

UPDATE - GENERAL MOTORS

May 26, 2009

Sometime this week, GM reps are supposed to start calling on dealers who received notices of non-renewal. A dealer will be offered three options:

1. Voluntarily terminate the franchise now and GM will buy back cars, parts, tools, etc. per the franchise agreement.
2. Wait six months (not sure at this time what the magic of that is), subject to whatever happens in bankruptcy.
3. Continue on until October 31st, 2010 and receive nothing.

What is not clear about this is the following:

- Anybody terminating before the bankruptcy could be considered pre-Petition debt and get nothing or cents on the dollar, as is happening to the Chrysler dealers now.

- When the bankruptcy comes, this whole program goes into a cocked hat.

- If GM goes into and comes out of bankruptcy and those affected dealers are still dealers, they would still have the rights under the franchise agreement at the time of expiration, which would include facilities assistance.

- With regard to the offer now, the question still would exist what happens with facilities assistance. If a dealer voluntarily terminates, he waives any facilities assistance under the franchise agreement. The franchise agreement states that the agreement must expire and not be replaced or be terminated by General Motors. Essentially the dealer could be waiving a significant sum of money with regard to rent. My opinion is that these contracts will be rejected in bankruptcy and that bankruptcy is certain to happen. We would like to see anything in writing that dealers get so we can make a further assessment.

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