

July 12, 1996

Board of Directors
Don Signer Buick-Cadillac, Inc.
39639 Balentine Dr.
Newark, CA 94560

Gentlemen:

As you are aware, I have been approached by General Motors about exchanging my Buick franchise for Oldsmobile. I have met with Tom Flanigan and Ron McCants numerous times in order to listen to General Motors' proposal.

I have prepared a 12-month forecast for our dealership with Oldsmobile substituted for Buick, which has been submitted to Mr McCants and Mr. Flanigan. Using what I believe to be very realistic sales and expense numbers, the difference in net profit compared to a comparable Buick forecast amounts to \$661,520. This is the difference between a small profit with Buick and a substantial loss with Oldsmobile. Additionally, the forecast does not take into account one-time changeover of signs, forms, training, advertising, loss of 16-year established clientele, etc. It is quite obvious even to the most unsophisticated observer that this is a proposal that makes business sense neither for me nor Motors Holding Division.

As an incentive, General Motors has offered \$500,000 as a one-time subsidy for the first year. This would do no more than delay the demise of the dealership by 10 months. Obviously, I have no interest in this proposal.

In considering this proposal, I have reviewed the retail sales trends of both Buick and Oldsmobile. Based on California registration figures furnished to me by General Motors, Buick has remained constant since 1988 at about 3.0% of the market, dropping to 2.8% in 1995. During the same period, Oldsmobile dropped from 2.1% in 1988, to 1.0% in 1995. This decline has been virtually uninterrupted and shows no sign of a turnaround. Additionally, Oldsmobile gross profit per unit is considerably less than Buick's. Regardless of what forecasts are made about Oldsmobile's future, there is no indication that it will improve relative to Buick, if in fact the division even survives. And Oldsmobile's position third from the bottom in NADA's recent Consideration of Dealer Input survey indicates that there is little interest in changing. Buick at least, is nearly average in this category.

For me to even consider the franchise exchange, I would have to be subsidized for an extended period, and additionally be paid an incentive up front to take the risk and make the changeover. While this is not a commitment on my part, the subsidy would have to cover the deficit from Buick, approximately \$650,000 per year, for about 10 years. Additionally, I would need an amount approaching \$1,000,000 up front to cover changeover expenses, risk, loss of established clientele, etc. The subsidy would have to be assignable, and an amount would have to be established to be paid to me if the Oldsmobile division is ultimately closed.

As I have indicated, however, I would consider (not commit to at this point) some arrangement of my receiving the Pleasanton point in addition to

Board of Directors
Don Signer Buick-Cadillac, Inc.
July 12, 1996
Page 2

Newark if Oldsmobile and Cadillac were freed up there in the realignment process, and sufficient surrounding points were closed. This arrangement would require Motors Holding financial support in Pleasanton, as well as some subsidy based on forecasts for the two points.

I realize my requirement for financial support in Newark makes no business sense for General Motors. Otherwise, the exchange makes no business sense for me. As I have indicated, this is a statement of my current position only and does not constitute a commitment on my part. And, this has not been reviewed by an attorney, which I would require if discussions should continue.

