

Testimony of Gregory Williams

President of Huntington Chevrolet, Huntington Station, NY

**House Judiciary Subcommittee on Commercial and
Administrative Law**

Hearing: "Ramifications of Auto Industry Bankruptcies - Part III"

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10:00 a.m. ET

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Thank you Chairman Conyers and the members of the Committee.

My name is Gregory Williams and I have worked for over 30 year as a dedicated and faithful GM dealer. I am the former owner of Huntington Chevrolet in Huntington Station, New York.

While I am here today representing the numerous minority GM and Chrysler terminated and rejected dealers, I would like to share my personal and tragic story with you regarding the disparate treatment that I suffered at the hands of GM and GMAC

In 1999, I was asked by General Motors to come to Long Island, New York to investigate the purchase of Huntington Chevrolet. After doing due diligence on the store, I explained to the GM Regional General Manager, that the store had potential, but was located in the wrong area, as the facility was too outdated. The Regional General Manager and Vice President for General Motors informed me that they would take care of these problems and find a new location and assist me to relocate and build a new facility. Based on that assurance, I purchased the dealership after General Motors used its first right of refusal to purchase the dealership. The purchase price was \$3.3 million including goodwill, of which I used \$500,000 of my personal cash and financed the remaining \$2.75 million from the Motors Holding Division of General Motors.

From the date of purchase to 2005, Huntington Chevrolet made money and all profits made went towards paying dividends (15% when the market average 4%) and stock purchases totaling over \$1.5 million to my partner, Motors Holding Division a subsidiary of General Motors. At the same time, we were still looking to relocate the dealership. Also in 2005, I was asked along with other General Motors Minority Dealers to consider an early buy-out from Motors Holding for a total \$2.5 million largely due to the fact that General Motors needed to raise additional capital. I was

offered an early buyout for my dealership. I therefore, applied for a loan from GMAC, a sister company of General Motors.

During the financing process, I was told by GMAC that I had to personally guarantee the amount of the note; as well as the dealerships floor plan line of credit, which historically the floor plan line was collateralized by the vehicles not personally guaranteed. As a result of the buyout loan to GMAC the dealerships expenses increased by \$20,000 per month.

As a result of my hard-work and the dealership's top performance, I was presented with GM's most prestigious award, "Dealer of the Year" by General Motors Corporation in 2003. This award is only presented to the top 100 performing General Motors dealers out of the 7,000 GM dealers nationwide.

At the end of 2008, the economy experienced an unprecedented down-turn, both General Motors and GMAC requested a government bailout. At the same time, I received notice from GMAC that the dealership did not have enough cash largely due to the drastic drop in sales in the auto industry.

On May 17, 2009, I received a letter from General Motors stating that my location would be closed and I would not be moving forward as a General Motors dealer. There are 19 Chevrolet dealers on Long Island and Metro New York City, and for the year 2008, my dealership was #3 in retail sales and #1 in customer satisfaction index.

On May 25, 2009, I sent a "Voluntary Termination Letter" to General Motors via overnight delivery. This was done under extreme pressure from both GM and GMAC. GM had already sent the May 17th letter indicating that my dealership would not be allowed to go forward under the new GM. Additionally, GMAC advised me that I no longer qualified for a floor plan loan, and without a cash infusion in the amount of \$1.5 million, they threatened to terminate my floor plan immediately. They provided me with 90 days to find another floor plan loan, if I agreed to the following criteria:

- 1. A fee of \$32,500 for the 90 day extension, payable up front;**
- 2. A fee of \$750.00 for each inventory audit, to assure that the inventory is on premises, or if sold, is paid for;**
- 3. An \$81,000.00 non-compliance fee, if I'm not able to secure a floor plan loan within the 90 days; and,**
- 4. Sign a "Confession of Judgment" which states that I confess to a judgment of \$8.1 million. (This is a combination of the remainder of the loan that I made to pay-off GM Motors Holding and the value of the entire vehicle inventory).**

Requiring the aforementioned demands to maintain my floor-plan for 90 days was both unreasonable and impossible. GMAC's further demand that I find another financial institution to provide my dealership floor plan in 90 days, in today's economic and financial crisis is equally impossible.

On June 1, 2009, when GM filed for bankruptcy I was advised that they also decided not to honor my "Voluntary Termination Letter". Pursuant to state franchise law, GM would have been obligated to repurchase the inventory and parts. I had approximately \$5.8 million in new vehicle inventory and \$800,000 in parts that would have been repurchased by GM. I would have used this money to repay the cost of the vehicle inventory to GMAC.

GM unilaterally determined in 2005 (when we were in the buy-out process) that the dealership was worth well over \$2.5 million in addition to the \$1.5 million that I already paid. Now they have unilaterally determined that the dealership is worthless, making it impossible to sell or to repay this massive debt.

