

Subj: **From Don Signer**
Date: 2/21/2006 8:49:30 AM Pacific Standard Time
From: DRSBC
To: jim.gentry@gm.com

Jim -

I have attached a file that I hope you are able to download and read. Please e-mail back to confirm that you can read it. If you can't, I will send it in a different format.

Thank you.

Don Signer

February 21, 2006

Via e-mail to jim.gentry@gm.com

Mr. James M. Gentry
Regional Operations Manager
General Motors Corporation
Dealer Network Planning & Investments
Thousand Oaks, CA

Dear Jim:

Since I have not heard from you since our January 25 breakfast meeting, I am hoping it is because General Motors has decided to abandon the Fremont Auto Mall project. By the way, you will be relieved to know that after leaving the meeting I was able to keep my breakfast down in spite of the appalling scenario you presented to me. While you had prepared me for the bad news of \$35 per square foot in our November 4, 2005 telephone conversation, I had expected an offer of compensation for the loss of value of my current facility built in the location of GM's insistence. There was no offer, and you responded to my Newark facility value question by stating that GM's real estate brokers estimated a value of \$20 - \$25 per square foot, to be sold as a teardown for non-automotive use. So, the highest value of my 10.5-year-old real estate investment is reduced to that of salvage.

It is noteworthy how I first became aware of General Motors' interest last year in the Fremont Auto Mall. I learned of GM's discussions with the other dealers when, at the Dealer Business Conference in Las Vegas on October 17, 2005, Newark Saturn dealer John Cross asked me what I thought of the Fremont Auto Mall idea. I reacted with disbelief, telling John that I was unaware of any GM interest in the Mall. I was appalled that GM would consider the location they worked so hard to keep me away from, and John was shocked that I hadn't been informed. Later that day, I ran into Ken Okenquist's son-in-law Pat Davis, who confirmed that Ken had been talking to GM about it. After not hearing from you, I called you on November 4. You confirmed on the phone at that time that Ken had shown interest in the Fremont Auto Mall in past discussions. I also learned that GM has talked to Chevrolet dealers Rich and Jim Brunelli about the Fremont Auto Mall. In that November 4 telephone conversation you told me that you had been "gauging dealer interest" in the project. It is disturbing, although not surprising considering the pattern of recent years, that GM had talked to the other three GM dealers in Fremont and Newark about the Fremont Auto Mall project, while ignoring me. Unlike me, none of the others were involved in the development of, nor have any investment in, the Fremont Auto Mall.

The cost to me of GM's Newark location misjudgment is staggering, most likely more than \$5,000,000. I have calculated the loss to me as a result of my 1995 construction in GM's location choice of Newark versus my choice of the Fremont Auto Mall. To calculate the current value (or replacement cost,) I used the original building and improvements cost of \$1,898,000 (excluding land cost of my 150,067 square feet.) For

construction costs I used a modest 3.5% annual inflation factor from the start of construction in 1994. So, the current cost of improvements of the same facility would be \$2,968,000 if construction began in 2007. This also represents the present value of my Fremont Auto Mall facility today had I located there in 1995, as well as the value of my Newark facility if it weren't destined for the junk heap as you suggest. For Newark salvage value I used a middle figure of your estimated value. The value calculation is as follows:

Fremont Auto Mall 150,067 sq ft @ \$35	\$5,252,345
Improvements	<u>+2,968,000</u>
Total cost	\$8,220,345
Less Newark salvage 150,067 sq ft @ \$22.50	<u>-3,376,508</u>
My loss resulting from Newark location	\$4,843,837 + associated costs

The above loss estimate does not even include associated costs such as closing costs, realtor commissions, relocation costs, my time involved in another new building, pre-occupation carrying costs, or many other costs associated with relocating. Those additional costs would easily put the total loss to me at over \$5,000,000.

In my opinion, the economics for the relocation simply don't make sense for any of the GM dealers currently in Newark with relatively new facilities. I certainly don't question the superiority of the Fremont Auto Mall, but the 10% – 20% sales "lift" you indicated in that phone conversation, or even the 25% increase estimated by Herman Caruthers at that time, is insufficient to justify the astronomical cost of relocation.

The affordability of an expensive new facility is made even worse by the dealer markup reductions announced January 10, as well as the recent trend of "GM Employee" and "Red Tag" pricing, all unreasonably capping maximum gross profit potential at a loss. In 2005, my new vehicle department expenses were 8.7% of sales. With the newly reduced markup, on Buick cars the base price markup is now down to 3.5% plus holdback of 3%, for a total of 6.5%, assuming advertising contributions of 2%. Cadillacs are only 1% more at about 7.5%. So, even if we get full sticker for vehicles, we sell at a loss. Ironically, when I was working on relocation in the early 1990's, General Motors was featuring "value-pricing," the gross profit-limiting program to which I strongly objected. The newly announced dealer markup is even more punitive and must be changed if dealers are to survive, especially in high operating cost areas like the San Francisco Bay Area.

You stated that GM would not undertake the Fremont Auto Mall project unless the dealerships were properly channeled. You also asked if I would consider relocating there with Cadillac alone, to which I responded that it obviously makes no business sense to do so. It is only through long hours and intense dedication that I am able to survive with the now unviable Buick and Cadillac volume in my current building with a relatively low mortgage balance. Removing Buick and drastically increasing the rent factor would make survival impossible. Since having a "renter" is preferable to selling my property for salvage, my only reasonable option is to continue with Buick and Cadillac in the

current location for the foreseeable future. This is a sad scenario for all parties since the primary goals of Project 2000 were to get dealers on channel and in the right location. A tragic irony of GM's actions with me is that it has created and perpetuated an off-channel situation in the wrong location. I had handed proper channeling with Pontiac-GMC in the Fremont Auto Mall, the right location, to GM on a silver platter at no cost in 1991. GM denied this effort then, but is going to great lengths and expense to achieve this exact structure today.

