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# G.M. Moves to Clean Up Its Books Before I.P.O.

By NICK BUNKLEY

DETROIT — Preparing for its highly anticipated public offering next month, [General Motors](#) said on Thursday that it would repurchase \$2.1 billion in preferred stock held by the federal government, contribute at least \$6 billion to its pension plans and pay down debt to a health care fund for union retirees.

G.M. said it had also completed negotiations with banks on a \$5 billion revolving credit line that would be a backup source of liquidity.

After the stock buyback, G.M. will have repaid \$9.5 billion of the \$49.5 billion that it received from the government in connection with the automaker's bankruptcy protection last year, the [Treasury Department](#) said. G.M. said the latest payments would come from its cash reserves, which stood at \$26.8 billion on June 30.

G.M. said the moves would reduce its leverage by \$11 billion.

Even though G.M. would still have about \$20 billion in unfunded pension obligations, it is showing its commitment to cleaning its balance sheet, said David Whiston, an analyst with [Morningstar Equity Research](#) in Chicago.

“They’ve clearly made some very targeted moves to address some of the concerns investors may have,” Mr. Whiston said. “It sends a message to investors that they are working to mitigate the pension shortfall.”

G.M. said it expected to save \$500 million a year in interest and dividends as a result. On Tuesday, the [Ford Motor Company](#), which did not eliminate any debt in a bankruptcy filing as G.M. and [Chrysler](#) did, said its debt reduction actions in 2010 would reduce interest expenses by \$800 million.

[The Treasury](#) said it had accepted a deal under which G.M. would pay \$25.50 — 2 percent above the liquidation value — for the government’s 83.9 million preferred G.M. shares. In addition, the Treasury owns 61 percent of G.M.’s common stock, part of which will be sold in the public offering.

The Treasury received the preferred and common shares in exchange for a majority of G.M.’s government debt.

The common shares not included in the initial offering are expected to be sold over several years. The government has forecast that it will recoup most, but probably not all, of its investment in G.M.

G.M. plans to initiate the preferred-share buyback on the first dividend payment date after the public offering.

The pension contribution, to be made after the public offering is completed, will include at least \$4 billion in cash and \$2 billion in common stock.

G.M. said it would pay \$2.8 billion that it owed to the [United Automobile Workers](#) union’s health care trust, which covers benefit costs for hundreds of thousands of retirees and their dependents.

Separately, G.M. revealed plans Thursday to create 600 jobs by investing \$190 million in an assembly plant in Lansing, Mich. The retooled, nine-year-old plant will build a small car for G.M.’s Cadillac luxury brand.

G.M. said it had invested more than \$3.1 billion to create or retain more than 7,900 jobs at 21 plants in the United States since emerging from bankruptcy in July 2009.

“It’s up to people like you and me to deliver on our promise and return the investment to the American taxpayer,” G.M.’s chief executive, [Daniel F. Akerson](#), told several hundred workers at the plant. “We are going to do our level best to make that happen.”

*Bill Vlasic contributed reporting.*



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