

# SIGNER

BUICK • CADILLAC

March 30, 1992

Mr. John W. Greer  
Director of Development  
Catellus Development Corporation  
201 Mission Street, Suite 250  
San Francisco, CA

Dear John:

Enclosed are my proposals for a ground lease and a build-to-suit lease. They are in response to your offers of February 19 and 21, 1992. If the terms are agreeable, I will commit immediately. Upon execution of signed agreements, I would be happy to make a public announcement of my commitment. The terms of the agreement, of course, will be held in absolute confidence, even within my own company.

As you are aware, I have been intimately involved with the Auto Mall project for nearly five years now. Cadillac's (then) desire to be in the Mall caused them to delay my receiving the franchise from the time of their commitment to me, April, 1989, to the time the final land purchase documents were executed, June, 1990. The difference between the losses I suffered and the profits I would have made in that time period was over a half million dollars. Then, about a year ago, General Motors decided it wanted all its dealers in Newark.

As I explained to you, General Motors will apparently, at long last, have their proposal for the Newark site ready next week, and will present it to me on April 9th. Due to the more than adequate availability of land at both sites, there is no urgency for me to commit to either one immediately. However, other dealers are waiting for my commitment to make their commitment, and the city has asked for my immediate commitment in order to consider extending the May 1 traffic mitigation fee increase deadline.

Based on these urgencies, I told these parties I would try to reach an agreement with you as soon as possible, even though it doesn't make sense for me to act before hearing General Motors' offer, which includes the City of Newark's incentive. Thoughts of the free land received by the Buick dealer relocating to Palmdale last year loom in my mind!

Hank Torian has agreed to move forward quickly and publicly announce his timetable to be in operation in the Mall by next spring if I commit now. The new owners of DiGiulio Pontiac-GMC and Moran Oldsmobile are opening April 1st. If I reach an agreement with you, it is unlikely that General Motors will pursue the Newark site any further, and the chances are increased that



these three GM franchises may move into the Auto Mall, and eventually possibly Saturn and Chevrolet. Wherever I end up, it is to my advantage to be next door to these franchises.


John, I wish to stress that my offer is not intended to imply that your offer is not fair--it is. However, I also feel that my offer is fair, considering some significant factors:

1. I am risking losing out on a possible better deal from General Motors and the City of Newark, as well as possibly not being next to the other GM franchises. I also would most likely not face the tax assessment liability for the incentive as I will in the Mall. In addition, I risk strained relations with General Motors for not going their way.
2. I believe that my efforts working with the City Council members and Mayor on your behalf were a major contributor toward the approval of the Pacific Greens project. Of particular impact were my many discussions with John Dutra and arrangement of his meeting with you in the difficult final days, when hope of approval appeared to have collapsed. While we will never know, this face-to-face meeting leading to your working out your differences may have been the deciding factor in approval of the project. With the recall successful the week after the vote, there would not have been another chance.
3. You have a \$2,600,000 incentive to get me and the other dealers into the Mall. It is my feeling that if any of the future dealers to come in deserve a piece of this, it is me.

In conclusion, I am ready to move forward if the enclosed terms are agreeable. As I mentioned above, I will keep the terms of our agreement in strict confidence.

Please contact me after you have discussed this proposal with your company so that we may finalize the agreement.

Sincerely,



Donald R. Signer  
President

#### OTHER CONDITIONS

Following are conditions that would apply for either the Land Lease or the Build-To-Suit Lease:

1. If Fremont Pontiac-Oldsmobile-GMC locates in the Mall, it would be placed immediately adjacent to Signer Buick-Cadillac. Necessary arrangements for property location would be made by Catellus.

2. Contingent on Hank Torian committing to and adhering to timetable for building all his facilities, resulting being in operation by Spring, 1993.

3. Signer may choose either finance option.

4. Catellus will return Signer's deposit of \$75,000±, upon execution of purchase agreement.

5. Since Signer has been a party to the Auto Mall project since its inception, and has been instrumental in the development and approval of the Pacific Greens project, he is entitled to the best terms. If better terms are offered to an auto dealer purchasing land in the Mall for two years following execution of the purchase agreement, these same terms will be offered to Signer for a retroactive adjustment in his terms.

6. Signer receives City tax rebate check generated from sales tax revenues.

PROPOSED CHANGES TO  
2/19/92 BUILD-TO-SUIT LEASE

Facility: A 26,000 square foot building situated on 3.5 acres of land. Land area may be adjusted from 3.0 to 4.9 acres. Building size may be adjusted up or down depending on dealer requirements.

Lease Term: Fifteen (15) years to commence upon completion in approximately November, 1993

Monthly Rent Schedule: Initial five (5) years - \$23,000 per month for Lot 4, or \$23,500 per month for a non-corner lot. Rent will be adjusted every five (5) years thereafter according to the cumulative change in the C.P.I. for the San Francisco-Oakland area. Rent to be adjusted up or down based on actual cost of building versus allowance shown below. Adjustment to be 1% of cost variance per month. Land portion to be adjusted using terms in Land Lease agreement.

Expense Structure: Triple net. Tenant to be responsible for all expenses, including real estate taxes, insurance, repairs and maintenance.

Cost allowance:	Hard Construction Cost	-	\$1,248,000
	Soft Costs	-	\$ 534,000

Purchase Option: The facility may be purchased outright after five (5) years at a fixed price of \$2,500,000 for Lot 4, or \$2,575,000 for a non-corner lot. Adjustment up or down will be made for building cost and lot size based on formula in Land Lease agreement. In the event that this option is not exercised, a second opportunity will be provided after ten (10) years, and a third at fifteen (15) years. Purchase price for the second and third opportunities shall be the five-year fixed price plus an increase based upon the C.P.I. of the San Francisco Bay Area beginning in year six of the lease.

PROPOSED CHANGES TO  
2/19/92 LAND LEASE

- A. Lot Area: 3.0 to 4.9 net acres. Signer has choice of lots 4, 7, or 8, or a portion thereof. If Catellus should gain control of lots 2 or 3, Signer would accept some variation of these.
- B. Annual Rent Payments: \$0.45 per square foot of land area for Lot 4, \$0.50 per square foot for any other lot not in corner location. Annual rent payments to be increased every five years based upon the cumulative change in the C.P.I. for the San Francisco Bay Area. Rent would commence upon completion of the facility.
- C. Site & Bldg. Appr.: Catellus' requested changes shall not increase cost nor decrease usability.
- D. Interim Purchase Price: \$4.00 per square foot for lot 4, or \$4.50 per square foot for any other lot not in a corner location. Price escalates 3% annually beginning in the sixth year of the lease. The purchase option would have a length of 15 years, and may be exercised at any time during that period. Previous deposits of \$75,000+ would be deducted from the purchase price.
- E. Contingencies: 1) Adequate third party financing to provide for the completion of facility under terms consistent with standard real estate lending practices. 2) Commencement of construction no later than June 1, 1993. This date may be extended for circumstances beyond either party's control.