

# Deal with bondholders won't save GM from bankruptcy, McTevia tells Detroit News

GM to show bond swap results

Robert Snell and David Shepardson / The Detroit News

General Motors Corp. is expected to announce results today of an offer to bondholders to swap debt for a 10 percent stake in the company -- a crucial piece of the automaker's bid to avoid filing bankruptcy.

The offer, which expired at 11:59 p.m. Tuesday, was widely viewed as unlikely to tempt 90 percent of GM's unsecured bondholders to exchange about \$24 billion in debt for a 10 percent piece of the restructured automaker.

President Barack Obama's auto task force, which is overseeing GM's restructuring and was in talks with bondholders Tuesday, expects the bond exchange offer will fail, two people familiar with the matter said. GM could file bankruptcy as early as Monday in New York.

GM, racing to secure money-saving deals with labor and bondholders before a June 1 restructuring deadline, likely will disclose the results of the exchange offer before the stock market opens today, company spokesman Tom Wilkinson said.

"We may not disclose details and just tell whether it was a pass or fail," Wilkinson said. "It will take a while to do a final tally and see where we are."

A person familiar with the matter said the Obama auto task force believes the current offer to bondholders is "full and fair" but declined to say if the task force would increase its offer.

The offer was expected to fail considering a committee representing some of GM's largest bondholders have called the offer unfair and countered with a proposal that would give them a 58 percent stake in the company.

Shareholders would get just 1 percent of the equity in GM.

Regardless of the results, GM needs to file Chapter 11 bankruptcy to become profitable company, said Jim McTevia, managing partner of Bingham Farms-based turnaround firm McTevia & Associates.

A bankruptcy filing would help GM restructure debt, shrink its dealer network, shed unprofitable assets

and dispose of machinery and equipment, he said.

"I don't think that a bondholder's agreement is the difference between GM filing under Chapter 11 or not," McTevia said. "Being able to get creditors under control and operating a company properly and profitably is apples and oranges."

Bondholders large and small called the offer unfair considering the United Auto Workers and U.S. Treasury Department could be awarded 89 percent of the equity in a restructured GM, which is surviving thanks to \$19.4 billion in federal aid.

A spokesman representing the bondholders committee declined comment Tuesday.