As I mentioned at the January 25 meeting, over the past 15 years there have been 14 General Motors employees (to date) that have either denied me what I wanted to do, or attempted to coerce me into doing what I didn't want to do as it relates to channeling and relocation. With GM personnel coming and going, it seems that nobody is accountable for their actions, but I am left holding the bag. With the exception of 3 of these 14, all have treated me with respect, even though the messages they delivered were often an insult to my intelligence.

As I believe you know, I was one of the founding dealers of the Fremont Auto Mall in a lengthy project with Catellus Development Corporation and the City of Fremont that began in 1987. For many years I spent many hundreds of hours and approximately \$160,000 on the Fremont Auto Mall project. It is only due to General Motors' creation of the Newark project mid-stream of the Fremont project, supported by GM's intense pressure on me that left me virtually no choice but to go General Motors' way and locate in Newark. Worse yet, my succumbing to GM's pressure did not end the battle. GM has relentlessly worked against my wishes to this day.

Immediately after I joined Motors Holding in my new facility in 1995, at Motors Holding's request I courteously listened to GM's "rationale" for my trading off Buick for Oldsmobile from Newark neighbor Fremont Pontiac-Olds-GMC. After eight months and several meetings GM finally became convinced that I had no interest in that ludicrous concept that could best be described as the Dr. Kevorkian Business Plan. And I have not been receptive to GM's many attempts to convince me to sell out since Motors Holdings' removal of Fremont Pontiac-Old-GMC dealer Bob Gee at the end of 1997. I have been a dealer in Fremont (and now Newark) for 25 years, as well as with my family Buick-Cadillac-GMC-Jeep dealership in Corvallis, Oregon before that. Following my father's death in 1970, my mother assumed control of the dealership while I finished college, and remained a GM dealer there until she sold in 2003 at age 78. My father was with Pontiac Motor Division since my birth prior to becoming a dealer. When I opened Fremont's first Buick dealership in 1980, I considered it to be a life-long commitment in my family tradition.

I have made multiple attempts to achieve alignment through my acquisition of Pontiac-GMC (and Olds in my 1998 attempt.) To my efforts I have encountered total GM resistance. Over the years, many GM representatives have made it crystal clear to me that they desire alignment, but do not wish me to be the surviving dealer in the market I created. GM's position is unconscionable considering, at a minimum, that I was responsible for all of the following:

- Opening Fremont's first Buick dealership in 1980 with brand new facility after more than a year of planning and construction.
- Co-developing the Fremont Auto Mall beginning in 1987.
- Opening Fremont's first Cadillac dealership in 1990.
- Building the second new facility in 15 years for Buick and Cadillac in 1995 in General Motors' chosen location.

In spite of all that has happened and what my life could have been if GM had acted properly, the location misjudgment damage is already done. Despite the deficiencies of the Newark location compared to the Fremont Auto Mall, identity could be improved. For a period of time during the 1990's the dealers in Newark ran awareness-building ads on cable television. These ads seemed to build momentum, but the campaign collapsed when General Motors took over Fremont Pontiac-Olds-GMC, and Ford Motor Company purchased Fremont Ford. Subsequent ownership and management changes in the center prevented any further cohesive promotional efforts until late 2004 when the Newark dealers and the City of Newark developed a plan to place a large, attractive video display "Newark Auto Center" sign along the 880 freeway that would provide highly visible identity. Then, by spring 2005, that project fell apart as well. The City of Newark enthusiastically supports the sign project, including with financial participation. If General Motors would abandon pursuit of the Fremont project, this sign project could be revived. Consequently, I urge you to end your pursuit of the Fremont Auto Mall and help us GM dealers make the best of our Newark location. Additionally, this approach would allow me to at least retain some useful value of my real estate investment, as well as earn the remaining \$276,425 of the 20-year tax incentive due to me from the City of Newark, a balance that would be forfeited by leaving.

So, the ongoing channeling/location saga continues. I doubt that there is another dealer anywhere who has endured what I have over the years, especially after doing all that I have to accomplish what I thought were GM's wishes. All of this has already cost me many millions of dollars in direct costs and lost profit opportunity. Moving Pontiac-GMC and Saturn to the Fremont Auto Mall would make matters even worse.

In 1983, I joined Fremont Rotary in order to become a more involved member of the community. I remain a member to this day, with perfect attendance since I joined. Rotary has a guiding principal called the Four Way Test, which is as follows:

"Of the things we think, say or do:

- Is it the TRUTH?
- Is it FAIR to all concerned?
- Will it build GOODWILL and BETTER FRIENDSHIPS?
- Will it be BENEFICIAL to all concerned?"

It is my opinion that GM's actions with me relating to channeling and relocation over the past 15 years fail this test. My life has been irreversibly negatively affected, and sadly, GM has missed golden opportunities I have offered at no cost.

Finally, I wish to remind you that I am in a box from which there is no way out. General Motors will not allow me to deal with anything other than General Motors brands in my facility, yet it has repeatedly blocked me from having other General Motors brands. Since 1990, in my extensive and grueling relocation and channeling efforts with GM, nothing has gone my way. I beg of you to have mercy on me for once – please do not pursue the Fremont Auto Mall project. If the project is carried out, thus leaving me in a neighborhood of abandoned dealership facilities, it could squeeze out what little air remains in the box I am in.

Sincerely,

Donald R. Signer
President
Signer Buick-Cadillac