

GENERAL MOTORS

May 15, 2009

Today is supposed to be “notification day” of various sorts. We believe that you need to consider all of GM’s actions now in light of an anticipated bankruptcy.

- If you get a non-renewal letter, begin an immediate analysis to ascertain whether you wish to continue with GM and if so, what you might need to do to make a case for continuance. Theoretically at this point, you would have until October 31st, 2010 to be renewed; however that date may go out the window in bankruptcy. Additionally, you would not want to wait until later to try to convince GM otherwise. The Federal Task Force has been pushing for more immediate cuts and in the event of a GM bankruptcy, the same thing could happen that is happening now to Chrysler dealers. As one GM exec put it “We’re not in control anymore”. The federal government will ultimately call the shots for GM. It does make sense to let the agreements expire because that will probably result in less claims and will allow dealers an opportunity to work inventory and parts down and to permit an orderly return.

- All GM dealers should keep in mind that GM has changed most 2010 models to July 1st.

- Dealers that are set to expire may wish to consider making operational changes with sales, CSI, etc. and the financial considerations warranted. This would probably include dropping non-GM brands from dual facilities, facilities upgrades, perhaps relocations, etc.

- In an earlier posting, we suggested you formulate a presentation as to why your dealership should be retained. Please refer to our posting of May 12th.

- For those dealers that will stay on, please keep in mind that your franchise agreements also expire 10-31-10. In all likelihood, there will be a new franchise agreement with significantly different terms and conditions. Also you may be receiving visits with regard to inventory allocations, facilities, etc.

- The most pressing reason for visits would probably be consolidation with another dealership. Going forward, of course, GM’s business plan supposes Buick and GMC and Chevrolet, and where appropriate, Cadillac.

- Information seems to have developed that going forward, GM’s marketing plan will be to have Chevrolet and Cadillac in approximately the same market areas and locations of Toyota stores. The Buick and GMC model will have about the same number in the relatively same general locations as Nissan. This would necessitate consolidation.

- It’s conceivable that if consolidation is not worked out, that dealers could have their franchise agreements expire and one of the dealers, or a third party signed.

- If this is done outside bankruptcy, there would probably be significant litigation; if it’s done in bankruptcy, it could probably be accomplished fairly easily with the adversely affected dealers winding up with unsecured claims. Such is the case presently with Chrysler dealers.

You may wish to call Ronald C. Smith, Michael P. Shanahan, Jeffrey B. Halbert or Donn H. Wray at 317-639-5454 for further consultation.