

**Written Testimony of Harry Wilson, Former Senior Advisor to the Secretary of the
Treasury
Before the House Subcommittee on TARP, Financial Services and Bailouts of Public and
Private Programs**

July 10, 2012

Chairman McHenry, Ranking Member Quigley and members of the Subcommittee, thank you for the opportunity to testify before you today. I am here to report, at your request, on the government's efforts in 2009 to avoid a catastrophic collapse of the U.S. automotive industry and specifically regarding its investments in General Motors ("GM").

My testimony today is in my capacity as a former Treasury official. I no longer work at Treasury and therefore no longer participate in the oversight of Treasury's automotive investments. Thus, I am not in a position to discuss events since early August 2009 or anything concerning possible future actions.

Background

Let me provide some of my professional background for context. I have spent the vast majority of my career in the private sector, working at some of the best financial firms in the country, with a primary focus on fixing troubled businesses. My interest in such work began early in my career, when I witnessed the catastrophic implications of bad management decisions or strategic missteps on everyday working people. I also saw this in my own life, when my immigrant mother was laid off from her job as a sewing machine operator, causing significant challenges for our working class family. As a result of these experiences, much of my life's work has been dedicated toward fixing problem companies before even greater misfortunes befall their employees and their key stakeholders.

As we entered late 2008 and our nation's financial crisis deepened, I became increasingly concerned about the ability of our nation's government to deal with an unprecedented financial crisis. In particular, as the Bush Administration initiated the first TARP investments, I felt that it was critical that the people making these investments bring deep, private sector restructuring experience to bear in order to minimize losses to U.S. taxpayers.

I wanted to serve my country in this time of great need and, though I am a lifelong Republican, I reached out in early 2009 to offer my services to the Administration and officially joined the team in early March 2009. My role was primarily focused on General Motors and the underlying business diligence for our team's collective efforts. After General Motors completed its bankruptcy process, I wrapped up my work and left the Treasury Department in early August 2009.

Since then, I have sought to continue working to fix underperforming institutions, including those in the public sector. For example, in 2010, I was the Republican, Conservative and

Independence Party nominee for New York State Comptroller and nearly unseated the Democratic incumbent. I ran on a platform of seeking to fix New York State's broken and profligate government. Though I lost, I ultimately ran over 500,000 votes ahead of the top of the top of the ticket and wound up with arguably the best showing for a Republican statewide challenger in New York since George Pataki in 1994.

Shortly after that, I founded my firm, The MAEVA Group, LLC, which is focused on fixing problem companies. I also now serve on a number of corporate boards, including Yahoo!, Visteon, Inc., and YRC Worldwide.

Auto Rescue

I will turn my attention now to the auto rescue. In late 2008 and early 2009, GM and Chrysler were on the verge of collapse. Years of mismanagement had led them to this point. Unfortunately, their near-failure coincided with an unprecedented shutdown in the capital markets, obliterating any possibility of private financing.

This combination of a lack of financing options and the substantial interdependency of the American automotive industry meant the following:

- Absent tens of billions of dollars in financing (available at that time only from the federal government), GM and Chrysler would liquidate;
- Their liquidation would have meant the failure of many of their suppliers, who were dependent, in large part, upon GM and Chrysler business;
- The widespread failure of the supplier base would have threatened Ford and would have risked Ford's liquidation in a matter of months. That is why, even though the federal government worked to rescue two of its biggest competitors, Ford never opposed our work – their leadership understood the risks to their own business of inaction.

Thus, the entire American automotive industry would have been at risk due to the intersection of chronic mismanagement and the worst financial crisis since the Great Depression. It is only because of this unique confluence of events – this once-in-a-lifetime storm -- that I, a staunch fiscal conservative, reluctantly came to accept that the only alternative – the “least bad” option – was emergency financial support, the path initiated by the Bush Administration.

Having swallowed that bitter but necessary pill, the key question became: how to structure the TARP investments in a way that minimized the potential cost to the taxpayer. I was heartened by the Administration's decision that it would act in a commercial manner, as I believed that was the only prospect for a successful rescue. And while I feared the moral hazard risks of any rescue attempt, for the key reasons I mentioned, I was convinced that our efforts were the least bad option.

The results of that work speak for themselves: General Motors had its most profitable year ever in 2011, even though auto sales have still not fully recovered to pre-crisis levels. GM has grown market share for the first time in many years and now has a fortress balance sheet – all a result of the work done in 2009. As a result of this work, the auto industry has proceeded to grow again --

adding over 230,000 jobs through May 2012, the fastest pace of job growth in the auto industry since 1997. Contrast this track record with the many forecasts that estimated the loss of over one million jobs had the restructurings not taken place.

Tragically, the human costs of these massive restructurings were significant, and that is the sad part of any restructuring. But, absent the auto team's work, the human costs, and the costs to the American taxpayer, would have been far, far greater. That is the trade-off that must be made in every restructuring. While Treasury was closely involved in pressing GM management for the major changes needed to make the Company profitable, we were very careful to never get involved in specific decisions on plant closures, dealer closures or the like. We would agree with GM on the broad strokes – creating a world-class auto business and the key components of that - - and they would make the detailed decisions that needed to be made to implement those broad strokes.

