

Following are select pages from a deposition conducted January 27, 2009 in the lawsuit I filed against GM and GMAC in 2007. There are two segments in the following: pages 1017 to 1025, and 1172 to 1173. Other subjects were discussed in the interim pages. In questioning me, GM outside Attorney Greg Oxford showed great interest in the amount of my damage claim (which neither my attorney nor I had ever mentioned) relating to the IRS audits, as well as in obtaining my audit documentation. Also quoted in the deposition is my attorney, Mike Flanagan.

1 A. No.

2 Q. I don't think I asked you this before, but
3 while we were talking about damage allegations, are
4 you claiming monetary damages as a result of the
5 IRS audit?

6 A. We haven't gotten to that point, but I was
7 damaged.

8 Q. And what were your damages?

9 A. Excuse me, I'd like to back up on that
10 Enclave thing. We mentioned Enclaves, but Enclaves
11 hadn't started being built. So the allocation
12 thing wasn't in there yet. Enclave was in the
13 Complaint, but the allocation we hadn't gotten to
14 that point in time yet during the Complaint, so I
15 need to correct that.

16 Back to the IRS monetary damages. I feel
17 it's my strong opinion that General Motors
18 instigated that audit.

19 Q. We covered your reasons for believing that
20 earlier.

21 You don't have anything to add to your
22 testimony as to what your reasons for believing
23 that are, do you?

24 A. Well, I think we went through the sequence
25 of events that caused me to believe that.

1 Q. Okay.

2 A. So --

3 Q. What I'm asking you now is a different
4 question, and that is how were you damaged by the
5 IRS audit?

6 A. Because I feel that they made a biased
7 decision on this. And I don't know if we got to
8 the point where I was audited in 2008 -- excuse me,
9 in 2008 for the 2005 tax return. I don't know if
10 we discussed that in there. In 2008 they came in
11 and audited me again for the 2005. They didn't do
12 an audit per se but the same auditor came in and
13 looked again. He wanted to confirm -- because I
14 took a bad debt deduction based on his advice or
15 his statement to me in 2005 that it was a bad debt
16 and could be taken either in the year that it
17 occurred or the year of the triggering event which
18 clearly the audit was the triggering event. So
19 that's when we first became aware that it was a bad
20 debt. So I took the bad debt deduction in 2005
21 based on his statement.

22 And then in 2008 he asked again. He said
23 he wanted to look at documents or he wanted to see
24 proof that the money that I had loaned to my old
25 corporation was, in fact, a loan or were loans

1 rather than capital stock. So I gathered together
2 several promissory notes, checks I had written to
3 the corporation, interest payments I had received
4 from the corporation, 1099s and various things. He
5 came in and I presented those to him, and he agreed
6 that it was truly a loan and not a capital stock.
7 Then he went on to disallow it based on his boss'
8 overriding of his decision to allow it. So --

9 Q. We did discuss --

10 MR. FLANAGAN: Were you finished?

11 THE DEPONENT: Well, so anyway, I had to
12 pay. I had to reverse that bad debt deduction,
13 which I thought was a very incorrect decision but
14 didn't want to fight it because I had too much
15 stuff going on. I think it was truly unfair. I
16 believe still that General Motors is lurking in the
17 background on that whether it was before or
18 continuing. So that was close to \$100,000, and I
19 believe that that was generated by General Motors.

20 Q. BY MR. OXFORD: We did discuss this
21 briefly last time.

22 A. Did he get to the 2008 part also?

23 Q. Yes.

24 As I understand your testimony you did not
25 challenge the findings in the 2005 audit that the

1 deduction by Don Signer Buick-Cadillac, Inc. of the
2 consulting fees for the 2003 and 2004 year were
3 improper?

4 A. Correct.

5 Q. Okay.

6 A. Because of the bad debt deduction
7 provision.

8 Q. Let me go on. And you concluded, based on
9 something that the auditing IRS agent said, that
10 you could deduct those same amounts within the old
11 corporation of Don Signer Buick, Inc., right?

