

GM UPDATE: WIND-DOWN INVENTORY ISSUE

June 15, 2009

One of our clients who is seeking early exit from GM sold his inventory in tact to another GM dealer. He was informed by the GM hotline that since the sales were not made at retail in the ordinary course of business, he would forfeit the 75% second wind-down payment credit. Remember GM has a right, in its sole discretion, to allow dealers to exit before January 1, 2010 if they wish. We were able to get GM's inventory decision reversed by contacting appropriate persons at GM Legal. The wind-down agreement says nothing about requiring the inventory to be sold at retail - it simply says that it has to be sold. Don't let any information to the contrary go unchallenged!

For GM dealers who voluntarily terminated their franchises prior to the filing of the bankruptcy, GM may be allowing parts return. Of the dealers we've talked to, they have managed to dispose of their inventory by other means, but they are receiving communications from GM about the return of the parts inventory. It was unclear from the first day orders in bankruptcy whether or not this would happen. We would like to hear from any dealers who are getting communications post-June 1st concerning return of parts or inventory.