The sad story of Delphi falls into this same bucket. At the time that Delphi came to the auto team's attention, Delphi was bleeding cash at the rate of approximately \$150 million per month. Because Delphi was the sole supplier for certain critical GM parts, GM was supporting Delphi in order to keep it from liquidating and thus shutting down GM's operations. This was an unsustainable proposition, both for GM and, more importantly, for the American taxpayer. As part of a broad plan of reorganization to resolve Delphi's four-plus year old bankruptcy, General Motors management agreed to a series of measures, including providing necessary capital for Delphi to restructure and to honor the "top-up" agreements GM had made in 1999. Tragically, in order to effectuate this plan, pensions that were not governed by these contractual agreements, including pensions for salaried employees or other unionized employees, were not accorded additional consideration.

Consistent with the rest of our work, Treasury provided general input but not specific decisions in these matters. As the GAO found in its December 2011 report on the Delphi pension matter that "with regard to GM's decisions regarding the assumption of Delphi's plans and top-up agreements, Treasury played an advisory role only, according to GM and Treasury officials. Similarly, according to PBGC officials, PBGC independently decided to terminate the Delphi plans. The documents we reviewed, including GM and Delphi SEC filings and PBGC internal records, are consistent with these statements."

Closing

The restructuring world is a difficult one. In virtually all restructuring cases, professionals are faced with a series of painful options, brought about typically by years of mismanagement. Once a company enters or approaches a restructuring, the choices to be made center around how to minimize the human and financial cost in the short-term while maximizing the probability of the Company's success, for itself and its remaining stakeholders, in the long-term. That was the position in which GM and Delphi management found themselves in early 2009. The human costs of their rescues were deep, significant and tragic, and those who have suffered losses of one kind or another have my deepest sympathies. But those costs, as great as they were, pale in comparison to the costs of inaction, which was the only choice left at that time. As a fiscal conservative, I wish our work had not been necessary. As an American citizen, I wish that more

companies operated with better management – which is a key focus of my professional work – so that these tragic situations would not happen as frequently as they do. Amid the worst financial crisis in the past 75 years, however, the actions of the Bush and Obama Administrations avoided devastating liquidations and provided the American auto industry a second chance – one that was necessary and that has been well utilized since that time.

Thank you again for the opportunity to testify. I look forward to your questions.

BIOGRAPHY

Harry Wilson, the Chairman and CEO of MAEVA Group, LLC, is a nationally-recognized expert in leading complicated businesses through corporate transitions, in corporate restructurings and in turnarounds.

Mr. Wilson spent his early career as an investor at some of the nation's top financial firms, working primarily to invest in and work to improve companies. Mr. Wilson spent most of his career at The Blackstone Group, the world's largest private equity firm, and credit investment fund Silver Point Capital, where he was a partner. Earlier in his career, Mr. Wilson worked at the private equity firm Clayton, Dubilier & Rice and in the investment banking division of Goldman, Sachs & Co. Through these roles, Mr. Wilson led complicated transactions, as an investor or board member, across a broad range of industries and geographies, working closely with senior management. These transactions typically involved operational or financial restructurings; significant acquisitions or asset sales; and strategic transitions at the company.

In 2009, Mr. Wilson served as a Senior Advisor in the United States Department of the Treasury. He worked as one of the four leaders of the Auto Task Force, responsible for the Treasury's role in the restructuring of General Motors and Chrysler. Mr. Wilson led a team that was responsible for the business and financial work of the Task Force and also led a team overseeing the financial and operational restructuring of General Motors, the largest in American history.

In 2010, Mr. Wilson was the Republican nominee for New York State Comptroller (effectively the chief financial officer of the state), running on a platform to fix New York's finances. In his first political campaign, Mr. Wilson's honest, data-driven approach won him bipartisan accolades, secured the support of nearly every editorial board in the state (an unprecedented feat for a challenger), and attracted over 2.1 million votes in a narrow loss to the incumbent, delivering arguably the best Republican statewide challenger showing in New York since 1994.

Currently, Mr. Wilson is the Chairman, CEO and founder of MAEVA Group, LLC, a boutique founded in 2011 and focused on investing in or leading corporate turnarounds, restructurings and strategic transitions. MAEVA recently completed the largest out-of-court restructuring in recent years, of the nation's largest trucking firm, YRC Worldwide, and is currently involved in an array of other transactions. MAEVA's particular niche is developing and leading operational and financial change that can significantly transform a business and leave it much better positioned to compete and thrive in the future.

Mr. Wilson currently holds a Presidential Appointment to the Advisory Committee of the Pension Benefit Guaranty Corporation (PBGC), the federal agency responsible for insuring the pension benefits of private sector employees. He recently completed an appointment to the bipartisan Pension Advisory Group for the State of Rhode Island (which passed the most sweeping pension reform in the country as a result of this work) and serves on the following boards of directors: Yahoo!, Visteon Corporation, YRC Worldwide and Youth, INC, a venture philanthropy nonprofit focused on troubled New York City youth. He is an occasional guest on CNBC, Bloomberg (both of which he occasionally guest hosts) and Fox.

Mr. Wilson has an A.B. in government, with honors, from Harvard College and an MBA from Harvard Business School. He and his wife of 15 years, Eva Romas Wilson, have four daughters and reside in Westchester County, NY.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

NONE

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

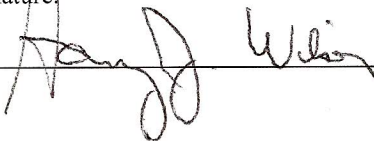
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3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

NONE

I certify that the above information is true and correct.

Signature:



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