

## ACT OF DESPERATION EX- DELOREAN AIDES TELL BIZARRE STORIES

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Long before **John Z. DeLorean**'s arrest Tuesday in what authorities describe as a desperate plot to use the profits from peddling cocaine to save his company, the maverick auto executive had engaged in a series of rash and sometimes bizarre acts to try to salvage the faltering sports car business, former company officials say.

In interviews with the Free Press, the officials described **DeLorean**'s unusual business practices, including:

- \* Hiring armed men to raid auto storage areas to take back some of the gull-winged, stainless-steel sports cars that had been repossessed by a bank. In one case, **DeLorean**'s employes tipped off the police, who thwarted the raid.
- \* Insisting on stepping up production of the cars -- even though he had too few customer orders to justify the action -- in an apparent effort to convince Wall Street that his company was successful at a time when he was seeking new investors.

As a result of overproduction, **DeLorean**'s Northern Ireland plant ran out of money, the company was unable to repay its loans and product quality suffered. But when executives tried to convince him of his mistake, **DeLorean** angrily refused to cut production, and excess cars continued to pile up in storage lots.

**DeLOREAN**'S attempt to regain control of his unsold cars was the first visible sign that he felt he had to resort to desperate measures to save his company, said C. R. (Dick) Brown, who until March was president of **DeLorean** Motor Cars of America, **DeLorean**'s U.S. sales organization.

"I think he panicked," said Brown, who was reached at his home in Long Beach, Calif.

Like much of **DeLorean**'s life, the raids to regain the cars had the elements of a soap opera.

In early March, police in Santa Ana, Calif., were called out to stop **DeLorean**'s men from driving away with some of the 700 **DeLorean** cars repossessed by the Bank of America. The cars were being stored in **DeLorean**'s quality assurance center in Santa Ana.

Another group of **DeLorean**'s men had retrieved about 15 cars from a New Jersey storage area and had driven them to **DeLorean**'s nearby farm. "Five armed thugs had showed up (at the New Jersey storage area) and thrown out (the security) people," Brown said. "Later I got a call that it was going to happen in California, and so I told our people to call the police. I went there, and the police arrived before **DeLorean**'s men did, and they were kept out."

After a tense showdown, the men in Santa Ana backed down, and no arrests were made, Santa Ana police said Thursday. The Bank of America retained control of the cars it had repossessed earlier when **DeLorean** failed to repay an \$18 million loan, a bank spokesman said.

The bank later won a federal court order forcing **DeLorean** to return the cars and barring him from repeating the raids, the bank spokesman said.

By April, **DeLorean** had paid off his loan to Bank of America, but his auto company's fortunes were slipping.

BROWN, WHO says he was fired for opposing the California raid, said the attempt to retake the cars climaxed a series of decisions made by **DeLorean** dating back to October 1981 that ultimately led to the company's collapse.

In the fall of 1981, just a few months after the cars had been introduced, DeLoreans were selling briskly, at a rate of about 9,000 per year.

Buoyed by those sales, **DeLorean** at the end of October ordered a second shift added at the plant outside Belfast, to try to double production. The plant had not had time to settle into a routine, and some **DeLorean** officials worried that quality would suffer because of increased production.

AT THE SAME TIME, **DeLorean** was trying to go public with his company's stock. **DeLorean** wanted to use the money from the stock sale to build a sedan version of his sports car, and he may have felt pressured to build up his operations quickly to impress Wall Street, Brown said.

" **John DeLorean** thought in terms of General Motors. He always wanted to be bigger and bigger and bigger. He had been reading his own press clippings," Brown said.

( **DeLorean** dropped the attempt to issue stock in January because of a poor stock market and a lack of investor interest in speculative issues, said Seymour Hertz, a New York attorney for **DeLorean** .)

In November 1981, more than 1,000 untrained workers were hired. Production increased, but quality suffered , according to Brown; hundreds of **DeLorean** employes in three U.S. quality-control facilities had to tear the cars apart to fix defects before they could be shipped to dealers.

By December, the U.S. car market collapsed, and **DeLorean** sales plummeted. Sales also were hurt by a flap in October over charges that **DeLorean** had not lived up to promises to invest money in his Northern Ireland plant in return for British subsidies. Although the British government quickly cleared **DeLorean** of wrongdoing, car buyers still wondered whether the company would survive.

DETERMINED to convince management to cut production, Brown flew to Belfast in mid-December. "We simply couldn't absorb the production in the U.S.," Brown said.

When Brown arrived, he found Donald Lander, managing director of the plant and former president of Chrysler's Canadian operations, putting together a film to spur employees to build even more cars; **DeLorean** 's goal of building 80 cars a day had not yet been met.

After Lander agreed that the extra cars being built were not likely to be sold, both men placed a conference call to **DeLorean** in New York, who "went into orbit" at the suggestion that production be cut, Brown said. **DeLorean** , who had been devoting much of his time to other enterprises, refused.

BY LATE January, there were 1,200 too many DeLoreans in the United States. That fact caused **DeLorean** 's finances to crumble, according to Brown and other former executives.

"In my opinion, the downfall of the company came when he cranked up production last fall when he didn't have any orders to support it ," said Robert Dewey, former chief financial officer at **DeLorean** and also a longtime financial staffer at General Motors. "General Motors always builds to dealer orders, not just to build up inventory . **John** violated one of the cardinal rules he learned at GM. It's the same thing that got Chrysler in trouble."

**DeLorean** was operating on borrowed money, and his most crucial loan was a \$33 million credit line from the Bank of America. Under his agreement with the bank, whenever **DeLorean** 's factory built a car, his U.S. sales organization would borrow money from the bank to pay the factory for the car. That gave the factory enough money to keep operating until the cars were sold in the United States. After the cars were sold to dealers here, **DeLorean** 's U.S. organization would repay the bank.

THAT WORKED until a flood of cars not on order arrived in January, Brown said. **DeLorean** 's U.S. operation couldn't repay the bank, which, in turn, refused to lend more money to keep the factory going . The factory was declared insolvent by the British government in February and placed in receivership.

(Bernard Minsky, **DeLorean** 's attorney in Los Angeles, could not be reached for comment Thursday night.)

During the next eight months, **DeLorean** scrambled to find the cash to regain control of his factory. He continually promised to come up with the money, but the British government announced Tuesday that the plant would be closed. Hours later, **DeLorean** was arrested in Los Angeles, and his dream of showing Detroit how to build an innovative car had died.

"What happened to the company is tragic in a sense, because it was so terribly unnecessary," said Brown. "There was no reason it had to fail."

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