

GENERAL MOTORS

June 2, 2009

The postman cometh again. Today each of GM's approximate 6,000 dealers will receive a federal express letter talking about the status of their dealership. These will fall into 3 basic categories:

- (1) For dealers who received the non-renewal notice a couple of weeks ago, GM will propose a "wind down" agreement. This will allow for the acquisition of inventory, parts, etc. (no blue sky) but the dealers give up all rights to contest GM's decision and probably will agree not to sue GM;
- (2) Dealers who must agree to do something to go forward. This can be in the form of facilities, separation of non-GM brands and the like. Mark LaNeve has said that facilities don't need to be improved immediately but will need to be agreed to now.
- (3) Dealers that will not have to do facilities, etc. but will have to sign new franchise agreements, which undoubtedly will be much tougher than the existing franchise agreements.

Any dealer who does not sign these agreements will be rejected in bankruptcy and suffer the same fate as the rejected Chrysler dealers. The new franchise agreement is probably not ready yet but the fact that GM has all these letters ready to go indicates that this move was decided upon months ago, carefully laid out and orchestrated.

Unaddressed still is the issue of site control. Dealers will only have until mid-June to decide. Each dealer is going to have to decide how onerous the GM requirements will be for his/her particular operation. Dealers that have Pontiac will have two agreements, one a wind-down for the Pontiac franchise and a second for the continuing Buick, GMC brands.

INCENTIVES - GM has sought permission from the bankruptcy court to continue all incentive programs currently in place. That permission will undoubtedly be granted; therefore, you should continue doing business almost as usual.

Please forward any communication you receive from the factory to our attention for further analysis. You may call Ronald C. Smith, Michael P. Shanahan, Jeffrey B. Halbert or Donn H. Wray at 317-639-5454 for further consultation.