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Chrysler Dodges Calif. Contract Row Over Property Deal

By **Linda Chiem**

Law360, New York (August 28, 2015, 3:11 PM ET) -- Following a monthlong bench trial earlier this spring, a California state judge has indicated that the former Chrysler Group LLC, now FCA US LLC, is set to win a long-running contract beef with a local auto dealer over the purchase of a property along San Jose's auto row.

In a tentative decision, Santa Clara Superior Court Judge Theodore C. Zayner ruled Wednesday that auto businessman Mathew Zaheri and his company Mathew Enterprise Inc. recover nothing in their 2010 suit seeking up to \$50 million in damages against Chrysler for allegedly backing out of an oral promise to sell a piece of property on Stevens Creek Boulevard to Mathew Enterprise, which wanted to own a prized property along San Jose's auto row and be an authorized dealer of Chrysler, Jeep and Dodge automobiles.

Judge Zayner said the plaintiffs failed to prove that Chrysler ever entered into an alleged oral agreement in October 2006 to sell the property at 4100 Stevens Creek Blvd. to Mathew Enterprise for \$9.4 million.

"Contrary to the plaintiffs' contentions, the weight of evidence shows that the discussions held relative to the terms of the alleged oral promise were simply preliminary negotiations between Old Chrysler, Old Realty and plaintiffs that did not result in a binding agreement, until plaintiffs signed the dealer lease," the judge said.

In fact, the only agreement ever reached for the potential sale of the property was a December 2006 written and signed dealer lease between the former Chrysler Realty Company LLC and Mathew Enterprise, according to the tentative decision. That written agreement carved out terms stating that Chrysler Realty would sell the property to Mathew Enterprise for \$10.4 million only if a new facility was built on the property before it was sold. That deal was good for two years, meaning Mathew Enterprise had until December 2008 to get a new facility built, but it never did.

Zaheri and Mathew Enterprise waited until March 2008 to apply for their first and only construction permit with the City of San Jose to get started on building the new facility. Realizing that they weren't going to meet their deadline, the plaintiffs sent a letter in June 2008 to Chrysler seeking to negotiate a change in terms of the dealer lease, according to the tentative decision. Chrysler was open to considering an alternate deal and even came up with six separate sale proposals — all of which were rejected by Zaheri and Mathew Enterprise.

Ultimately, the judge concluded that there was no deceit and no inducement on the part of the Chrysler defendants and rejected the plaintiffs' claims for damages after finding that they had failed to meet their burden of proof on their claims for breach of oral contract, fraud in the inducement, breach of implied covenant of good faith and fair dealing,

negligent misrepresentation and promissory estoppel.

"Having reviewed and rejected Old Chrysler's and Old Realty's written sale proposals, the court finds that plaintiffs' allegations of fraudulent conduct based on any additional oral negotiations not credible, not reasonable and without merit," the judge said.

Meanwhile, Chrysler is also battling Zaheri and Mathew Enterprise on the federal court front in a separate antitrust spat in which the plaintiffs have accused Chrysler of discriminating against them by giving a competing dealership a leg up through vehicle discounts disguised as rent assistance. That fight is **currently playing out** in San Jose federal court.

Counsel for the plaintiffs could not be immediately reached for comment on Friday. Attorneys for the Chrysler defendants declined to comment.

The plaintiffs are represented by Ali Kamarei of Inhouse Counsel.

The Chrysler defendants are represented by Mark Clouatre, John Streeleman and Webster Cash of Wheeler Trigg O'Donnell LLP.

The case is Mathew Enterprise Inc. v. Chrysler Group LLC et al, case number 1-10-CV-188627, in the Superior Court of the State of California for the County of Santa Clara.

--Additional reporting by Dani Meyer. Editing by Patricia K. Cole.

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