

SIGNER

BUICK·SUBARU·SAAB

March 19, 1990

Mr. C. A. Wolf
Zone Manager
Buick Motor Division
39465 Paseo Padre Parkway
Fremont, CA 94538

Dear Chris:

This letter is to clarify my request for assistance in arranging financing in the Fremont Auto Mart. My request is as follows:

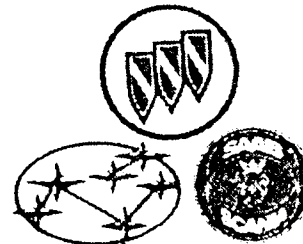
Provide 100% financing (or guarantee a loan made by GMAC) for my land purchase and construction. Loan is to include all associated costs and fees, including carrying costs prior to completion.

When the benefits of being in the Auto Mart and the consequences of not being there are weighed, it becomes very clear that a way must be found to effect the financing in a timely manner. Below I will outline rationale for Buick and/or Cadillac's assistance, and reasons why it is a good business decision for all parties concerned. The rationale also applies to Pontiac, GMC Truck, and Oldsmobile for their dealers.

Background of Auto Mart:

The Fremont Auto Mart was conceived in mid-1987 by Santa Fe Pacific, and land was offered to local dealers at below market values to attract all dealers. Santa Fe's motivation was that this "loss leader" sale would be helpful in their attempt to get the City of Fremont to rezone their 700 plus acre project. All dealers in town participated except the Chevrolet dealer and the Ford dealer. The Ford dealer had already purchased land for a new building, and moved into his new facility at I-880 and Stevenson Boulevard in September, 1988.

Over the past two years and nine months, the Fremont dealer group has had numerous meetings, representing hundreds of hours of each dealer's time. The dealers have each paid nearly \$100,000 in option fees, attorney's fees, and additional financial commitments in order to put the deal together and negotiate a below-market price and city financial assistance. The city assistance was negotiated by our representatives to bring the \$6.91 per square foot price down to \$5.50 per foot. At the March 13, 1990, City Council meeting, the Council voted unanimously to approve an arrangement that would bring the cost per square foot further down to approximately \$4.90 per square foot.



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Originally, the \$6.91 price was to be good through 1988, as the sale was expected to be completed by that time. For a variety of reasons, the project has been delayed, but Santa Fe has agreed to hold the \$6.91 price, in spite of the property's escalating value. In December, 1989, the dealers' representative negotiated an amended agreement with Santa Fe, part of which ended the \$6.91 price on April 1, 1990. Also, only dealers closing the sale on that date would participate in the city financial assistance. After the March 12, 1990, meeting between the Fremont GM dealers and Zone Managers, dealer representative Jim Salter was able to negotiate a further extension of the \$6.91 closing deadline to June 1, 1990, which would also become the date for participation in the city assistance. Since that time, I understand that the escrow closing date has been further delayed to approximately July 16, 1990, but that participating dealers must make a commitment by May 1, 1990. However, I am not certain about these dates and they must be confirmed.

Benefits to dealership and General Motors of committing by May 1, 1990, and subsequent relocation into Auto Mart:

1. Additional new car sales. Sales of new cars in freeway access auto centers normally increase a minimum of 30%. Our nine-year monthly average retail sales is approximately 50 cars per month. Even figuring only 10 additional cars per month for Buick, and 10 additional for Cadillac, the increase would be 240 per year. For the dealership, this would mean a monthly gross profit increase of approximately \$45,000 including F & I. For General Motors, using a conservative \$4000 per car gross profit, that is approximately \$1,000,000 per year additional to the Corporation. When considering the other 3 GM franchises desiring relocation, that would total \$2,500,000 per year, or \$50,000,000 over 20 years, not counting future parts sales. Considering any improvement in the auto market in future years, as well as inflation, the difference could easily double this amount. While some of these sales may come from other GM dealers, they would most likely be lost to other Auto Mart dealers if we are not there.

2. Additional parts and service sales. It is my understanding that parts and service sales normally increase at least a similar 30% due to freeway convenience. This would mean an estimated \$40,000 per month in gross profit to the dealership. General Motors would sell an additional \$15,000 in parts per month at my dealership alone. It can be assumed that at least part of the additional sales would come from the mass merchandisers.

