FOR GM IPO, THE GOVERNMENT’S A BACKSEAT DRIVER

As General Motors gears up for its initial public offering, the Treasury Department is calling the shots on everything from banking fees to the potential involvement of offshore investors.

BY CLARE BALDWIN, SOYOUNG KIM AND KEVIN KROLICKI
NEW YORK/DETROIT OCT 31

STEVE GIRSKY REMEMBERS sitting at his kitchen table in New York on the eve of President Barack Obama’s election when he realized that General Motors was going to run out of cash.

“I put down my pad,” said Girsky, a banker brought in by the United Auto Workers union to report on GM’s finances. “I turned to my wife and said, ‘Remember this night. This is the night we figured out GM’s going out of business.’”

Two weeks later, the same realization was sinking in across America as the chief executives of GM, Ford and Chrysler -- and the head of the UAW -- flew to Washington to ask Congress for an unprecedented bailout. By November 2008, GM was on a path to become “Government Motors,” with the U.S. Treasury its majority shareholder.

As Girsky put it, “the situation got infinitely
more complicated” -- a controversial $50 billion bailout, a 2009 bankruptcy and an arc that took Girsky, 48, from a well connected industry analyst to the ultimate GM insider: a board member and the senior executive in charge of strategy.

Two years after Girsky’s kitchen table reckoning, the agenda for GM remains dominated by the U.S. election cycle as the automaker reaches the final stage of preparation for an initial public offering to pay some of the roughly $40 billion it owes American taxpayers.

The Obama administration and GM executives say the White House has stayed good to its pledge to refrain from meddling in the day-to-day management of this 12 percent of the global car market.

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102-year-old industrial enterprise with 600,000 American workers and retirees and 12 percent of the global car market.

But a review of key events leading up to GM’s IPO and interviews with people involved inside and outside the company show that the U.S. government has been running key aspects of the landmark stock deal and exerting tight oversight on management decisions seen as crucial to its success.

On the biggest questions surrounding the IPO, including its speed and size, the fees paid to the bankers and the potential involvement of offshore investors, the U.S. Treasury has called the shots, people involved in the process say.

That in turn has added a layer of complexity to a deal expected to rank as one of the top IPOs of all time by size. It also leaves open the possibility that the Treasury Department will remain an invisible hand that guides other decisions down the line, which could concern some investors.

“I’m sure that there will be some institutional investors, and even some individual investors, that it scares away,” said Morningstar analyst David Whiston, who nevertheless sees a good chance for GM to be worth enough to make taxpayers whole on the bailout.

GM, its advisers, the banks and the U.S. Treasury declined to discuss the IPO and related issues publicly, citing U.S. securities regulations.

Since May, the Obama team has pushed GM and bankers to have the IPO ready for the fall. People familiar with the plans say a road show for investors will begin after congressional elections on Tuesday, which are expected to reflect voter backlash against Democratic incumbents.

That timetable represents the first step in an exit strategy for the U.S. investment in GM that was vetted by outgoing White House economic adviser Larry Summers in 2009.

The initial plan projected that GM would launch an IPO in late 2010 that would allow the U.S. Treasury to sell 20 percent of its common stock in the automaker, reducing its ownership to below majority at 49 percent. The strategy called for subsequent sales that would get the government out of GM entirely before the end of the next presidential term, according to people involved in the process.

Summers “really wanted it understood that the government was going to be out by eight years. I think everybody’s hope and expectation was that we would be out a good deal faster, maybe in the three- to five-year time frame,” said former autos task force chief Steven Rattner.

Treasury and the other GM investors, the UAW’s health care trust and Canada, will likely make a call on how much stock to sell in the IPO in the days ahead of the offering, which is expected during the week of Nov. 15.

UNDER THE HOOD

BY MANY accounts, political considerations have loomed throughout the run-up to the IPO, sources said. In one example, bankers debated whether it would be appropriate to fly on private jets to pitch investors on GM’s road show, given the public backlash when auto CEOs arrived in Washington in 2008 on separate charters to plead for a bailout.

