

GENERAL MOTORS

May 14, 2009

The latest that we hear is as follows:

- It's a 99% certainty that GM is filing for Chapter 11 perhaps before the end of the month.

- If you were thinking about voluntarily surrendering your franchise, our suggestion is you not do that until after the bankruptcy filing. There simply is not enough time to get your inventory bought back and proper credits established, as well as not enough time to get the parts back to get proper credit. Any dealers terminating at this point run the risk of the termination being considered pre-Petition and being an unsecured obligation of the bad GM, which will likely result in cents on the dollar to the dealer.

- GM telephone calls are supposed to be starting today and will be going to dealers that they intend to retain. Letters are supposedly going out also today and tomorrow for dealers that they will not retain.

- Because you may or may not be on one list or the other, it does not mean that you "cannot" or "will" go forward. The final determination can be made later certainly in bankruptcy or even out of bankruptcy. Again, if you have been involved in negotiations with General Motors over facility issues, dualing, site control or any other number of franchise issues, you will probably be involved in an arm twisting conversation that, bluntly stated, will say either go along with this or your franchise agreement will be allowed to expire.

- GM is supposedly intending on a "soft landing" approach even if they file bankruptcy, as their plan will be to let these franchises expire in 2010. From their perspective, this is a smart move because it will limit the claims in bankruptcy, probably to those dealers that have "special circumstances". These would be dealers that had expended significant amounts of money, entered into site control agreements or some other special issues in reliance on their franchise agreement or at the special insistence of GM. These claims cannot be tried in any general funded bankruptcy program such as the NADA program. We have urged dealers to join the general NADA GM legal fund. In all likelihood, there will be a separate GM fund for those dealers not going forward, just as there is in the Chrysler case. We will comment when the time comes. You may wish to think about whether or not to join that fund. Depending on your circumstances, it might or might not be worth the dollars.

- You WILL still have to retain your own counsel to pursue special circumstance claims in the bankruptcy. Stewart & Irwin has formed a collaboration with the Indianapolis bankruptcy law firm of Hostetler and Kowalik for such purposes and for consultation, and perhaps action for those dealers who are being left behind and who are in financial jeopardy. Arrangements can be made by calling Ronald C. Smith, Michael P. Shanahan or Jeffrey B. Halbert at 317-639-5454.