3. A bargain price on land. In May, 1989, an MAI appraisal was made on the property, with the appraised retail value of the finished lots at \$10.00 per square foot. It should be safe to assume that since then the value has risen an additional 5-10%. Our purchase price of the land includes \$2,000,000 of off-site improvements to be made by Santa Fe. It has been estimated that an additional \$600,000-\$800,000 must be spent by the dealer group to finish them, amounting to approximately \$.25 per square foot. Consequently, the dealers will be buying the land for approximately half price. This price compares to

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Bay Area land prices of \$15 to \$40 per square foot for suitable dealership locations, even then without the drawing power of an auto center. One of the Fremont dealers has sold his Fremont Boulevard dealership property for \$20 per square foot, and the buyer bears the expense of tearing down the building.

Any dealer who buys after the initial closing can buy land in the Auto Mart for \$7.75 per square foot, plus an escalation factor of 2% per month. Furthermore, it would not participate in the city subsidy and would be off the main loop on a much less desirable cul-de-sac. If bought the first month after initial closing, the price on 4.8 acres would be \$627,000 higher, resulting in an increased rent factor of approximately \$8,000 per month, or \$133 per car based on 60 new cars. A dealer who buys land a year later will pay \$9.83 per square foot (including 2% per month escalation,) or \$1,030,000 more. This would result in an increased rent factor of approximately \$13,000 per month or \$217 per car based on 60 cars. This rent difference has vital consequences to the financial health of a dealer.

While my current rent factor is considerably less than the anticipated rent factor in the Auto Mart, the lease is subject to increases over the years, eventually exceeding the Auto Mart's rent factor. Ownership of the Auto Mart facility would lock in a rent factor and eliminate any risk of losing the facility. The city has discussed the possibility of eventually forcing any remaining dealers out of the existing area since they have provided the Auto Mart.

4. GM presence in Auto Mart with low risk. It is my understanding that General Motors and other manufacturers buy land through a land bank program to hold for a future dealer operator, often in a new Auto Center. Although Buick and Cadillac were not involved, I understand that the other divisions were considering buying land in a proposed Milpitas Auto Center, six miles from the Fremont site, at \$14 per foot. I am also aware of a Pontiac-GMC facility currently being constructed in Bellevue, Washington, that Pontiac has signed a lease for \$39,000 per month, escalating to \$60,000 in the 16th year. This site has 2.7 acres of usable land, and the building will be 23,000 square feet. As of last month, a dealer operator had not been found.

In these examples, as I understand in others, General Motors or its divisions must bear all the expense, do all the land acquisition and often the development work, then take the risk and expense of finding a dealer operator. Even then a rent subsidy may be necessary. I'm certain that if the deal the Fremont dealers have negotiated were offered to General Motors for a new point, the Corporation would snap it up without blinking. In our case, the dealers have done all the work, born all the expense, and are asking for no subsidy. A worst case scenario risk to General Motors or its divisions would be my default on the loan, at which time Buick and Cadillac would have a ready-made home for another dealer at a well below-market rent factor.

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5. Avoid conspicuousness by its absence. The Auto Mart project has been highly visible in the Southern Alameda County area, having frequent articles written in the local newspaper. It is likely that it will have great press coverage throughout the Bay Area when it opens, as it will be the first auto center of this magnitude. The dealers plan extensive Auto Mart advertising as well, most likely on television. The name of Durham Road west of I-880 will be changed to Auto Mart Drive, resulting in Caltrans sign changes for approximately six miles in each direction on both I-880 and I-680. A large Auto Mart sign listing the makes of cars represented will be constructed at the Auto Mart Drive exit off I-880.

Nearly all makes of cars will be represented in the Auto Mart. The following makes will be represented: Lincoln-Mercury, Jeep-Eagle, Mazda, Toyota, Lexus, Nissan, Volvo, Hyundai, Suzuki, BMW, Acura, Volkswagen, Diahatsu, Chrysler-Plymouth, Honda, Mercedes, Porsche, and Rolls Royce. It is my understanding that dealers for these makes all have financing approval as of this date except Lincoln-Mercury (includes Jeep-Eagle,) who has tentative factory division financing awaiting final approval. It is also my understanding that Chrysler Credit will be financing facilities for Chrysler-Plymouth, Toyota, Lexus, BMW, Acura, Volkswagen, Diahatsu, and Honda, all of which are owned by one dealer principal. As you are aware, the dealers representing Pontiac, GMC Truck, and Oldsmobile (and Mitsubishi) also are requesting financing assistance.