The stigma of government ownership also complicated GM’s efforts to market itself. In one case, GM quietly dropped a plan for a commercial for the Chevy Cruze small car...
that would have featured Sarah Palin, the polarizing Republican politician, and her comic doppelganger, Tina Fey, two people familiar with the proposal said. Coming so close to the November election and the IPO, the ad was seen as edgy, but too controversial given GM’s ownership, they said.

For his part, GM Chairman Ed Whitacre, a former AT&T CEO, says the Obama administration has held good to a pledge to let GM run its operations despite a government ownership stake of almost 61 percent. Other insiders also give the White House a clean bill on that claim. Said one: “Obama is not calling with ideas on the color of the Chevy Volt.”

“Before I went, I said, ‘We want to run it ourselves.’ They said, ‘Fine.’ They were true to that word; they never interfered one minute. They did exactly what they said. I have to give them an A plus,” Whitacre, 68, told Reuters earlier this month of his interaction with the U.S. autos task force.

But before Whitacre took over as GM CEO in December 2009, the task force had been directly involved in decision-making at the automaker and had an active role in the process that led to the board’s decision to fire his predecessor, Fritz Henderson.

In the most direct intervention of 2009, the White House scuttled a proposal by GM to leave its glass-towered headquarters in Detroit’s Renaissance Center for the nearby suburb of Warren where it has its engineering and development center, according to Rattner.

Whitacre himself chafed at Washington oversight during his brief tenure as CEO and chairman, according to a person with knowledge of the matter. This person said Whitacre felt hemmed in by the team of securities lawyers brought in to ensure that nothing would upset the timetable for Treasury’s planned IPO.

THE RETURN OF THE BANKERS
BY THIS SPRING, James Bainbridge Lee was back.

Known as Jimmy at his bank JPMorgan Chase and to his many clients, Lee had returned to a familiar spot: negotiating with the Obama administration over a deal stemming from its bailout of the U.S. auto industry.

A 35-year Wall street veteran, Lee was the point man in high-stakes, but failed negotiations between a group of creditors and the Obama autos team to keep Chrysler out of bankruptcy in 2009. Just over a year later, he was jockeying for a piece of the GM IPO, potentially one of the largest and most prestigious IPOs ever.

In a reminder of the stakes, the U.S. Treasury had called GM “an icon of American ingenuity, productivity and capitalism” in its initial legal salvo to remake the automaker.

At one point in early 2009, Lee, 58, a staunch Republican, also lobbied Rattner to consider reviving plans for a merger of GM and Chrysler.

That proposed last-ditch merger from late 2008, dubbed “Project America” by Chrysler planners, was the reason Girsky had been brought in to examine GM’s rapidly deteriorating finances for the UAW.

But by 2010, Lee shifted his attention to
the GM IPO. “It’s high profile. Jimmy loves high profile,” said one person involved in the deal. As a sign of his enthusiasm, Lee took to to showing off pictures of his brand new Corvette ZR1, GM’s fastest production car ever, priced at $120,000.

“He’s done that since day one. He’s been shameless about it. ‘Look at the car I bought,’” the person said.

The banker’s bake-off for a piece of GM’s IPO took place in the presence of U.S. Treasury officials on May 19 at the office of law firm Jenner & Block, according to participants.

Morgan Stanley sent Chairman John Mack, JPMorgan sent Chairman and CEO Jamie Dimon, Bank of America sent President and CEO Brian Moynihan and Citigroup had CEO Vikram Pandit dial in by phone. Goldman Sachs’ Lloyd Blankfein was in London so the bank sent President and COO Gary Cohn and co-investment bank head David Solomon instead.

CRUISE CONTROL: The Chevy Cruze is displayed at the LA Auto Show in Los Angeles December 2, 2009. REUTERS/LUCY NICHOLSON

The stakes were high: Whitacre was understood to have been pushing a Texas-style big deal to whittle down the government’s stake. That had the potential to make the automaker’s IPO bigger than Visa’s $19.7 billion offering in March 2008.