12 A. Well, I could deduct personally what the
13 old corporation owed me.

14 Q. Right.

15 A. So it was not only the amount.

16 Q. I misstated. You could deduct personally
17 as a bad debt the fact that the corporation hadn't
18 paid you the money that had been paid to it by the
19 new corporation as consulting fees?

20 A. Right. So in 2005 I took a bad debt
21 deduction for the reversed part because the
22 deduction that the new corporation took for that
23 was disallowed so we refiled those taxes. We did
24 amendments for 2003 and 2004 and the old -- at the
25 same time the old company paid back the new company

1 the consulting fees. So that made the old company
2 unable to pay me that much of the bad debt it owed
3 me plus there was remaining bad debt that hadn't
4 been addressed with consulting fees yet. So I
5 wrote off the entire balance that the old company
6 owed me which was somewhere in the range -- and I'm
7 throwing out numbers here -- 300 to \$350,000,
8 somewhere in that range. Whatever the record is is
9 what it is.

10 Q. So just to encapsulate this, it was not
11 only the portion of the bad debt that the old corp
12 repaid the new corp, which was the amount of the
13 new corp's deduction that was disallowed, but the
14 remaining balance of the note that you had from
15 the -- or the debt that you had from the old
16 company?

17 A. Right.

18 Q. The total amount being three to \$350,000
19 ballpark?

20 A. Yeah. To give some better illustration,
21 the amount that was refunded from the old company
22 to the new company of consulting fees was somewhere
23 in the range of \$130,000 for two years plus or
24 minus whatever it was. Had this not been refunded
25 there would have been a balance left of debt owed

1 to me by the old corporation of somewhere in the
2 range, and this is a rough, but somewhere in the
3 range of \$200,000.

4 Q. So the total amount of bad debt that you
5 deducted was the 130 plus the 200?

6 A. Right.

7 Q. For a total of roughly speaking 300 to
8 350?

9 A. Right. Somewhere in that range. Whatever
10 it is is what it is. Those are my recollections.

11 Q. Okay.

12 A. So consequently when the ruling in 2008
13 came for the 2005 where everything was disallowed,
14 I had to pay -- I had to reverse that bad debt
15 deduction which amounted to somewhere around close
16 to \$100,000 with interest on the money.

17 The IRS agent was quite baffled by his
18 boss because he returned it to his boss and his
19 boss says "No, take another look at it." So it
20 just appeared that the boss was in on whatever it
21 was with General Motors. I think there is quite a
22 close relationship between General Motors and the
23 IRS, and the regional guy that did this was not in
24 on it is what it appeared.

25 Q. Did the local guy explain to you what his

1 boss' rationale was for asking to take another look
2 at it?

3 A. In the final report that he issued it was
4 in there, which it was -- he shifted away from --
5 as I understood it, he shifted away from the fact
6 that it was a debt or not. He understood it was a
7 debt and shifted over to where it was a thinly
8 capitalized corporation.

9 Q. Okay.

10 A. And, again, he dis -- I shouldn't say he
11 disagreed. He was noncommittal, but you could tell
12 he was shocked and he wasn't happy with the
13 decision he had to present to me.

14 Q. All right. Based on what you just told me
15 what is the amount of the loss approximately that
16 you're claiming as damages in this case from
17 General Motors, if any, as a result of the IRS
18 audits?

19 A. Well, the bad debt deduction is gone so
20 it's the amount of roughly \$100,000, and
21 furthermore, that whole thing would have been -- it
22 wouldn't have even been a factor had I not been
23 forced to go with General Motors -- excuse me,
24 Motors Holding. I wanted to use my old
25 corporation, and I would have had that loss carried

1 forward. I would have taken it forward. The
2 problem was created because I had to go with Motors
3 Holding because I would lose my Cadillac franchise
4 if I didn't go with GM's program.

