

FOR MANY, GM'S FATE IS CLEAR

Board to Decide Firm's Fate this Week

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After failing to convince bondholders to restructure General Motors Corp.'s debt, the automaker's board of directors is to meet at the end of the week to decide the company's fate.

The decision, to many, already seems clear: bankruptcy.

"It's all but inevitable," said Anthony Sabino, a bankruptcy expert at St. John's University in New York. "Unless a majority of these parties suddenly ... pull themselves back from the edge of an incredible abyss ... there will be a bankruptcy filing."

While GM and the U.S. Treasury continue to talk with bondholders, insiders are waving off hope that a deal could be reached by Monday -- the deadline set by President Barack Obama to have GM restructured out of court.

"I am not aware of any plan to try to do that," said Julie Gibson, a GM spokeswoman.

GM Chief Executive Officer Fritz Henderson previously warned that if the exchange didn't work: "We would fall into bankruptcy."

Effort to save GM to go to wire

While General Motors Corp.'s efforts to restructure bondholder debt failed, the White House said Wednesday it planned to work until the Monday deadline in hopes of getting an agreement.

"I think that the team continues to work on trying to get all the stakeholders involved to move and make progress, and they're going to continue to do that up until that deadline," said White House spokesman Robert Gibbs.

Nevertheless, bankruptcy looks inevitable, experts said Wednesday.

The number of bondholders who accepted the GM debt exchange failed to meet the requirements set by the U.S. Treasury, the company said.

While the company declined to give an exact accounting, it said the results were "substantially less" than the amount required by the terms of the federal loans keeping GM afloat and the company's viability plan.

When the company launched the debt exchange in late April, GM Chief Executive Officer Fritz Henderson said failure would mean bankruptcy.

"If the tender doesn't work, we would fall into bankruptcy," Henderson said.

Failure expected by many

Many experts had predicted a failure.

GM was asking unsecured bondholders -- who are owed \$27 billion -- to instead take a 10% ownership stake in the reconstituted company.

FOR MANY, GM'S FATE IS CLEAR (CONTINUED)

The UAW has tentatively agreed to a deal to get as much as 20% of the new GM for its retiree health care. The U.S. Treasury is expected to get at least 50%, possibly more.

"I fully expected it to fail," said John Milne, a small GM bondholder who figures he will lose about \$15,000. "It was a very bad deal for bondholders, and it was a waste of time, money and effort."

Kip Penniman, an analyst with KDP Investment Advisors, said in a note that GM was headed toward bankruptcy with or without bondholders participating in the exchange.

"Unfortunately, bondholders have been set up to take the blame for GM's descent into bankruptcy despite the fact that the automaker has been hamstrung for years by unsustainable legacy liabilities, uncompetitive labor contracts, excessive domestic manufacturing capacity, a bloated dealer network, product pitfalls and a suppressive bureaucratic management structure," Penniman wrote.

The deadline for bondholders to accept the exchange came late Tuesday night -- the same day details of changes to the UAW labor agreement emerged.

Several UAW locals are slated to vote on the changes today.

The likely filing

It is believed that a GM bankruptcy filing would occur around Monday -- the deadline set by President Barack Obama for GM to restructure outside of bankruptcy. That also is the deadline for \$1 billion in GM notes to mature.

Heading toward that date, bankruptcy experts said GM and the Treasury are most likely in talks with major bondholders in hopes of getting an agreement for restructuring in bankruptcy in order to ensure a quick and smooth process.

"My guess is that they're in talks about what they'll do as part of a Chapter 11 plan," said Craig Litherland, a Washington, D.C., corporate bankruptcy lawyer with Gilbert Oshinsky.

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