It was clear to all involved in the meetings that Treasury would run GM’s offering with Lazard as its adviser.

GM, in name, would make the call, but Treasury retained veto power over the selection of underwriters. Its role was bolstered by Whitacre’s apparent lack of interest in which banks landed the coveted lead slots, sources said. “It opened a lobbying circus for Treasury,” one source said.

Each bank turned in a stack of papers with responses to questions posed by Lazard, including the types of investors to be targeted, credentials, and suggestions for improving GM’s capital structure. The pitches drew in part on each bank’s history in the industry and its work with the Obama Treasury.

Morgan Stanley worked with Treasury on analyzing mortgage giants Fannie Mae and Freddie Mac and helped sell its stake in Citi. GM’s Vice Chairman Girsky, who represented the interests of the UAW on GM’s board and had emerged as Whitacre’s closest confidant, was also a former Morgan Stanley auto analyst.

JPMorgan was one of the largest lenders to the auto industry and had a history with GM going back to its fast-growth days of the 1920s when it began its ascent under President and Chairman Alfred Sloan. It offered to take its fee in GM stock, a move designed to show that its success was literally tied to that of GM.

That offer was ultimately discarded by U.S. officials on fears that the stock would appreciate too much and JPMorgan would end up with an outsized fee, sources said.

Bank of America played up its retail distribution angle, arguing that the size of the offering and GM’s well known name would entail large sales to individual investors. The bank argued that it was best placed for that work because of its Merrill retail brokerage unit -- an acquisition it made during the height of the financial crisis.

Goldman Sachs had a tough sell. The U.S. Securities and Exchange Commission in April charged the bank in a civil lawsuit with improperly packaging and marketing a mortgage product. In the three months it took to settle the charges, Goldman’s stock was hammered, at one point losing more than $25 billion of its value.

The initial selection process for lead underwriters was complete before Goldman’s July settlement. Sources familiar with the process said the Goldman controversy made the U.S. government reluctant to award the bank a lead role in what would be a closely scrutinized offering.

The GM bailout remained unpopular with voters and Wall Street was taking flack for its rising, post-financial crisis pay even as Main Street’s economy sputtered. It was clear that the GM underwriting fees would have to be vetted against that tough political backdrop.
Treasury went through Lazard to poll banks on the fee they would be willing to accept. An offering of $10 billion to $20 billion would typically come with a fee of 3 percent to 3.5 percent.

Most banks responded that they would underwrite the offering for slightly less, between 2 percent and 2.5 percent. Then Goldman raced to the bottom, announcing it would do the deal for a fee of 0.75 percent.

“They probably realized they needed to do something dramatic,” said one person familiar with the pitch. The bid put Treasury in a tough spot, that person said. “How would it have looked if it got out that they didn’t accept the lowest bid?”

Led by Ron Bloom, a former Lazard banker and assistant to the United Steelworkers union, Treasury officials used the Goldman bid to lever down its rivals. The potential size of the GM IPO helped cushion the blow. At $10 billion - the low end of the IPO range projected -- a 0.75 percent fee means $75 million in fees. By comparison, all U.S. IPO fees in the first half of the year totaled $700 million, according to research firm Freeman Consulting.

“I think we’re ready to eat whatever is presented,” said one weary banker, noting that the underwriting business was still below pre-crisis levels.

Morgan Stanley and JPMorgan were finally chosen as lead underwriters to help prepare GM’s SEC filing for its IPO.

Bank of America Merrill Lynch and Citi, which led the syndication for GM’s $5 billion credit line, were later added as lead underwriters. Morgan Stanley and JPMorgan fought to keep them out of that role, a source said.

The IPO, which would return the onetime blue chip GM to the public markets, was dubbed “Project Dawn” by bankers.

