

THE OAKLAND PRESS

GM stock dropped from exchange

Saturday, July 4, 2009

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Of The Oakland Press

General Motors Corp. has been dropped from the New York Stock Exchange, and Fitch Rating Service announced this week it is no longer keeping tabs on the company's finances since it has filed for bankruptcy.

Nevertheless, trading in GM shares is continuing on various small electronic exchanges, forcing GM to issue a stern warning recently to potential investors.

The old GM shares are basically worthless, GM officials said.

"GM management has noticed the continuing high trading volume in GM's common stock at prices in excess of \$1. GM management continues to remind investors of its strong belief that there will be no value for the common stockholders in the bankruptcy liquidation process, even under the most optimistic of scenarios," the statement said.

Stockholders of a company in Chapter 11 generally receive value only if all claims of the company's secured and unsecured creditors are fully satisfied.

In this case, GM management strongly believes all such claims will not be fully satisfied, leading to its conclusion that GM common stock will have no value, said GM spokeswoman Renee J. Rashid-Merem.

Speculators often buy up distressed shares, defaulted bonds and other nearly worthless financial assets with the hope of making a profit on them.

After it emerges from bankruptcy, the stock of the "new" GM, which will be free of old GM's liabilities, will be divided among the U.S. government, the voluntary employees benefit association or VEBA set up by the UAW, the Canadian government and secured creditors.

Ray Young, GM's chief financial officer, has said the new GM hopes to organize and initial public offering as soon as it's practical, perhaps in the second half of 2010.

Discussion of an IPO by the new GM also has led to speculation that GM could even take a different name. However, any discussion of a possible name change is a very low priority right now, GM chief executive Fritz Henderson said recently.

“There is a lot of interest from the future stakeholders of new GM to start the process of selling down the shares,” Young said last month.

“All agree that it’s important to make General Motors a publicly traded company. At the earliest, we would be talking about the first or second quarter of 2010 and after that it could take years to unwind the government and union positions.”

United Auto Workers President Ron Gettelfinger, who is concerned about the cash drain on the union’s health care trust or VEBA, has said he would like to see the shares sold as soon as possible.

However, the Canadian government has suggested it could take as long as eight years or until 2018 to sell off its new stake in GM.

After exiting bankruptcy, the new GM, which was dropped from the Dow Jones Industrial Average, could operate as a privately held company. The principal shareholders would get regular financial reports but information might not become public.

During its long decline, General Motors Corp.’s financial reports offered a window into the company’s unremitting financial deterioration by providing a look at its fraying balance, declining reserves and mounting debts. As a bankrupt company, GM will now have to provide a monthly financial update.

Young also said GM, which burned through \$40 billion in cash and lost \$100 billion in market value since 2005, intends to make significant changes to its balance sheet by writing off assets and revaluing others.

Rashid-Merem said GM had no intention of trying to hide its financial condition.

“We will provide an adequate level of detail. There is no intention of not being open,” she said. “It’s not our intention to be a secretive company.”

At this point, GM still hasn’t decided what level of disclosure is “appropriate,” according to Rashid-Merem.

However, GM is an exceptionally complex enterprise with 400 separate subsidiaries all over the world.

GM’s huge European operations, including its burgeoning business in Russia, will no longer be consolidated into its financial reports.

It also appears GM could withhold information on pension obligations, which are separate from the VEBA, even though they will remain with the new GM.

“The new GM’s major shareholder is the U.S. government, or essentially you and I, and I think the taxpayers and Congress should demand public filings of financial information just like GM did when they were a public company,” said Brad Coulter, a consultant with O’Keefe & Associates in Bloomfield.

Van Conway, another Detroit-area bankruptcy expert, said: “Maybe it’s good GM isn’t going to disclose financial information because with GM, the bad news never stops. They’ve got to figure out a way to get beyond it.”

Meanwhile, owners of GM’s once-prized old shares could wind up waiting years to see if the old stock has any value. The bankruptcy proceedings of the “old” GM are expected to take a minimum of two years.

In its court filing, GM has said it plans to leave certain assets including a substantial piece of real estate that could be sold off to satisfy outstanding claims.