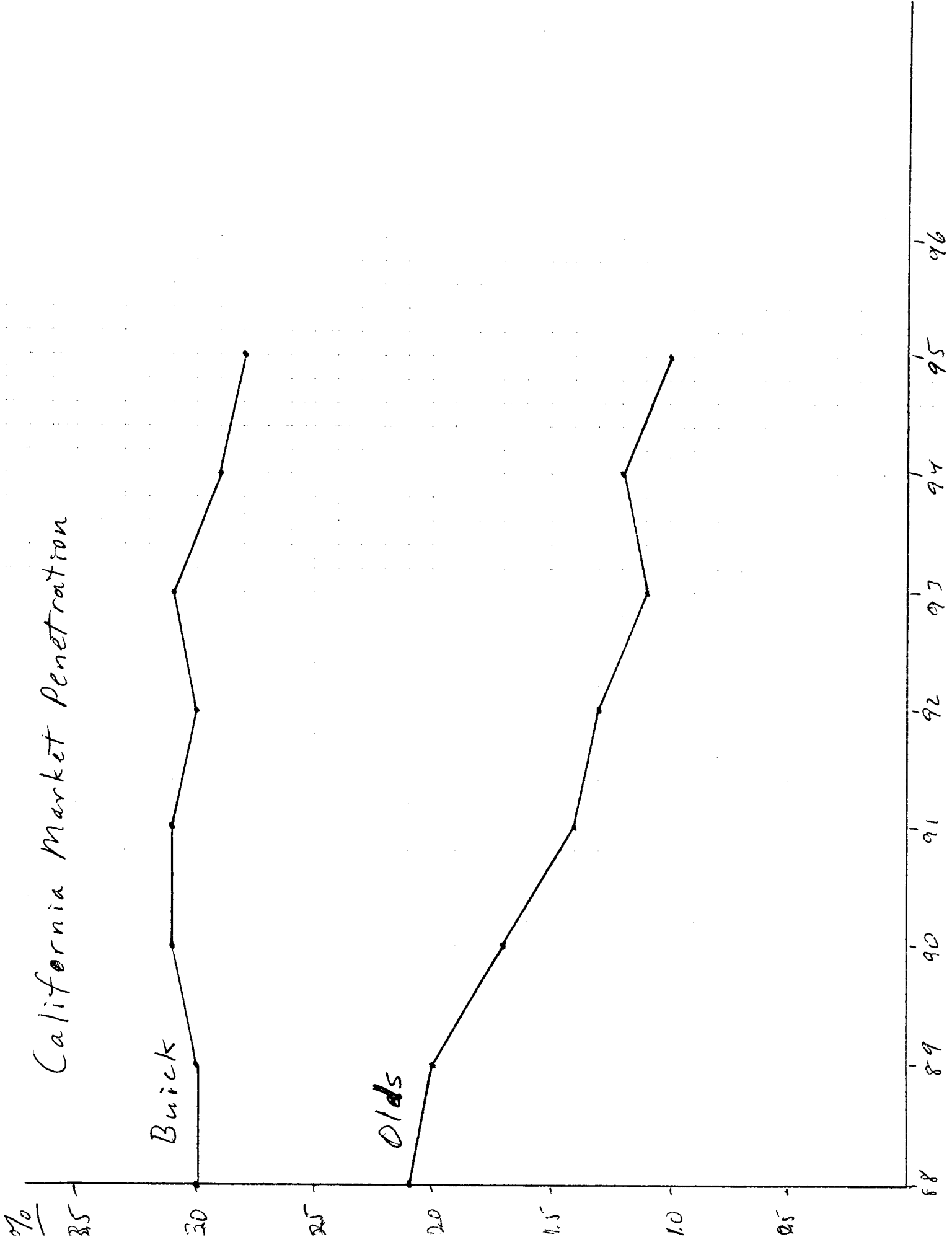
Sincerely,

Donald R. Signer
President

California Market Penetration

Buick

Olds



INDUSTRY RELATIONS

Dealer Attitude Survey

(Continued from Page 1)

Saturn retained its number-one ranking on the **Value Index**, which measures present and likely future franchise value. But there was lots of jockeying for position below. Five makes registered significant improvements: Porsche jumped from sixth place to second, Mercedes-Benz from eighth to third, Toyota from 10th to fifth, Honda from 13th to seventh and Lexus from 21st to 10th. Volvo fell

out of the top 10, but just to 11th place.

On the critical issue of manufacturer/dealer relations, the overall trend was toward continued improvement, with Saturn, Lexus and Jaguar leading **Consideration of Dealer Input**. Audi (eighth), Acura (ninth) and Nissan were notable newcomers to the top 10 list.

Acura also registered a marked improvement on the **Policy Index**, a measurement of dealer satisfaction with the policies and procedures by

which a manufacturer conducts business. The company jumped from 14th place to eighth. Except for the luxury segment, all groups fell, however, possibly due to dealer uneasiness about the state of the industry. The top spot in the Policy Index is held by Saturn, with Lexus and Infiniti rounding out the top three. ■

IR Steering Committee wants your feedback

NADA's Industry Relations Steering Committee met April 30 to identify key issues facing dealers and to develop NADA positions on those issues.

The Steering Committee sent an opinion survey to all NADA members asking where they stand on:

- preservation of holdback;
- preservation of floor plan assistance at low interest rates;
- elimination of cost-shifting of expenses traditionally paid by manufacturers to dealers;
- preservation of a reasonable marketing margin that is not conditional on dealer participation in other manufacturer programs;
- elimination of "franchise within a franchise" requirements to handle certain products;
- elimination of de-dualing requirements and conditions; and
- assurance of fairness in handling market representation decisions for individual dealerships.

The survey asks respondents to rate their agreement or disagreement with proposed NADA positions on these issues and rank their relative importance. The Steering Committee also seeks to identify the most common cost transfers from manufacturer to dealer.

NADA strongly urges all members to respond to the survey so that NADA may better represent dealer interests in discussions with manufacturers. ■