As a gesture of gratitude to Canada for its role in the bailout, it was decided that the new GM would be dual listed on the Toronto Stock Exchange as well as the New York Stock Exchange, sources said.

Then came a twist that underscored the unexpected consequences of the U.S. government’s ownership stake in both banks and car companies. The U.S. Treasury, which owns 61 percent of GM, also owned 12 percent of Citigroup’s common stock. At its core, that set the government up to be potentially both a buyer and a seller of GM stock.

The conflict was seen as unlikely to have a major impact on the IPO but was significant enough to have been flagged in a regulatory filing with the SEC.

HOW WILL IT PLAY IN QATAR?

ONE OF THE KEY questions for GM’s underwriters was whether they would be able to market the deal to sovereign wealth funds, pools of money managed for foreign governments in Asia and the Middle East.

The advantages of such an approach were clear. Bankers involved in the deal argued that funds like the Kuwait and Qatar investment authorities could serve as “cornerstone” investors that could buy and agree to hold a big chunk of the deal in an otherwise tough market.

But the Treasury was sensitive to the potential backlash. Had U.S. taxpayers bailed out GM to subsidize its purchase by

How much is GM worth?

$123.3 billion
Toyota market capitalization

$98 billion
Equity value of GM based on trading in “old GM” bonds
Calculated from $27 billion in bonds now trading at 36.275 cents on the dollar and convertible into 10 percent equity.

$82 billion
Equity value of GM based on projected EBITDA
Assumes 2011 EBITDA of $13 billion and multiple of 5 times EBITDA before pension obligations as estimated by CRT Capital Group.

$66 billion
Breakeven for U.S. taxpayers

$47.9 billion
Ford market capitalization

DAN AKERSON: Akerson, 62, was head of buyouts at The Carlyle Group when he was nominated for the GM board by the U.S. Treasury. He took over from Ed Whitacre as CEO on Sept. 1. A former U.S. Navy officer, Akerson was a staunch Republican. He also had a reputation as a tough taskmaster. When he felt German doctors were moving too slowly to treat his gall bladder in the 1990s, Akerson pulled the tubes out of his arm and flew back to the United States. 

JIMMY LEE: Lee, 58, had been the point man in high-stakes but failed negotiations between a group of creditors and the Obama autos team aimed at keeping Chrysler out of bankruptcy in 2009. Just over a year later, having discovered a newfound love for GM’s top of the line Corvette, he helped steer JPMorgan into a lead role in the GM IPO, potentially one of the largest and most prestigious IPOs ever.
foreign governments in the Middle East, Singapore and China? After all, the GM IPO was expected to be priced at a discount of up to 20 percent from what bank analysts determined would be its theoretical value.

By September, the question became more pressing because GM’s partner in Shanghai, Chinese automaker SAIC, had expressed an interest in buying a “single digit” stake, sources said. That trial balloon put the pressure on Treasury to clarify how investors would be treated. After deliberations involving Bloom and Herb Allison, a former Merrill Lynch executive who was then overseeing the Treasury’s bank bailout fund, Treasury delivered its verdict late on a Friday in mid-September.

In a statement posted online, the Treasury said the GM IPO would be open to the widest range of investors as it looked to “maximize returns” on its stake. The bankers had a green light to pitch the likes of Kuwait and Qatar.

By early October, GM IPO bankers had kicked off meetings with sovereign wealth funds, according to people with knowledge of the proceedings.

The meetings, like every aspect of the GM IPO, were supposed to be under the radar given the restrictions set by U.S. securities regulators. But like other key aspects of the deal, news of the initial approach to Singapore and Middle East-based funds leaked.

One GM executive was stunned by how quickly information on the GM deal got out despite the SEC-imposed “quiet period.” In May, when the Treasury began interviewing bankers, “our guys would walk out of a meeting with Treasury and then read on their BlackBerrys what had just been said,” he said.