It seems it would not be good for General Motors' image to be the only manufacturer not represented, especially in the shadow of a former General Motors plant now producing Toyotas, and the zone offices for half the Western United States. GM's absence would be a further target for for "GM bashing." GM has already suffered more than its share of this abuse, and now that Buick and Cadillac have turned the corner in styling and quality (and resulting sales) it is imperative we "put our money where our mouth is," and show our confidence in the future. I have great confidence that we are on a solid, while perhaps slow, uptrend in a tough market, and have committed all my resources to our joint success.

A good business decision for Buick and/or Cadillac to assist:

The dealers are buying the property for approximately half price. If we were paying full price of \$10 per square foot and putting 15% down, lenders would be more than happy to finance \$8.50 per foot, which is 73% more than we are paying. Even the city assistance of approximately \$2.01 is 29% of the purchase price of \$6.91. I feel that the approximately \$100,000 invested to date should be considered down payment, as this investment was necessary to negotiate the low price. The \$100,000 represents approximately 10% of the land purchase price. Also, consideration should be given to "sweat equity" for the hundreds of hours I and the other dealers have put in to negotiate the deal.

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The Auto Mart, especially at the price we are receiving, is possibly the best opportunity I or the divisions could ask for. Unfortunately, it is coming at the worst possible time. While neither I nor the other GM dealers asked for it, the fact is that when originally presented, the dealers reacted favorably and I have been forced to participate in spite of the timing. The other dealers have had little or no problem obtaining financing, as they have recently had very good years. If the Auto Mart project had occurred five years ago, the opposite may have been true, and five years from now it may be true again. But, it is a once-in-a-lifetime opportunity that we must find a way to make happen.

I have approached banks about financing the project, but they have no interest given my recent financial statements. GMAC has indicated that they would finance the project with the divisions' guarantee. I have submitted forecasts with Cadillac added which I feel to be very realistic in today's tough market, indicating at least a \$40,000 per month net profit improvement from our recent performance without Cadillac. While the forecasts submitted are very conservative, even so they make the project more than viable. Ironically, my Cadillac letter of intent requires the Auto Mart, and the Auto Mart financing requires the profits that would have been generated by selling Cadillacs with the Buicks. If we had started selling Cadillacs a year ago, I most likely would not be asking for special assistance, as the profit trend would have been favorable and I would probably have had the required down payment.

As I assume you are aware, Frank Liebgott told me that we would have Cadillac in the current facility within two months, with conditions relating to the Auto Mart. I certainly appreciate this and am relieved the waiting is nearly over at long last. I am confident we can do a good job for Buick and Cadillac in our current facility. But...we can do better in the Auto Mart.

Chris, I have my entire 18-year career invested in Buick, and have suffered along with Buick's sales decline over the last few years, but have hung in there, committing seven days a week and now all my resources in order to survive. I certainly would not have gone through all that I have unless I had the faith that a turnaround would eventually occur and that I would receive the Cadillac franchise after my many years of ongoing discussions. While it has taken longer than I had anticipated for both the turnaround and to get Cadillac, both are now taking place and I am extremely optimistic about the future of my dealership.

The Auto Mart is an integral part of my optimism. I certainly would prefer that the purchase of the property could take place a year from now, but unfortunately, that is not an option. The Fremont dealer incentive program is about to expire and does not carry Lee Iacocca's retroactive guarantee. I urge you and the division to look at the big picture--a relatively small amount of risk guaranteeing the loan in return for affordable representation in the largest auto center in Northern California, and sustaining the career

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of a loyal Buick dealer. Since I have been unsuccessful in getting the Cadillac franchise earlier to generate profits to effect the financing, it is my sincerest hope that I will be successful in obtaining the desired assistance this time.

As always, I wish to express my appreciation for your continued interest and pursuit of a solution. In order to leave 30 days to finalize personal arrangements on the project prior to the May 1, 1990, commitment deadline, I look forward to a successful conclusion to this issue by March 30, 1990.

Sincerely,



Donald R. Signer

cc: Mr. Frank J. Liebgott
Mr. W. K. Ramsey
Mr. Ray Harris