

## NOTES TO OLDS-CADILLAC FORECAST

Forecast is for 1996, and uses 1996 annual forecast previously submitted for Signer Buick-Cadillac as the basis. Cadillac forecast for all departments remains unchanged. Fremont Pontiac-Olds-GMC figures were used as the basis for Oldsmobile forecast, with performance improvements added. Oldsmobile figures were substituted for Buick, with changes made as noted below.

New units and gross: New Olds units are increased by 79% over Fremont Olds' 1995 actual, and gross profit per unit by 20% over 1995. While these increases may seem unrealistically ambitious, it is my assumption we could improve sales performance to a comparable level over "expected sales" as we do with Buick, and that new products will help. It is also assumed that unit sales and gross profit opportunities will continue to be restricted by a continuation of value-pricing. Fleet forecast remains unchanged, as do F&I per unit sold.

Used units and gross: Used units were reduced by 36 to allow for reduced volume of new Olds versus Buick. In 1995, our used Buick sales were 34% of new Buick sales. The difference in new Olds versus Buick forecast is 192, which would produce a reduction of 65 used vehicles (34%.) However, it is assumed that the loss could be partially offset with increased sales of other used vehicles. Gross profit per car was reduced by \$50 to allow for lower anticipated used Olds gross profits versus Buick, and slightly lower profits on competitive makes being substituted.

Mechanical gross profit: For labor gross profit, it is assumed that we would lose 20% of the Olds business currently produced by Fremont Olds. Of the 20% that is lost, it is assumed that 10% would remain with Fremont Olds, and 10% would simply go somewhere else. Also, it is assumed that we would retain 10% of our current Buick business. That would be as follows:

Current Olds:	\$127,702
-20%	<u>-25,541</u>
	\$102,161
+10% of current Buick	<u>43,802</u>
	\$145,963

This figure was substituted for the Buick labor gross, and gross profit on parts on repair orders (account 467) were reduced proportionately.

Parts gross profit: It appears that the parts gross profit figure submitted by Fremont Olds includes more than accounts 467 and 480 as are included in the Buick figures. The Buick parts gross is 24% of labor gross, which if applied to Olds labor gross would adjust parts gross to \$35,031.

For the Olds-Cadillac forecast, a reduction proportional to the labor sales reduction was applied to internal gross profit and counter retail. Also, a reduction proportional to sales decrease was applied to warranty parts gross profit. No reduction was made for wholesale parts sales, as it is assumed we would retain the same wholesale accounts.

Expenses: In variable expenses, amounts were reduced in proportion to unit and gross profit reductions. For new vehicle compensation, the percentage was

increased to allow for a further subsidy of Olds commissions to compensate for the limited commission opportunity of the low gross profits.

In personnel expenses some accounts would derive some reduction from the reduced sales. A reduction was shown in supervision to allow for lower sales manager bonuses, other salaries and wages for miscellaneous reductions, and other personnel expense accounts due to the elimination of 3 technicians.

In semi-fixed expenses, some expenses would be reduced by the reduced sales, and have been adjusted accordingly. In fixed expenses, no reductions are foreseen nor forecast.

It is important to note that in the forecast there is no allowance for one-time changes in facility, forms, signs, retraining, advertising, etc. This would be a significant expense that would necessitate further research.

Future years: New and used cars would rise or fall depending on acceptance of new products and limitations of dealer markup. It is assumed that restoration of conventional markups would reverse the negative effect we experienced in 1993 when value pricing was implemented by Buick. At that time, unit sales dropped by 11% and gross profit per car as a per cent of sales dropped by approximately 16%. So, a proportional improvement in Olds sales and gross profit performance could be anticipated by the reversal of value pricing, if that should ever occur.

In service and parts, it is likely that gross profit would remain at the forecast level for the foreseeable future, as the number of late model Oldsmobiles in operation is quite low.