The October meetings between GM bankers and Singapore-based GIC and Temasek Holdings, Kuwait Investment Authority, Qatar Investment Authority and the Abu Dhabi Investment Authority focused on how GM had been remade by the Obama team’s bankruptcy plan.

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According to two people familiar with its terms, the pitch to sovereign wealth funds centered on several areas where the Obama autos team had left its stamp on GM. Specifically, investors were asked to consider GM’s strengthened balance sheet after bankruptcy stripped out over $80 billion in liabilities, GM’s market-leading presence in China, and steps the new management team were taking to reverse losses in its struggling European division, Opel, after deciding to keep the unit in late 2009. That loss amounted to $1.5 billion over the past three quarters.

Another major positive for GM, sovereign wealth funds were told, was that the automaker had brought costs down so dramatically that it could break even with industry-wide sales as low 10 million vehicles in the United States depending on other

INCENTIVES TO BUY: General Motors vehicles are seen for sale at a GM dealership in Miami, Florida August 12, 2010. REUTERS/Carlos Barria
assumptions about its market share and the popularity of more profitable trucks. To put that in perspective, the new GM would have made money even in 2008 when the old GM lost a staggering $31 billion.

By late 2010, even some of the toughest critics of the GM bailout were ready to open the door to foreign governments buying in at the IPO. Sen. Richard Shelby, a Republican from Alabama, said he stands by his opposition of bailouts, but acknowledged that GM might have to bring in other government investors to buy shares from U.S. taxpayers.

“In the best of all worlds, I would say they shouldn’t be allowed to invest, but I don’t know where we get our capital at the moment, or where we are going to get the money to do it,” Shelby told Reuters.

Rattner, who left the autos task force in July 2009 because of a securities probe of his former private equity firm, Quadrangle, said he expected sovereign wealth funds would step delicately into any GM investment to avoid a repeat of the controversy over a proposed 2006 deal to sell U.S. ports to a company based in the United Arab Emirates.

“I think everyone and the sovereign wealth funds recognize the political sensitivities around that. I don’t think they’ll want to get themselves into a Dubai Ports situation,” he told Reuters.

**PLANES, TRAINS AND AUTOMOBILES**

As GM gets closer to wooing investors for its IPO, details that normally would not warrant discussion, like whether GM should use private or commercial planes for its road show, cropped up.

“It’s fair to say GM is very concerned about appearing extravagant,” said one person.

“Even though we always do this, because it’s the only way to really get a road show done properly in an amount of time that minimizes market risk for the seller, this one might be a special case.”

Two years earlier, GM, Ford and Chrysler faced public and congressional outrage for using private planes to fly to Washington, D.C. to request bailouts. The backlash was so severe that they later drove from Detroit for a follow-up hearing in hybrids, a move mocked on “Saturday Night Live.”

In a sign of government-imposed austerity, when executives from Chrysler and GM hammered out their restructuring at Treasury, Rattner had to pay out of pocket for the take-out deli sandwiches brought in to the crowded meeting rooms at Treasury.

As a recipient of taxpayer funds, GM adopted an expense in September requiring most employees to find the lowest-cost economy flight. Senior executives are allowed to fly business class. The GM CEO, vice chairmen and directors are allowed to use charter flights -- but only in North America.

Whitacre, who took advantage of a provision in his 2007 retirement package from AT&T to fly home to San Antonio most weekends from Detroit when he served as GM CEO, said commercial flights would remain the rule for the IPO. “There are no private planes at GM, so there aren’t many options,” he told Reuters in late September. “You’ll go public or drive.”

Nothing has to be set until the road show begins, but if the bankers have their way, the taxpayer-owned automaker will use private jets for the IPO, sources said.

Said one person involved in the deal: “It is nuts to think people are going to go wait through security lines. And the possibility you would have a missed flight and that would affect your ability to sell stock? It would be the stupidest decision on the face of the planet.”

“It’s just dumb. It would be so penny-wise, pound-foolish it would be ridiculous,” said the banker.

**GONE FISHING**

By the early summer of this year, there were increasing signs that “Big Ed” Whitacre was having less fun in his day job running GM.

