

GM Bondholders May Support Sweetened Offer

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DETROIT (AP) - General Motors Corp. said Thursday a committee of bondholders has agreed to a sweetened deal proposed by the U.S. government to erase the automaker's unsecured debt in exchange for company stock.

A person familiar with the deal said that it is probable GM will file for bankruptcy protection. The person asked not to be identified by name because discussions are still under way with the U.S. and Canadian governments and there is a small chance that the company could avoid a Chapter 11 filing.

The company said in a statement that it offered bondholders 10 percent of the stock in a newly formed GM, with warrants to buy up to 15 percent if the bondholders agree to support selling the company's assets to a new company under bankruptcy court protection.

The company made the disclosure in a filing with the U.S. Securities and Exchange Commission.

The filing says if the bondholders don't agree to support the sale, then the amount of stock and warrants they get would be substantially reduced or eliminated.

Under the proposal, which has a deadline of 5 p.m. Saturday, GM would at some point enter bankruptcy protection and its good assets would be separated from bad ones.

The U.S. Treasury would get 72.5 percent of the new company's shares, while a

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United Auto Workers' retiree health care trust fund will get 17.5 percent and the old GM would get 10 percent.

The bondholders' stake would presumably be additional shares that would dilute the first batch issued by the new company. The UAW trust and others would get warrants for additional shares that would further dilute the stock.

A bondholders committee and other large debtholders agreed to the deal but still called it unfair. They collectively hold about 20 percent of GM's unsecured debt.

"While the committee continues to remain troubled by preferential treatment that the UAW VEBA is receiving compared to the bondholder class — rejecting this offer in the expectation that the bondholders will do better in a litigated outcome was a risk the committee is unwilling to take," the committee said in a statement.

The deal would wipe out GM's \$27 billion in unsecured bond debt, converting to equity a total of \$50 billion in company debt.

The person familiar with the GM plan said that if the deal goes through, the new GM would emerge with a total of \$17 billion in debt — \$8 billion owed to the U.S. government, \$2.5 billion to the UAW trust and \$6.5 billion in mainly overseas and capital lease debt.

It was unclear what would happen to the GM's current \$6 billion worth of secured debt, but the person said the U.S. government will provide financing to operate the new company and for the old GM to be liquidated.

Trading of GM shares was halted for a short time Thursday morning, but resumed to rise 3 cents to \$1.19 in

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midday trading.

An Obama administration official said the agreement is an important step in GM's restructuring and said the government's auto task force "will continue efforts to help ensure that GM emerges from restructuring as a strong, viable company that can operate independent of government support."

Associated Press Writer Ken Thomas in Washington contributed to this report.

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