OPERATING PLAN

DEALERSHIP *Hypothetical Olds-Cadillac* CITY & STATE *Newark, CA*

FOR MONTH OF *Annual* 19*76*

LINE NO.	VARIABLE SALES AND GROSS PROFIT				FORECAST				ACTUAL				DIFFERENCE	
	NEW VEHICLE DEPARTMENT	TOTAL AVAILABLE	* UNITS	SELLING PRICE	GROSS PROFIT		UNITS	SELLING PRICE	GROSS PROFIT		UNITS	GROSS PROFIT		
					PER NUS.	TOTAL			PER NUS.	TOTAL		PER NUS.	TOTAL	
1	Car (Make) <i>Oldsmobile</i>		120		1250	150,000								
2	Car (Make) <i>Cadillac</i>		120		2500	300,000								
3	Car (Make)													
4	Car (Make)													
5	Car (Make)													
6	Car (Make)													
7	TOTAL FLEET		50		30	1,500								
8	TOTAL TRUCK													
9	TOTAL PROTECTION PLAN-NEW		40		300	12,000								
10	New F & I Income *		240		300	72,000								
11	TOTAL NEW VEHICLE DEPARTMENT		290		1847	535,500								
12	USED VEHICLE DEPARTMENT	RETAIL	WHSE.	GROSS PROFIT										
13	Used Cars	288	144	100	788	1950	561,600							
14	Used Trucks													
15	TOTAL PROTECTION PLAN-USED		98		400	39,200								
16	Used F & I Income *		288		175	50,400								
17	TOTAL USED VEHICLE DEPARTMENT		288		2246	651,200								
18	Lease and Rental Department		2		-1800	-3,600								
19	TOTAL VARIABLE AND L&R		580		2292	1,183,100								
20	FIXED SALES AND GROSS PROFIT													
21	Total Mechanical *		3978		1,286,538	52%	669,000							
22	Total Body Shop *					%								
23	TOTAL SERVICE		3978		1,286,538	52%	669,000							
24	Parts & Accessories *				1,962,857	28%	249,600							
25	Tires, G.O.G., Miscellaneous *				37,400	35%	13,100							
26	TOTAL PARTS AND ACCESSORIES				1,000,257	28%	262,700							
27	TOTAL FIXED		3178			41%	957,700							
28	TOTAL SALES AND GROSS PROFIT				2,286,795		2,134,800							
29	BUDGET OF EXPENSES				AMOUNT				AMOUNT				AMOUNT	
30	VARIABLE SELLING EXPENSE				PER NUS.	TOTAL	PER NUS.	TOTAL	PER NUS.	TOTAL	PER NUS.	TOTAL	PER NUS.	TOTAL
31	Compensation - Vehicle Salesmen - New Vehicles				369	107,100								
32	Compensation - Vehicle Salesman - Used Vehicles				467	135,500								
33	Compensation - Lease & Rental Salesmen					0								
34	Delivery Expense				27	7,800								
35	Policy Work - Vehicles				60	17,500								
36	TOTAL VARIABLE SELLING EXPENSE				924	267,900								
37	Salaries - Owners				290	84,000								
38	Salaries - Supervision				1276	370,000								
39	Salaries - Clerical				310	90,000								
40	Other Salaries and Wages				1207	352,000								
41	Absentee Compensation				369	107,000								
42	Taxes - Payroll				462	134,000								
43	Employee Benefits				485	140,600								
44	Pension Fund				64	18,500								
45	TOTAL PERSONNEL EXPENSE				4462	1,294,100								
46	Used Vehicle Maintenance Expense					0								
47	Company Vehicle Expense				41	12,000								
48	Office Supplies & Expenses				117	34,000								
49	Other Supplies				138	40,000								
50	Advertising				862	250,000								
51	Contributions				7	2,000								
52	Policy Work - Parts and Service				26	76,000								
53	Outside Services - Data Processing				248	72,000								
54	Outside Services - Other				257	75,000								
55	Travel and Entertainment				5	1,500								
56	Memberships, Dues, Publications				52	15,000								
57	Legal and Auditing Expense				83	24,000								
58	Telephone and Telegraph				97	28,000								
59	Training Expense				124	36,000								
60	Interest - Notes Payable & Other				241	70,000								
61	Miscellaneous Expense				179	52,000								
62	TOTAL SEMI-FIXED EXPENSE GROUP				2543	737,500								
63	Rent					0								
64	Amortization - Leaseholds					0								
65	Repairs - Real Estate				7	2,000								
66	Depreciation - Buildings & Improvements				141	40,800								
67	Taxes - Real Estate				145	42,000								
68	Insurance - Buildings & Improvements				24	7,000								
69	Interest - Mortgages				210	264,000								
70	SUB-TOTAL - RENT & RENT EQUIVALENT				1227	355,800								
71	Heat, Light, Power and Water				207	60,000								
72	Insurance - Other				155	45,000								
73	Taxes - Other				28	8,000								
74	Repairs - Equipment				62	18,000								
75	Depreciation - Equipment				41	12,000								
76	Equipment Rental					0								
77	TOTAL FIXED				1782	516,800								
78	TOTAL FIXED OVERHEAD EXPENSES				8789	2,518,400								
79	VARIABLE NET PROFIT				3156	915,200								
80	FIXED NET LOSS				-5506	-1,596,200								
81	OPERATING PROFIT				2350	681,500								
82	Other Additions To or Deductions From Income *				192	55,000								
83	NET PROFIT BEFORE BONUSES AND INCOME TAXES				2160	626,500								