Whitacre, whose father had been a union-represented railroad engineer, had won points with then-UAW President Ron Gettelfinger...
for meeting him for breakfast at a diner just down the street from GM’s headquarters. He liked to turn up unannounced at GM plants, often in jeans. At one point, he was turned away by a security guard who said he could not find Whitacre on a list of GM employees.

Over time, to some both inside and outside GM, Whitacre sometimes seemed lost -- or worse, without much to do -- as he wandered the corridors of a company that still employs over 200,000 people worldwide, equivalent to about 10 Googles.

At one point, he showed up unannounced at GM’s vehicle development center in Warren and ate lunch in the cafeteria “by himself to see who shows up,” Girsky recalled. The rest of the afternoon he just drifted from meeting to meeting, listening in without a particular plan to the engineers as they worked.

“He said, ‘Did you know it takes nine people to validate a wheel?’” Girsky said in June. “I had no idea.”

Girsky and Whitacre had become something of an odd couple by mid-2010: the fast-talking New Yorker and the Iaconic Texan. Both had taken apartments in the Westin Book Cadillac hotel, within walking distance of GM’s downtown Detroit headquarters and they often ate dinner together during the week.

Whitacre, an enthusiastic outdoorsman, even brought Girsky along on a weekend trip to Windsor, Ontario, to get a Canadian fishing license so he could fish both sides of the Detroit River, according to a person with knowledge of the trip.

On the return back through the tunnel that connects Windsor with Detroit, Whitacre and Girsky were stopped by a border patrol agent who seemed puzzled by their story. “Let me get this straight,” he said. “You work for GM and you took off on company time in a company car to get a fishing license?”

Whitacre’s delegate-it-all approach and a tendency to minimize board and government oversight as CEO and chairman also caused other tensions.

In April, Whitacre appeared in a TV ad that celebrated GM’s decision to return $7.1 billion in loans due to the U.S. government. Conservative critics pounced on the ad as misleading. They noted that the money was being paid back from a pool of funds left over from the bailout.

“We are concerned that GM, under your leadership, has come dangerously close to committing fraud, and that you may have colluded with the United States Treasury to deceive the American public,” Republicans Darrell Issa and Jim Jordan, members of the House oversight committee told Whitacre in an open letter.

“There are a lot of people out there who would like to see GM be successful,” said Alexander Edwards, who heads auto consulting for San Diego-based Strategic Vision. “But that (ad) pissed a lot of people off.”

Buying Back the Bank

Meanwhile, WHITACRE, working on the advice of Girsky, was quietly going to work on a high-stakes deal to give GM back its own in-house financing arm.

GM’s rivals Toyota Motor Corp and Ford have large captive finance units. GM dealers were complaining loudly that they were having a harder time securing loans for subprime customers and financing leases after GM sold control of its captive finance arm, Ally Financial, formerly GMAC, in 2006.

The lack of leasing options in particular were costing sales of higher priced vehicles, dealers complained. As of September, GM had leased just 21 percent of its sales -- far lower than the 29 percent lease penetration for Toyota or 28 percent at Honda, according to auto tracking firm CNW.

On July 22, Whitacre announced the deal to buy AmeriCredit as an example of the new fast-moving culture of accountability he had tried to foster. “When this opportunity arose, we acted swiftly and decisively,” he said.

But not everybody was happy with Whitacre’s big, bold bet, which took barely a month from start to finish.

GM did not consult the Treasury during the discussions and the government was troubled at the last-minute notice before the announcement, people familiar with its thinking said.

U.S. officials were also concerned about how the deal would affect Ally, which is 56 percent owned by the Treasury and remains a major lender to GM, the sources said.

A government bailout watchdog is now reviewing the transaction, triggered by a request from Sen. Chuck Grassley, an Iowa Republican.

