

# HAPPY GM DAY.

Wall Street and the Administration are hailing the GM IPO and claiming victory.

General Motors Co GM.UL pulled off the biggest initial public offering in U.S. history on Wednesday, raising \$20.1 billion after pricing shares at the top of the proposed range in response to huge investor demand.

GM sold 478 million common shares at \$33 each, raising \$15.77 billion, as well as \$4.35 billion in preferred shares, more than the initially planned \$4 billion.

Including an option that would allow underwriters to sell more shares, expected to be exercised in coming days, GM looks set to raise \$23.1 billion, making it the biggest initial public offering ever.

The strong response to the stock sale reflects a groundswell of investor confidence that GM is moving beyond its unpopular, taxpayer-funded bankruptcy in June 2009 with sharply lower costs and higher profit potential.

Now, don't get me wrong. I will always remain grateful that Obama bailed out the auto industry, and I am a direct beneficiary of that policy. And I do think many of the decisions and actions Team Auto took last year—most notably the fast track bankruptcy—were the right decisions, incredibly well executed. And I think the cars currently in GM showrooms are good cars.

But this IPO is no great reflection, one way or another, on the success of the bailout.

Indeed, it may be something far worse. It may be a propaganda stunt that will allow the bankers—the ones in charge of the bailout, as well as the current private equity CEO, as well

as the firm which consulted on the IPO whose Chairman is auditioning to take on a top advisory role in the Administration, as well as the big banks involved in the IPO whose TBTF status the Administration has fiercely protected—to claim victory. And of course, every single one of those banksters has a huge incentive to create a stunt that will allow the Administration to claim victory. But that won't say much about or do much to ensure GM's long-term value.

Mind you, I hope that's not true. I hope the universe of possible car buyers believe that GM's cars reflect a value of \$33/share or more (the banksters think they'll be able to drive up the share price in the coming days). More importantly, I hope GM sustains recent improvements in their product line even as the new top executives—particularly the ones who had nothing to do with the currently improved products who have changed the process and people that produced those cars—remain in charge.

But we won't know the answer to that question for another 2 years or so. And we won't know whether GM will improve its brand image enough to make cars more profitable for some time yet, either.

And, too, I hope those banksters driving up the price of GM's stock keep that stock for the long term. I hope this doesn't resemble a 90s style, pump and dump, IPO. But we won't know that for a little while either.

What we know is that the banker-CEO pointed to lower costs (which the bailout did make possible) and GM's strong position in China (which the purportedly failed Rick Wagoner implemented long before the bailout but which didn't, by itself, do much for GM's value before the bailout) in his pitch for the IPO.

In a road show for investors spearheaded by GM Chief Executive Dan Akerson and Chief Financial Officer Chris Liddell, the automaker has emphasized both its

sharply lower costs and its exposure to key growth markets like China.

But it's not clear he said much about the cars. The cars that, one way or another, will ultimately determine the success or failure of the bailout.

In other words, what this IPO seems to reflect is the successful sale of a new balance sheet tied to a market mix that, before the bailout, Wall Street was none too impressed by. It seems to reflect the enduring belief on the part of the banksters that the only value worth measuring is that determined by Wall Street, and not that value measured by the ultimate consumers of a product.

The GM products shepherded through by Rick Wagoner and Bob Lutz are selling well at stores. The GM balance sheet shepherded through by Steven Rattner is selling well on Wall Street.

But what remains to be seen is whether the cars produced in two years by the development process implemented by Ed Whitacre and Dan Akerson will sustain and increase the value of cars in showrooms to match the \$33/share value pitched by the banksters.

Good luck and happy GM day.