

# SIGNER

BUICK·SUBARU·SAAB

January 19, 1990

Mr. Frank J. Liebgott  
Zone Sales & Service Manager  
Cadillac Motor Car Division  
39465 Paseo Padre Parkway  
Fremont, CA 94538

Dear Frank:

Enclosed is a copy of a check I wrote on January 12 as an additional deposit for the Fremont Auto Mall. Also enclosed are copies of earlier deposit checks and checks to the dealers' attorney written over the last two and a half years. The total of my investment to date, including smaller checks not enclosed, is approximately \$100,000, not to mention countless hundreds of hours of meetings.

The Auto Mall project has gathered speed considerably in recent weeks. GMAC is currently working on a financing package for my facility, and I am interviewing architects for the project. Based on the commitments I have made, and every indication that the Auto Mall will very soon be a reality, I would like to request that I be furnished a Cadillac Sales and Service Agreement immediately, allowing me to operate in my current facility in the interim. This would have great financial benefits to my operation in today's depressed auto market, as well as provide immediate additional sales for Cadillac and local service for current Cadillac owners. Buick zone and home office personnel are in full support of this immediate dualling.

I have also enclosed a copy of our December, 1989 Operating Report. Obviously, the year was dismal. While I feel that we could probably have done better, there were negative influencing factors that have now changed. I will describe these below.

The dealership has enjoyed good to excellent profitability every year until 1987, when we essentially broke even. With Buick's severely declining market share, it was essential that I add a franchise to survive. As you are aware, I had been discussing the Cadillac point with Bill Kindley since 1984, long before the Fremont Auto Mall was even conceived. Mr. Kindley's indication in late 1987 was that it would still be a considerable time before a dealer for the Fremont point would be appointed. Since I had been previously approached by the Subaru-Saab dealer in San Leandro, in March, 1988, I took on these franchises in hopes it would return us to good profitability.

As can be seen from my Operating Report, the franchises have not helped. While both were low volume lines to begin with, their respective market shares have declined considerably over the last two years, resulting not only in very slow sales, but in high inventories and flooring costs, low gross profits, and relatively high commission expense. We have found it nearly impossible to attract salespeople interested in selling these lines. Of total dealership gross in 1989, only 19% was contributed by Subaru and Saab.

Additionally, approximately a year ago, I lost two key employees. Service Director Dennis Thurston left to become General Manager of a Chevrolet dealership, and recently became a dealer. General Sales Manager Mike Queenan left to open a new point, Acura of Concord.

I hired Bryson Roberts to fill the Service Director position. While his training was of the highest level, and references spoke well of him, the results were disastrous. In September, 1989, I replaced Mr. Roberts with Dave Schmitz, whom I have known since 1974. Dave worked at Balestra Pontiac from 1968 through 1980, at which time he went with Joe Balestra to St. Claire Cadillac as Service Director. He stayed there until December, 1983, shortly after Mr. Balestra had sold out. He then went to Bill Lang Pontiac-Cadillac until he came with me.

To fill Mike Queenan's position I rehired Todd Scott, who had worked for me five years earlier. This association proved not to work, so in late November, 1989, I hired Dick Dennis. Dick moved to the Bay Area from Ohio in 1980, going to work as General Sales Manager for Mrs. Patterson's Buick in Walnut Creek. The dealership was owned by now retired Cadillac dealer Pat Patterson. Dick stayed with the dealership after it was sold to Brian Herrera in 1982, being operated as Brian Buick, and subsequently Brian Buick-Pontiac. Over the years, he has always been highly respected by Buick zone personnel. Mr. Herrera sold out in May 1989, at which time Dick went to Herrera Buick in San Francisco, owned by Brian's father. He became disenchanted with this dealership, at which time he came with me. In mid-December 1989, Dick brought in two additional sales managers he had worked with in the past. This month, we have the best start we have had in over a year.

Both Mr. Schmitz and Mr. Dennis come with excellent track records and job stability. With their exclusively General Motors background (like mine) and knowledge of my Cadillac letter of intent, I was able to attract them in spite of their "distaste" for the imports. With the addition of these two managers, I am confident that we are now in position to halt our losses. However, for us to become financially healthy and build the capital necessary to effect the move to the new building, we need Cadillac in the interim. Additionally, since there is tremendous chaos in moving to a new facility, it would be beneficial to have the franchise change made earlier. Our facility is only nine years old, is of adequate size, and has the best location in town. I feel we would represent Cadillac well.

As you can see, I am proud of our new management team, and the foundation we now have in place. I am excited about becoming a Cadillac dealer and deeply appreciative of the confidence you have shown and the opportunity you have afforded me. Your assistance in getting Cadillac into my current dealership will be greatly appreciated, and since I must make additional financial commitments by January 31, a response by that date will be very helpful.

Sincerely,



Donald R. Signer

cc: Mr. C. A. Wolf, Buick Motor Division