Neil Barofsky, the special inspector general for the Treasury Department’s corporate

How GM’s IPO stacks up against the biggest

Automaker giant General Motors is seeking to raise up to $20 billion in an initial public offering, making it one of the biggest ever and possibly the largest in U.S. history. The share sale would also begin the process of paring the government’s 61 percent stake in the company.

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<th>Company</th>
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Source: Thomson Reuters

*Expected between late October and late November

Reuters graphic/Van Tsui

Top 10 biggest IPOs globally

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Reuters graphic/Van Tsui
bailout program, said in a letter to Grassley that auditors would look into what role Treasury officials played in “reviewing, approving or otherwise participating in the AmeriCredit decision.”

Meanwhile, Whitacre was finding the oversight from the securities lawyers brought in to police GM compliance with the government’s fast-track IPO plan grinding. When he told reporters that GM’s second-quarter results would be “impressive” as the automaker readied its IPO filing, it triggered a meeting with the IPO lawyers, a person with knowledge of the meeting said.

Whitacre and Bloom also clashed on the size of the IPO. Whitacre was pushing for a big deal and said as much. “We want the government out, period,” he said. “We don’t want to be known as Government Motors.” Bloom, who had to worry that a big offering would mean driving down the price of GM stock and reducing the return for taxpayers, remained cautious. “We’re going to do it in a proper and thoughtful way,” he said in early August.

When that failed, the executive session turned to possible successors already on the GM board. The government-imposed IPO timeline meant there was no time for a proper CEO search like the one that Stuart had helped Treasury conduct for board members in 2009.

The board considered Dan Akerson, 62, a former U.S. Navy officer turned head of buyouts at The Carlyle Group, and Girsky, who had no top-level management experience.

On Aug. 12, GM stunned the world with an announcement that Akerson would take over as CEO for Whitacre, less than a week before GM filed with the SEC for its IPO.

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bailout program, said in a letter to Grassley that auditors would look into what role Treasury officials played in “reviewing, approving or otherwise participating in the AmeriCredit decision.”

Meanwhile, Whitacre was finding the oversight from the securities lawyers brought in to police GM compliance with the government’s fast-track IPO plan grinding. When he told reporters that GM’s second-quarter results would be “impressive” as the automaker readied its IPO filing, it triggered a meeting with the IPO lawyers, a person with knowledge of the meeting said.

Whitacre and Bloom also clashed on the size of the IPO. Whitacre was pushing for a big deal and said as much. “We want the government out, period,” he said. “We don’t want to be known as Government Motors.” Bloom, who had to worry that a big offering would mean driving down the price of GM stock and reducing the return for taxpayers, remained cautious. “We’re going to do it in a proper and thoughtful way,” he said in early August.

When that failed, the executive session turned to possible successors already on the GM board. The government-imposed IPO timeline meant there was no time for a proper CEO search like the one that Stuart had helped Treasury conduct for board members in 2009.

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“I TELL PEOPLE -- half kidding -- I had a good seat at a bad movie,” Girsky told analysts in
June in describing his involvement with the early stages of GM’s bailout.

How that movie ends is an open question.

Executives, suppliers, consultants and bankers point to change in GM’s once notoriously rule-bound and slow-moving culture, a process that accelerated under Whitacre.

Other signs include cost cuts and a deepened dedication to quality in new vehicles like the Chevy Cruze, a small car reviewers have praised for a comfortable interior and mileage on par with the Honda Civic.

Analysts also agree that the Obama administration’s restructuring gave GM a shot at sustained profits by slashing jobs, plants and debt and allowing it to break even at the worst U.S. sales levels in 25 years.

One key measure of GM’s success centers on its improved pricing. For most of the past decade, GM relied on fire sale incentives to move metal and manage inventories because it was locked into a UAW contract that forced it to pay workers nearly full wages whether plants were running or not.

But with newer products and more flexibility in its labor contract after the restructuring, GM began to push prices higher -- up $3,000, for example, for the average crossover like the Chevy Equinox or Buick Enclave.

