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## What now for GM bondholders

Stakeholders focused on getting company reorganized quickly

By Deborah Levine,  
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NEW YORK (MarketWatch) -- Holders of bonds issued by General Motors have little to do in the immediate aftermath of the automaker's once-unimaginable bankruptcy filing, but many are braced for a bumpy ride through the reorganization process.

General Motors, once the world's biggest car maker and for decades a linchpin of the U.S. economy filed for bankruptcy Monday, felled by a vicious combination of management complacency, production missteps, fierce competition and rising oil prices.

The filing comes after a lengthy standoff between the President Barack Obama's administration, GM, the United Auto Workers and the company's creditors. Those stakeholders wrangled for weeks over a variety of proposals that might have kept the corporate icon out of bankruptcy but in the end were unable to agree terms.

The focus turns now to how to get the company through the bankruptcy court as quickly as possible.

**Now that the long-awaited bankruptcy has happened, the trustee for the bonds will contact each holder, possibly in the next couple of weeks, said Charles Moore, senior managing director Conway MacKenzie, a turnaround and restructuring advisory firm.**

**Bondholders are likely to be asked if they approve of the latest deal to restructure the company and sell its good assets to the government. Chrysler's bankruptcy, while different in some key ways, has progressed quite a bit since the company filed.**

**"If GM follows the same path, a 45- to 60-day window to get through a sale is reasonable," Moore said.**

The bankruptcy court determines who the creditors are, including bondholders. It then informs them what they will be receiving in a bankruptcy, said Rob Williams, director of income planning at Schwab.

"Generally speaking, all creditors in a bankruptcy are given instructions what to do," he said. "Usually it's a wait and see situation and you are put in a line."

General Motors is unlikely to have a run-of-the-mill bankruptcy proceeding. The role of the government is a wildcard that has upended traditional bankruptcy procedure in which there is a clearly defined hierarchy among creditors and others with claims on the company's assets. Instead, speed and expediency are likely to be at a premium, with creditor seniority relegated to a secondary role, analysts said.

"Based on what we saw from Chrysler, we have no idea what the bonds are worth, seniority being thrown out the window," said Michael Kalscheur, a financial consultant at Castle Wealth Advisors in Indianapolis, Indiana. "The political and economic pressure is going to be there to get it done quickly."

GM /quotes/comstock/13\*!gm/quotes/nls/gm (GM 0.75, -0.37, -33.04%) has thousands of creditors, including the labor unions, the U.S. Treasury and institutional bondholders like mutual funds and pension funds.

It also has around 100,000 individual bondholders, holding about 20% of the company's \$27 billion in outstanding debt, according to 60 Plus, a senior advocacy group that is lobbying lawmakers for individuals who hold GM bonds. See full story.

The committee representing institutional bondholders has proposed a plan for bondholders to swap debt for 10% equity in the newly formed company, with warrants for up to another 15% stake as the company grows. Legal counsel for that committee, Weiss Rifkind Wharton & Garrison, asked investors to contact them so they would have a better sense what percent of debt holders supported the plan. See more on latest bond deal.

Also, because of the broad economic ramifications of the company's demise, most stakeholders are aiming for a relatively quick restructuring for some part of the company to emerge from bankruptcy and continue operating.

"Most bankruptcies take 12 to 18 months," Williams said. "Everyone has said they would like this to happen quickly and that's in the interest of creditors to not have to wait for some resolution."

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