On June 2, 2009, I received a copy of the General Motors "wind-down" agreement. The agreement spelled out the new terms and provided a deadline date of June 11th to either sign or be rejected in the GM bankruptcy proceeding. On Thursday, June 11th, I reluctantly signed the agreement on behalf of my company, and returned it to General Motors. Although I strongly

objected to the terms in the agreement, I felt enormous pressure to sign, knowing that if I did not, I would have lost the right to receive the wind-down payment, based on GM's bankruptcy, which is the only form of payment that I was to receive. The debt I owed to GM and GMAC far exceeded the amount of the wind-down agreement, but yet I am being held personally liable because of the personal guarantee.

Huntington Chevrolet was my only dealership. I have no other sources of income as I used most of my life savings to reinvested into the dealership, no health insurance, I had to layoff my employees and walk away from a business that I owned for over 11 years, and an industry that I've been in for over 30 years.

All of this occurred while I was still paying for the loan to buy out Motors Holding Division. I now owe them \$1.4 million, which without the dealership, I have no way to pay.

The only people who made any money off of my dealership was General Motors (its Motors Holding Division), and its affiliate GMAC. GM received all of its investment that they had in the dealership including a healthy profit (minimum 15% dividends plus the \$600,000.00 "good will" at buy-out.) GMAC received \$20,000.00 per month pursuant to the contract (including interest) and they are now owed a balance of \$1.4 million (which they say that they will come after me personally to collect.) GMAC also made millions of dollars on my inventory floor plan loan over the 11 years I owned and operated the dealership. GMAC has now confiscated my entire inventory of vehicles along with all parts and the company assets. They have said that they will liquidate the inventory, parts and assets and will come after me personally for any shortfall since I signed a personal guarantee for the inventory, and the loan, when I borrowed the money to buy-out Motors Holding Division. GMAC is also asserting the right to the "wind down" payment that that the dealers were coerced to sign.

I don't understand how this can be fair?

How can I be left with nothing, when in January of this year, we had a General Motors approved deal to sell the dealership for \$1.5 million "good will", plus the inventory parts and assets. This deal would have gone through, but GMAC insisted that the proposed buyer along with his financial participants, personally guarantee the inventory, when traditionally, the inventory has always been used as the collateral.

Also, what is terribly disturbing is the fact that in 2008, of the 1,000 dealerships that closed, 200 were owned by ethnic minorities. These closures represented a total of 150,000 direct and indirect jobs lost. This year, it is projected that over 3,000 dealerships will close, of which over 300 will be minority owned dealerships who will run out of cash and/or lose their floor plan and be forced to close their doors by year end. These closures could result in an additional 350,000 direct and indirect jobs being lost, which would leave the entire minority owned dealership body to be less than 1,000 dealerships in the United States.

Because of all of the issues/concerns we've mentioned above, I am here today on behalf of not only myself, but the numerous terminated and rejected GM and Chrysler dealers. We are seeking the following immediate remedies:

Grant Immediate Relief from Personal Guarantees for both Term and Floor Plan Loans:

The affected dealers have no means to repay these enormous debts, especially since the manufacturers are forcing them to close their dealerships without fair compensation (i.e. inadequate wind-down payments). Pressure must come from the Government to prevent the manufacturers and banks who received TARP funds from enforcing personal guarantees upon the dealers. (Note: Dealers are losing their homes and personal assets as a result of the strict enforcement of the personal guarantees)

Appoint an Independent Committee or review team to Re-evaluate the Terminated/Rejected Chrysler and GM Dealers:

The process under which 38 Chrysler and 44 GM minority dealers were terminated and rejected was not fair, transparent or consistent. An independent review committee must be appointed to determine if there is a basis for the continuation of these dealers in their existing dealership locations or the opportunity to be appointed to another dealership location with their auto manufacturer. In cases where dealers cannot be reinstated after being reviewed by the independent review committee, fair and adequate compensation must be provided for these dealers.

Future Dealership Opportunities for Terminated/Rejected Dealers:

Reinstatement must be provided to the terminated and rejected dealers if/when the auto manufacturers decide to re-enter the market place. If the terminated and rejected dealers are not reinstated by an independent review committee, each dealer must be granted the ability of first right of refusal in the event the auto manufacturer decides to retain or re-open a dealership in their market area. The auto manufacturers must be required to memorialize this commitment in writing and provide it to Congress so that this process can be monitored appropriately.

Reinstate the Enforcement of State Franchise Laws:

The automotive manufacturers must be required to adhere to each states franchise laws and adequately compensate the Chrysler and General Motors rejected and terminated dealers accordingly to the rights and provisions set forth in their respective state franchise agreements.

We need your help to not only walk away from this tremendous debt that we have acquired while attempting to play by the rules, but to leave with the financial stability to restart our lives all over again. At 60 years old, I am forced to face the reality that my

employment future is limited. I was always of the opinion, that my investment was my retirement, and that when I decided to retire, that I would sell my business and live off of the proceeds. I had no idea that at this stage of my life that General Motors and GMAC would wreck my world, as I know it.

Thank you for the opportunity to share my personal story with you today. I plead for this committee and all the members of Congress who are listening to my testimony to please help us.

We need your help to ensure that the auto manufacturers are required to treat us fairly and equitably as we watch our lives disappear without fairness, transparency or due process of the law.

**Gregory M. Williams
President
Huntington Chevrolet, Inc.**