

Bulletin to GM Dealers

As a General Motors dealer, you probably received a communication today. The communications fall into three categories:

1. If you are a Pontiac dealer, or if you are a dealer of a continuing brand (Chevrolet, Cadillac, Buick, and GMC) that GM wishes to discontinue, you probably received a deferred termination agreement, what GM calls a Wind-Down Agreement.
2. If you are a dealer of a continuing brand (Chevrolet, Cadillac, Buick, and GMC) that GM wishes to have continue, you probably received a Participation Agreement.
3. If you are a Saab, Hummer, or Saturn dealer, you were probably notified that you will be separately contacted.

The agreement you received must be returned to General Motors by June 12 if you choose to enter it. You must return it fully executed and without changes. If you do not return it by that time, GM reserves the right to reject your dealer agreement in bankruptcy. If, however, you do return the agreement, then the terms of the agreement will allow you to continue as a dealer under the terms of the agreement.

We cannot advise you as to whether or not you should enter the agreement that you received. We will note for you, however, that it is an extremely important agreement for your business. You should discuss the terms of the agreement with your own legal counsel. We can provide you certain basic information, however, about which you should be aware. This is not provided as legal advice. This is being provided simply to help educate you about the impact of the communication you may have received.

Wind-Down Agreement.

Basically, the Wind-Down Agreement has a number of critical terms.

- You can stay in business so that you can sell down your inventories. Between January 1, 2010 and October 31, 2010, you may terminate your dealership with 30 days notice. You must terminate your dealership by October 31, 2010. If you sell all your vehicles before January 1, 2010, you may terminate your dealership with the agreement of General Motors.
- You will be provided a wind-down payment. You will get 25% of that ten days following the later of bankruptcy court approval or your signature of the agreement. The balance will be paid following your termination of business, including any bulk sale process, certificate of tax authorities that all taxes have been paid, and necessary evidence that you are out of business.
- In part, the wind-down payment is to pay for your sales and service customer records, which you agree to transfer to General Motors in a digital form.

- You agree to streamline operations. **You may not order and purchase any more vehicles from General Motors.** You may order parts, but RIM participation will be terminated and you will not be able to return parts.
- You are providing a complete waiver of termination benefits. **This means that General Motors will not buy back your vehicles, parts, special tools, or signs.** General Motors will not provide facilities assistance. You are waiving all termination assistance under the GM dealer agreement and under state law.
- You are providing a complete release of General Motors of all claims. This release **does not include** the following to which you are entitled: payment for warranty work done within ninety days; payment for incentives; payment of your open account balance; and your right to indemnification by GM for warranty and product liability claims.
- You agree to waive any right to protest establishment or relocation of another dealer.
- “Channel Agreements” with GM will still be in effect. You must review this carefully, since it includes site control agreements and similar agreements.
- The jurisdiction of the bankruptcy court is retained as an enforcement mechanism for the agreement.

Participation Agreement.

The Participation Agreement for dealers GM wishes to have continue will basically permit the dealer to continue as a GM dealer. Each dealer’s Participation Agreement may be slightly different. However, the Participation Agreements appear to contain a number of similar terms.

- If your dealership does not comply with GM image requirements, you will be required to become compliant.
- If your dealership is not compliant with GM facility requirements, you will be required to construct facilities to do that.
- You will be required to comply with increased sales performance terms.
- You will have an obligation to purchase vehicles to increase your inventory, and that will require an increased floorplan line of credit.
- You will have to provide exclusive facilities for GM operations. If you have another brand, you will have to eliminate that before January 1, 2010.

- You agree to not protest new points or relocated points within two years provided such relocation or establishment is complete within four years and the proposed new dealer is more than six miles from the dealership.
- You agree to completely release all claims against General Motors. However, reimbursement of warranty claims within 90 days, payment of incentives and other amounts due through the open account, and indemnification obligations by GM for warranty or product liability claims against the dealer are not released.
- You agree to comply with “channel agreements” which are certain agreements you may have entered with GM such as site control.
- You agree that the bankruptcy court retains full jurisdiction over the terms of the agreement.

Once again, we recommend that you cover the terms of these agreements with your own legal counsel and that you make a decision quickly so that you may respond appropriately before June 12, 2009.