\* ITEMIZE ON REVERSE SIDE

FIXED COVERAGE  
%  
LINE 27 ÷ 80

**PERATING PLAN**

DEALERSHIP *Olds - Cad #2* 5/96

CITY & STATE

FOR MONTH OF

LINE NO	VARIABLE SALES AND GROSS PROFIT				FORECAST				ACTUAL				DIFFERENCE					
	NEW VEHICLE DEPARTMENT		TOTAL AVAILABLE	* UNITS	SELLING PRICE		GROSS PROFIT		UNITS	SELLING PRICE		GROSS PROFIT		UNITS	GROSS PROFIT			
	PER NUS	TOTAL	PER NUS	TOTAL	PER NUS	TOTAL	PER NUS	TOTAL		PER NUS	TOTAL	PER NUS	TOTAL					
1	Car (Make)	<i>Olds</i>		120		1250	15000											
2	Car (Make)	<i>Cadillac</i>		120		2500	30000											
3	Car (Make)																	
4	Car (Make)																	
5	Car (Make)																	
6	Car (Make)																	
7	TOTAL FLEET			50		30	1100											
8	TOTAL TRUCK																	
9	TOTAL PROTECTION PLAN-NEW			40		300	1200											
10	New F & I Income *			20		200	2200											
11	TOTAL NEW VEHICLE DEPARTMENT			290		1847	53500											
12	USED VEHICLE DEPARTMENT		RETAIL	WHISE	GROSS PROFIT PER NUS													
13	Used Cars		286	144	100	286	1900	561600										
14	Used Trucks																	
15	TOTAL PROTECTION PLAN-USED			98		400	79200											
16	Used F & I Income *			288		175	50400											
17	TOTAL USED VEHICLE DEPARTMENT			288		2346	657200											
18	Lease and Rental Department			2		-1800	-3600											
19	TOTAL VARIABLE AND L&R			580		2392	118800											
20	FIXED SALES AND GROSS PROFIT				NO R.O.S.	SALES	PER CENT	GROSS PROFIT	SALES	PER CENT	GROSS PROFIT	PER CENT	GROSS PROFIT					
21	Total Mechanical *			494	1427153	%	729000		%		%							
22	Total Body Shop *					%			%		%							
23	TOTAL SERVICE			434	1427153	%	779000		%		%							
24	Parts & Accessories *				982857	%	276000		%		%							
25	Tires, G.O.G., Miscellaneous *				37400	%	13100		%		%							
26	TOTAL PARTS AND ACCESSORIES				1025257	%	289700		%		%							
27	TOTAL FIXED				2482410		1028700											
28	TOTAL SALES AND GROSS PROFIT				2452410		2211800											
<b>BUDGET OF EXPENSES</b>													AMOUNT		AMOUNT		AMOUNT	
VARIABLE SELLING EXPENSE				PER NUS	TOTAL	PER NUS	TOTAL	PER NUS	TOTAL	PER NUS	TOTAL	PER NUS	TOTAL					
30	Compensation - Vehicle Salesmen - New Vehicles			369	107100													
31	Compensation - Vehicle Salesmen - Used Vehicles			467	175500													
32	Compensation - Lease & Rental Salesmen			0	0													
33	Delivery Expense			27	7800													
34	Policy Work - Vehicles			60	17500													
35	TOTAL VARIABLE SELLING EXPENSE			924	267900													
37	Salaries - Owners			290	84000													
38	Salaries - Supervision			1276	770000													
39	Salaries - Clerical			359	78000													
40	Other Salaries and Wages			1207	310000													
41	Absentee Compensation			255	103000													
42	Taxes - Payroll			418	127000													
43	Employee Benefits			472	137000													
44	Pension Fund			64	18500													
45	TOTAL PERSONNEL EXPENSE			4971	1225000													
47	Used Vehicle Maintenance Expense			0	0													
48	Company Vehicle Expense			41	12000													
49	Office Supplies & Expenses			110	32000													
50	Other Supplies			131	38000													
51	Advertising			828	240000													
52	Contributions			7	2000													
53	Policy Work - Parts and Service			90	26000													
54	Outside Services - Data Processing			288	72000													
55	Outside Services - Other			259	78000													
56	Travel and Entertainment			5	1500													
57	Memberships, Dues, Publications			52	15000													
58	Legal and Auditing Expense			83	24000													
59	Telephone and Telegraph			97	28000													
60	Training Expense			124	36000													
61	Interest - Notes Payable & Other			241	70000													
62	Miscellaneous Expense			179	52000													
63	TOTAL SEMI-FIXED EXPENSE GROUP			2495	723500													
64	Rent			0	0													
65	Amortization - Leaseholds			0	0													
66	Repairs - Real Estate			7	2000													
67	Depreciation - Buildings & Improvements			141	40500													
68	Taxes - Real Estate			145	42000													
69	Insurance - Buildings & Improvements			24	7000													
70	Interest - Mortgages			710	264000													
71	SUB-TOTAL - RENT & RENT EQUIVALENT			1227	758000													
72	Heat, Light, Power and Water			207	60000													
73	Insurance - Other			148	43000													
74	Taxes - Other			28	8000													
75	Repairs - Equipment			62	18000													
76	Depreciation - Equipment			62	18000													
77	Equipment Rental			41	12000													
78	TOTAL FIXED			1725	514000													
80	TOTAL FIXED OVERHEAD EXPENSES			1725	514000													
81	VARIABLE NET PROFIT			3156	915200													
82	FIXED NET LOSS			-5027	-157000													
83	OPERATING PROFIT			-1928	-56900													
84	Other Additions To or Deductions From Income *			100	55000													
85	NET PROFIT BEFORE BONUSES AND INCOME TAXES			-1748	-506900													

\* ITEMIZE ON REVERSE SIDE

FIXED COVERAGE \_\_\_\_\_ %  
LINE 27 ÷ 80