

Don Signer Buick-Cadillac Inc
200312 Form 1120-S
Consulting Services With Related Corporation

10/24/05

Tax Year	200312	200412
Outside Consulting Related Corp Per Return:	60,000	72,000
.. " " " Per Audit :	0	0
Adjustments	60,000	72,000

Facts:

Don Signer individual is the 100% shareholder of Don Signer Buick, Inc a C-corporation. The first auto dealership opened around February 1980 across the Street from Washington High School in Fremont, CA. The primary business of the company was the buying and selling of new and used cars. In 1988 the company tried to sell Subarus/Saabs. The company suffered severe losses which were funded by loans from Don Signer individually which were carried as mortgage note payables on the C-Corporation balance sheet. These were actually loans from shareholder made several years earlier and carried on the C-corporate balance sheet per Mr. Signers statement. In 1990 the company abandoned the Subaru line and stayed with Cadillacs. The company continued to have losses through 1994 tax year where the dealership income & expenses were reported.

In 1992 General Motors through Motors Holding wanted the dealership to relocate to Newark/Fremont at the auto mall as one possible location. Motors Holding wanted the building and lot to be owned by the corporation. More over Motor Holdings wanted a new corporation that would start out clean with out any of the debts or assets of the old corporation. Mr. Signer claimed that Motors Holding did not trust the liabilities reported on the old corporation and wanted a fresh start with a new entity. On 01/10/1994 Motors Holding invested in Preferred Shares in the new Corporation Don Signer Buick-Cadillac Inc a C-Corporation

In 1995 a new corporation is formed with Motor Holdings, a subsidiary of General Motors, owning all of the Preferred Stock and Don Signer owning all of the Common Stock. The name of the new company is Don Signer Buick-Cadillac Inc. Since 1995 Don Signer Buick Inc, the old corporation, has not had auto sales or salaries or employees.

Starting in 1995 the new company entered into a Consulting agreement where by the new corporation would pay \$3,000 a month for management consulting services to the old corporation. On July 1, 1995 a management consulting contract was signed by Don Signer as President of both the old and new companies.

Starting in 1995 the old company's income comes from mostly payments on the consulting contract with the new corporation. The old company does not pay federal income taxes on this income as it is offset by the Net Operating Losses from the years when it was operating the dealership. The old company uses the funds to make interest and some loan repayments on loans from the sole shareholder.

The investment by Motor Holdings was in excess of [REDACTED]. As of January 1999 the Motor Holdings investment was shown as [REDACTED]. Don Signer individual owned all the common stock of the new company. He was also the President of the new Corporation. Motor Holdings held a position on the Board of Directors and had approval authority over all managerial decisions until their interest was bought out in November 2000. As part of the By Laws officers were elected annually and their compensations set by the Board of Director vote. Motor Holdings placed restrictions on the contracting authority of the President without Permission of the Board of Directors. In other words he had limited authority for contracting outside of the purchase and sale of cars. By virtue of Motor Holdings owning 53.59% of the outstanding shares it had control of the company and approved all significant expenditures. They restricted the President from having any outside business interests or business activities without their prior approval.

Motor Holdings set Annual Goals for the Dealership. It set the Presidents Salary at \$4,500 per month by vote of the Board of Directors which it controlled by virtue of its 53.59% ownership interest. [REDACTED]

[REDACTED] The consulting contract is not signed by a Motor Holdings representative on the Board of Don Signer Buick Cadillac Inc. There is no mention of the contract in any of the minutes of the annual meetings of the Boards of Directors.

Don Signer claims that Motor Holdings was aware of the consulting contract and had advised him to do this as a way to repay the debts of the old corporation. This seems in contradiction of Motor Holdings tight control of capital investments and officer salaries. Furthermore this contradicts their refusal to allow any of the old debts to be contributed to the new company.

The company has continued to pay the management services fees to the old corporation upto the present date. The amount of the monthly consulting compensation was increased to \$4,000 per month in January 2000. This offset dollar for dollar the reduction in President's salary of the month before. It was increased to \$5,000 per month in January 2003. In January 2004 it was increased to \$6,000 per month.

Since the buyout of Motor Holdings interest in November 2000, Don Signer is the sole shareholder of Don Signer Buick-Cadillac Inc. For 2002 through 2004 his salary has remained stable at around \$72,000 per year.