



RON GETTELFINGER, President

ELIZABETH BUNN, Secretary-Treasurer

VICE PRESIDENTS: GENERAL HOLIEFIELD • BOB KING • CAL RAPSON • JIMMY SETTLES



IN REPLY REFER TO

May 28, 2009

1757 N STREET, N.W.
WASHINGTON, D.C. 20036
TELEPHONE: (202) 828-8500
FAX (202) 293-3457

Dear Representative/Senator:

Recent news stories, editorials and op-eds regarding the GM restructuring plan have contained a number of inaccurate assertions regarding the share of equity in the new company that will go to various stakeholders. The UAW wishes to set the record straight on this issue.

The real facts are contained in the SEC filing submitted by GM this morning. As described there:

- the government will receive an initial allocation of 72.5% of the equity in the new company;
- the bondholders will receive an initial allocation of 10% of the equity, with warrants that can result in their receiving substantially more; and
- the Trust Fund established to provide medical benefits to retirees will receive an initial allocation of 17.5%, with warrants representing the potential for an additional 2.5%. However, the warrants issued to the retiree Trust fund have terms far less advantageous than those issued to the bondholders.

This allocation of equity represents an agreement between GM, the Treasury Department, the UAW and the Committee representing bondholder interests.

It is important to recognize several points about this division of the equity in the new company. The government is receiving an expanded stake in recognition of the larger financial contribution that it will be making to facilitate the reorganization of the company. At the same time, the equity shares being given to the bondholders and the retiree health-care fund should have increased value because the reorganized company will be relieved of most of the liabilities that formerly burdened GM.

Some recent news reports and opinion columns, including an editorial by the Washington Post on May 26th, have asserted that the division of equity is somehow unfair to bondholders because the retiree health-care fund will be receiving a 39% stake in GM, while the bondholders will only get 10%. As


indicated above, this is simply NOT accurate. The retiree health-care fund will not receive, and indeed was never offered a 39% stake in GM. We would respectfully suggest that the Washington Post should have determined what the facts were, instead of issuing an inaccurate editorial based on rumors. Furthermore, since the bondholder committee has agreed to the true division of equity outlined above, it is simply not tenable for the Washington Post to complain that the equity division somehow "ignores basic principles of fairness and economic realities."

The UAW also believes it is important to recognize the relative sacrifices being made by retirees and bondholders:

- The retirees' health care claims have repeatedly been compromised, through concessions that were agreed to by the UAW in 2005, 2007, and now again in 2009. As a result of the most recent concessions, retirees will incur substantial, immediate reductions in their health care benefits. When the retiree health care fund assumes responsibility for providing these benefits on January 1, 2010, it may be forced to make further significant reductions in health care coverage, depending on the value of the stock received by the fund.
- In contrast, many bondholders purchased their bonds at sharply discounted rates. As a result, they are being asked to sacrifice a smaller portion of their claims.
- Most bondholders are investors who can spread any losses across a broad portfolio. In contrast, retirees do not have any similar way to spread the losses they are sustaining. The retirees gave a lifetime of service to GM in return for the promise that they would receive health care coverage during their retirement years. They can't get their service back, or start over again on a new career. Instead, they will be forced to live with reduced access to health care and/or a lower standard of living.

The UAW recognizes that the ongoing restructuring of GM involves painful sacrifices by many stakeholders. As Congress evaluates the restructuring plan, it should consider the real facts on what retirees, bondholders and other stakeholders will be receiving, not inaccurate assertions based on rumors.

Sincerely,



Alan Reuther
Legislative Director

AR:lb
opeiu494
L8562