5 Q. You had to use the Motors Holding
6 corporation because Motors Holding wasn't going to
7 give you any money if you used your existing
8 corporation, right?

9 A. That's right.

10 Q. Because it didn't want the liabilities?

11 A. In other words, the whole thing was
12 generated by General Motors. I went this way
13 because I had to and not my way at the Fremont Auto
14 Mall without Motors Holding.

15 Q. You understand that you had a legal right,
16 did you not, to challenge the result of the 2008
17 audit?

18 MR. FLANAGAN: Objection. Calls for a
19 legal conclusion.

20 THE DEPONENT: Well --

21 MR. FLANAGAN: Lacks foundation that he
22 has that expertise.

23 THE DEPONENT: Again, I had so much going
24 on with this and business the way it is and
25 everything, I chose not to pursue it. There may

1 have been, but I chose not to pursue it.

2 Q. BY MR. OXFORD: Okay. So the damages that
3 you are claiming from General Motors are the
4 function of taxes that the government said you owed
5 and you agreed to pay?

6 MR. FLANAGAN: Excuse me. As to the
7 audit, the IRS audit?

8 MR. OXFORD: Yes.

9 THE DEPONENT: Well, that wouldn't -- I
10 believe that had it not been for General Motors I
11 would not have had to pay that.

12 Q. BY MR. OXFORD: But, again, the answer to
13 my question is the damages you are claiming consist
14 of taxes that the IRS claimed you owed and that you
15 agreed to pay; isn't that right?

16 A. Well, I agreed to pay for the reasons I
17 explained.

18 MR. OXFORD: Let me have marked as the
19 next in order 226 a document which I think includes
20 at least a part of it.

21 THE DEPONENT: Can I get some water?

22 MR. FLANAGAN: Yeah.

23 (Defendants' Exhibit Number
24 226 was marked.)

25 Q. BY MR. OXFORD: Mr. Signer, I had the

1 A. All the things that I've -- all the
2 damages I've suffered.

3 Q. And what are all the damages you've
4 suffered?

5 A. The things we went over earlier.

6 Q. Okay. Can't think of anything else other
7 than what we've gone over, huh?

8 A. Well, we've gone over a lot.

9 MR. OXFORD: Let's go off the record.

10 (Discussion held off the record.)

11 (Recess taken.)

12 Q. BY MR. OXFORD: You made reference to an
13 audit in 2008 of your 2005 return; is that right?

14 A. I believe it was 2005, yes.

15 Q. Do you have a copy of the agent's report
16 or any other documents that relate to that audit?

17 A. I'm sure I do.

18 MR. OXFORD: Okay. Mr. Flanagan, if you
19 would like, I'll send you a formal document
20 request. Since that series of events the witness
21 has testified is a portion of a damage claim
22 against General Motors, I would like to ask that
23 those documents be produced.

24 MR. FLANAGAN: Let me consider that. I'll
25 consult with my client and I will get back to you

1 about it. Specify on the record what document you
2 are asking for.

3 MR. OXFORD: I certainly want any
4 communications between the IRS and Mr. Signer
5 either way. That would include the agent's report
6 which I think was produced with respect to the
7 audit of the 2003 and 2004 returns. I don't
8 anticipate asking for the actual tax returns.

9 MR. FLANAGAN: You're looking for
10 correspondence basically is what you're saying?

11 MR. OXFORD: Documents that reflect
12 communications either written or oral between
13 Mr. Signer and the IRS with respect to that audit.

14 MR. FLANAGAN: All right. I'll get back
15 to you.

16 MR. OXFORD: Okay. I don't have any
17 further questions with a caveat that I think I
18 expressed to your counsel earlier that if you're
19 going to be a witness on damages that I'm going to
20 want the opportunity to examine the witness further
21 with respect to that issue since he's obviously not
22 prepared on that issue today. Maybe that will be
23 moot because of what we discussed and it looks like
24 there will be an outside damage expert that will be
25 retained.