Consumer Reports, the most influential guide to U.S. car purchasing, gave GM high marks in October for its gains in dependability on a range of new models. They include the Cadillac CTS-V -- Whitacre’s ride of choice.

GM, analysts say, also has lined up potential successors for Akerson down the road.

Mark Reuss, 47, whom Whitacre appointed to a new job running North America, has a reputation as an unrelenting advocate for vehicle quality.

He was one of the organizers of an effort that began in 2006 to get senior executives to drive pre-production cars weekly in a bid to iron out problems. They called the improvised effort to hold the line on quality “the knothole rides.” Every new car had to come through that single opening with Reuss and like-minded car guys as gatekeepers on winding drives near the GM test track in Milford, Michigan.

“In the past we had meetings,” said Karl Stracke, GM’s vice president of global vehicle engineering. “The guys in the meetings had not always ridden in the cars, and there were finance guys questioning all the time why we need something we knew was important to get performance from the car.”

Chris Liddell, 52, a 2009 hire from Microsoft who has acknowledged his desire to become CEO, has also won praise for simplifying the presentation of GM’s financial information and working to shore up financial controls, an area of weakness singled out by the Obama autos team under Steven Rattner.

Joel Ewanick, who was hired in mid-year to revive GM’s marketing program in the United States after helping to drive Hyundai’s fast sales gains, has also described a more ordered and disciplined approach to marketing GM’s remaining brands, GM, Buick, GMC and Cadillac.

The first major effort under his watch was a new ad campaign for Chevy that unspooled at the start of the World Series. The ads under the theme “Chevy Runs Deep” were crafted to evoke the positive connections an earlier generation of Americans felt for GM cars and trucks.

After years of touting the battery-powered Volt as a technological breakthrough and greener than a Toyota Prius, the new ad settles on a simpler pitch. The Volt’s onboard engine, the ad implies, provides a way to have an electric car with extra assurance that you can go wherever the road takes you, an implicit jibe at Nissan’s fully electric Leaf.

“This is America, man,” actor Tim Allen narrates in his familiar, guy-next-door baritone. “Home of the highway, last-minute detours and spontaneous acts of freedom.”

Despite GM’s gains, the almost certain prospect of U.S. government involvement in
the automaker into the next presidential term represents a risk for investors who will be asked to put money into the IPO, analysts say.

The decision to push ahead with a November IPO for GM in the face of a “lackluster” market, for example, was clearly a political call by the Obama administration eager to show progress in paying back taxpayers, Morningstar’s Whiston said.

“I think it’s going to put an overhang on the stock for a few years,” he said. Even so, he sees GM emerging as worth up to $86 billion, enough to make taxpayers whole on the bailout.

Other industry observers worry that GM’s rush to market and the turnover at the top with four CEOs in the past 18 months has developed as a distraction, keeping the automaker from honing the kind of discipline and focus that marked the early turnaround of rival Ford under CEO Alan Mulally.

Mulally, a former Boeing executive, is credited with breaking down fiefdoms at Ford. His boss Bill Ford once famously said the company had “more intrigue than czarist Russia.”

“GM doesn’t have the kind of clear leadership that Alan Mulally brought to the Ford organization.” said Dennis Virag, president of Ann Arbor, Michigan-based Automotive Consulting Group. “They are making progress, but it’s at a snail’s pace.”

Peter Kaufman, president of the Gordian Group and an adviser to dissident bondholders in GM’s restructuring, said many of the questions raised by the government bailout in 2009 were still alive for investors on the cusp of the IPO.

“Are they running this company for profit to shareholders or for other, more political, goals?” Kaufman asked. “As long as the government runs this company, that will be a key question.”

(Reporting by Clare Baldwin, Soyoung Kim and Kevin Krolicki; Additional reporting by David Bailey, Bernie Woodall and Deepa Seetharaman in Detroit, John Crawley in Washington and Philipp Halstrick in Frankfurt; Editing by Jim Impoco and Robert MacMillan)