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## GM Collapses Into Government's Arms

*Second-Largest Industrial Bankruptcy in History; Obama Defends Intervention as CEO Asks Public for 'Another Chance'*

By NEIL KING JR. and SHARON TERLEP

General Motors Corp. became the second-largest industrial bankruptcy in history Monday as it filed its landmark case, with President Barack Obama predicting the humbled corporate titan will emerge from Chapter 11 "a stronger and more competitive" company within months.

GM's bankruptcy caps a frenetic few months in which the Obama administration scrambled to salvage GM as well as Chrysler LLC, the country's first- and third-largest car makers, at a cost to taxpayers of more than \$62 billion.

GM officials portrayed the bankruptcy -- No. 2 in asset size among industrial concerns to WorldCom's filing in 2002 -- as an unprecedented opportunity to reverse decades of decline. GM said it would close 17 factories and parts centers and lop off 20,000 more jobs by the end of 2011 in Michigan, Indiana, Ohio, Tennessee and other states.

The government-orchestrated shrinkage will cost taxpayers \$30 billion, on top of \$20 billion in U.S. funds already put into the company. In exchange, the U.S. will own 60% of the new GM. In all, the rescue of the car industry could cost taxpayers close to \$100 billion.

GM's court-supervised restructuring began just hours after a New York bankruptcy judge approved the sale of most of Chrysler's assets to Italy's Fiat SpA. Chrysler sought Chapter 11 protection about a month ago.

President Obama defended his decision to take a majority stake in GM, saying it was unavoidable and temporary. "We are acting as reluctant shareholders," he said in a televised address.

The government-orchestrated shrinkage will cost taxpayers Some Republican lawmakers called the move another sign of the administration's deepening incursion into the private sector. And the risk remains high that the administration or Congress could meddle in the company's day-to-day affairs, an experience familiar to banks that took government bailout cash last fall.

Unlike bankers, many of whom were forced to accept government funds, GM executives have so far embraced their new owners. A beaming Ray Young, GM's chief financial officer, said bankruptcy offered GM a "once-in-a-lifetime opportunity to get our balance sheet healthy."

GM -- which hasn't made a profit since 2004 -- declared in its filing that it had \$172 billion in debt and \$82 billion in assets.

Chief Executive Frederick "Fritz" Henderson appealed to consumers to "give us another chance."

The government's plan calls for 10% of the new GM to be owned by existing bondholders, while a United Auto Workers union health-care fund will own 17.5%. The Canadian government will own the remaining 12.5%.

<http://online.wsj.com/article/SB124385428627671889.html>

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Next Monday, after 84 years, GM will cease being part of the Dow Jones Industrial Average, replaced by technology company Cisco Systems Inc.

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