco collateral had been used to fund the administration of the bankruptcy, Old Carco would have had to cease all benefit payments, including supplemental unemployment benefits to UAW employees. The only employees that would have remained on payroll would have been those administering the liquidation.

Furthermore, the PBGC could have faced significant additional liabilities from Old Carco in the event of liquidation. The health care and benefits of both active employees, retirees and their spouses and dependents also would have been at risk.

The consequences of liquidation would not have been confined to Old Carco. Its collapse could have resulted in the failure of other auto manufacturers due to the shared supplier base. The ripple effects of such a catastrophe would have been felt in thousands of communities around the country in all 50 states. According to a research memorandum published November 4, 2008, by the Center for Automotive Research, 4.5 million people depend on the U.S automotive industry. This memorandum estimates the impact of a domestic auto maker failure to the overall economy, and the result is devastating: 2.3 – 3 million in lost jobs, \$275-\$400 billion in lost wages, and \$100-\$150 billion in lost Government revenue.

This alternate scenario of liquidation is important because it illustrates that, while this bankruptcy has required painful concessions from all of Old Carco's stakeholders, the alternative would have had much more painful consequences for employees, retirees, dealers, suppliers, and creditors (including unsecured tort claimants).

Chrysler Group's Position Post-Sale

We have previously stated that the goal of the sale of Old Carco's assets to the new company was to create a strong, financially sound automotive company serving customers with a broader and more competitive lineup of environmentally friendly, fuel-efficient, high-quality vehicles and an equally high level of customer service through an efficient dealer network. Through the steps already taken, Chrysler Group is in a position to achieve that goal.

The future of Chrysler Group is undoubtedly challenging, but the company has a real chance not just to survive, but to thrive. Through the alliance with Fiat, Chrysler Group has access to new technologies that will allow it to deliver more fuel-efficient new products to the American people and has access to global markets. Funding is available to Chrysler Group to devote to the development of high-quality vehicles that customers will enjoy driving and want to buy again. More than that, Chrysler Group is a strong company with an efficient management structure and leadership clearly committed to change.

Nonetheless, Chrysler Group faces a tough road ahead. Our economy continues to suffer and unemployment remains high. Many observers note that we face a few more quarters of slow economic growth before we will see auto sales improve. In this difficult environment, it is very important to recognize that legislation aimed at reversing some of the painful but necessary actions taken during Old Carco's bankruptcy will simply take Chrysler back to the future that Old Carco faced not long ago – and this time, without the option of a purchaser for substantially all of its assets. Complete liquidation, with all of its dire consequences, could follow.

We appreciate the opportunity to testify before this subcommittee today and we look forward to answering your questions.