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GPB Capital seeks fresh start for Prime

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GPB of New York last week appointed Kevin Westfall, co-founder of online used-vehicle retailer Vroom and a former AutoNation Inc. executive, as interim CEO of Prime Automotive after Rosenberg "was relieved of his duties," Westfall said. Rosenberg also was removed as CEO of Prime Motor Group, part of the Prime Automotive umbrella.

In July, Rosenberg in Massachusetts' Norfolk County Superior Court sued GPB, which is embroiled in regulatory investigations and lawsuits by investors. He alleged GPB failed to make a July 1 payment of \$5.9 million to him in "an act of retaliation" against his efforts to address fraudulent activity at the firm. Rosenberg's lawsuit claims he exercised his put option to sell his \$23.6 million stake in the company.

His lawsuit includes allegations of impropriety such as questionable transactions involving principals and falsely inflating revenues. Rosenberg also provided information to the U.S. Securities and Exchange Commission, which has inquired about the company, according to the lawsuit.

Rosenberg's lawyer, Jack Pirozzolo of Sidley Austin in Boston, said last week's move by GPB represents more retaliatory action against Rosenberg.

"Company leadership not only ignored Mr. Rosenberg's initial call for corrective steps within GPB's legacy auto dealership operations, they attempted to silence him and other members of the Prime Automotive Group team when misconduct was discovered," Pirozzolo said in a statement. "Now they have wrongfully terminated Mr. Rosenberg for acting responsibly and ethically and in the best interests of the dealerships and GPB investors, and for asserting his

rights to certain payments that GPB was contractually obligated to make to him by July 1 — but which Mr. Rosenberg has not received to date."

GPB spokeswoman Nancy Sterling said Rosenberg was not let go because of his lawsuit. GPB Capital lawyer Tab Rosenfeld, in a statement, denied there was any retaliation against Rosenberg and rejected "the false narrative that his attorney is trying to portray through the media. The parties are involved in litigation and the matter will get resolved as it should through the system. We have proper grounds for his termination and all that will become apparent over the course of time."

Sterling declined to comment on whether Rosenberg still owns a stake in Prime Automotive.

Rosenberg was "relieved of his duties," GPB said.

GPB 'surprised'

In a July 26 letter to GPB investors obtained by *Automotive News*, the company addressed the lawsuit by Rosenberg, saying it was "surprised" by the action and believed it was not in breach of contract. The letter said despite the lawsuit, Rosenberg then remained CEO of GPB's automotive strategy and daily management of dealerships.

In the letter, GPB said while it denied the allegations, it had hired a law firm to "independently investigate these accusations."

"GPB will defend against this litigation brought by Mr. Rosenberg and is taking every action necessary to protect our investors, our companies and our relationships with key stakeholders," according to the letter.

Rosenfeld told *Automotive News* that GPB has filed a motion to strike "inflammatory" allegations made in Rosenberg's lawsuit that have nothing to do with Rosenberg's breach of contract claim.

GPB is the majority owner of Prime Automotive Group and began investing in dealerships in 2013. Prime Automotive formed in October 2017 through the combination of Rosenberg's Prime Motor Group in New England and GPB Capital's Capstone Automotive Group. Prime ranks No. 11 on *Automotive News*' list of the top 150 dealership groups based in the U.S., retailing 45,665 new vehicles last year.

GPB has confirmed that the FBI and a New York City agency searched its offices in February and that it faces inquiries by the SEC, which it said center on potential violations of securities law. Massachusetts also is investigating broker-dealers who worked with the company.

Since 2013, GPB has raised hundreds of millions of dollars from thousands of investors but has halted distributions. It has not been audited since 2016.

Sterling last week said the audits are scheduled to be completed by year end. She said she could not comment on the pending lawsuits and investigations.

Experienced successor

Westfall, 63, was chosen to lead Prime Automotive because of his auto industry knowledge and leadership and management experience, Jovan Sijan, senior managing director for GPB Capital, said in a statement. Sterling said discussions are underway with automakers regarding Westfall assuming Rosenberg's dealer principal duties for the stores.

Westfall will remain chairman of GPB Capital's automotive strategy. He joined the board for GPB's automotive strategy group in May and quickly replaced GPB founder and CEO David Gentile as chairman. The firm will conduct a search for a permanent CEO for Prime Automotive, Westfall said.

Westfall has more than four decades of auto industry experience. He spent 16 years at AutoNation, including seven years as senior vice president of sales for the auto retail giant. Before that, Westfall founded and was president of BMW's captive finance arm, BMW Financial Services, helping grow the company to \$7.2 billion in assets from \$700 million over seven years. He also managed Chrysler Financial's retail lease portfolio and founded World Automotive Sales and Leasing.

Westfall said he wants to create great customer service across all areas of the dealerships and is looking at synergies to "drive some cost out of" the portfolio of stores. Prime Automotive is expected to generate about \$3.2 billion in revenue this year.

Westfall said the group has "fantastic stores," but there are a few that GPB plans to sell. He said it's too early to speculate on the ultimate size of Prime Automotive's portfolio.

Why jump into a company facing regulatory issues and lawsuits? Westfall said at times companies face issues and he thinks he can help Prime Automotive grow.

He told *Automotive News*, "I just hope [with] my 40 years of automotive experience, I can help drive the company to be even more successful."

Inline Play

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