



GM seeks court approval to become "New" company

By BREE FOWLER
NEW YORK

General Motors Corp., hoping for a quick exit from Chapter 11, on Tuesday will ask a bankruptcy judge to approve its plan to refashion itself as a leaner automaker owned mostly by the government.

The nation's largest automaker still faces hundreds of objections from bondholders, state officials, unions and individual retirees and shareholders, but could enjoy an easier trip through the bankruptcy process thanks to the legal trail blazed just weeks ago by rival Chrysler LLC.

Last month, objections from a group of bondholders and others dragged out for three days Chrysler's hearing on its plan to sell the bulk of itself to a group led by Italy's Fiat Group SpA.

After the Chrysler sale was approved by U.S. Judge Arthur Gonzalez, the bondholders and other objectors appealed it all the way up to the Supreme Court. Despite their efforts, the plan ultimately went through and the automaker emerged from bankruptcy protection shortly thereafter.

Jack Williams, an Atlanta-based managing director at BDO Consulting and a professor of Georgia State University, said that despite the much larger size of GM's case, he expects it to go much quicker than Chrysler's did.

"In the south there's an old saying: The pioneers get all the arrows," Williams said. "Chrysler was the test case for General Motors. GM's got momentum, government financing and lots of people that would like to see this happen."

Under the government-backed deal, GM will sell most of its assets to a newly created company, 60 percent owned by the U.S. government. The Canadian government will get a 12.5 percent stake while the United Auto Workers union will take a 17.5 percent share to fund its health care obligations. Unsecured bondholders receive the remaining 10 percent.

Existing GM shareholders are expected to be wiped out.

The remaining pieces of the company, including some closed plants, will become the "Old GM" and be liquidated.

Williams said it's unclear how long GM's sale hearing could last, but it will undoubtedly go more smoothly than Chrysler's did.

"I think the length is less important than the tone of the participants," he said. "Whether they think it's a good deal, or a great deal, or not, most people have bought into the result."

Major roadblocks that could still slow GM's plan for a quick sale are bondholders who claim they deserve more in exchange from their investments and state officials worried about the economic effects of the restructuring.

In addition, the IUE-CWA, United Steel Workers and the International Union of Operating Engineers are objecting to the sale, claiming that their retirees stand to lose health care benefits if it goes through. Unlike the UAW which brokered a deal for its stake in the company, the trio of other unions say they won't have anything to pay for retiree health care.

The IUE-CWA plans to send busloads of its retirees from Ohio to picket Tuesday's hearing.

Attorneys for the objectors will have a chance to question GM CEO Fritz Henderson and Harry Wilson, the member of President Barack Obama's auto task force that led GM's restructuring. Both are expected to testify during the sale hearing.

Jeff Manning, a managing director with New York-based Trenwith Securities LLP, said he expects to see less resistance from GM bondholders, noting that most of them consented to the deal instead of being forced into it like many of the debtholders in Chrysler's case.

"I suspect the GM bondholders were generally more accommodating," Manning said.

GM late last week also agreed to take on responsibility for future legal claims related to vehicles made by the old company. That means that consumers who claim they were injured by a defective GM vehicle made before the sale will be able to sue the new company for damages.

But the concession only applies to consumers hurt in incidents that happen after the sale goes through. If a person already has a pending claim against the automaker, or hasn't filed suit yet for a past incident, they still will have to seek damages against the old company which is unlikely to have much left to pay claims.

Under GM's prior plan, the new company would have shed all of the past and future claims related to vehicles made by the old company, which is also what happened in the case of Chrysler, despite protests from consumer groups.

A handful of people who claim to have been injured by defective GM vehicles plan to attend Tuesday's hearing.