



GM can't rule out bankruptcy

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General Motors Corp. indicated Monday it would do whatever is required to become viable -- including bankruptcy, if needed.

President Barack Obama warned that saving GM and Chrysler -- if it completes a deal to link up with Italy's Fiat -- may require using bankruptcy "as a mechanism to help them restructure quickly and emerge stronger."

"Our strong preference is to complete this restructuring out of court," GM said in a statement after Obama's speech. "However, GM will take whatever steps are necessary to successfully restructure the company, which could include a court-supervised process."

Advisers to GM's bondholders issued a statement saying they look forward to crafting a deal "that will maximize the chances of a successful out-of-court restructuring."

Nevertheless, GM said bankruptcy is "more probable" and new CEO Fritz Henderson told Bloomberg News a "strategic" bankruptcy supported with government money is less risky than traditional Chapter 11 protection.

GM failed to reach deals with the UAW and bondholders to restructure the company's debts by today, which had been its deadline to show viability.

GM, which has about \$28 billion in unsecured debt, faces a key deadline of June 1 when \$1 billion in bonds are set to mature, a hurdle the company has warned could result in default absent a deal with bondholders.

Some experts saw the threat of bankruptcy as the leverage needed to get bondholders and the UAW to concede to more. "If you thought that the parties were not going to come to a deal and you were inevitably going to end up in bankruptcy, you'd have them file today," said bankruptcy expert Van Conway of Birmingham-based Conway MacKenzie Inc.

Obama's talk of bankruptcy sent a chill through GM pensioners. "I am worried about bankruptcy. They can do a lot of things when they go bankruptcy," said retiree Michael Graye, 77, of Clarkston.

Bloomberg News contributed to this report.