



GM IPO

GM intends to go public and recently filed amendment number 5 to its registration statement. The draft prospectus discusses "Old GM" and "New GM", and says that New GM, "was formed by the United States Department of the Treasury (UST) in 2009. Prior to July 10, 2009, our business was operated by Old GM. On June 1, 2009, Old GM and three of its domestic direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). On July 10, 2009, we, through certain of our subsidiaries, acquired substantially all of the assets and assumed certain liabilities of Old GM (the 363 Sale)." 363 is a reference to the Bankruptcy Code section governing use of collateral by a bankrupt. The prospectus also says that, "Various legal actions, governmental investigations, claims and proceedings are pending against one or more of us," including a bondholder's class action. The US Department of the Treasury owns 912,394,068 shares of common stock, 60.83% of the total outstanding, and intends to sell 263,546,795 shares in the offering. The UAW owns 307,954,545 shares, 19.93% and intends to sell 71,000,000 shares. The saddest part to us of Government Motors is that we will never know what innovations we missed because a poorly run company was propped up.

QE What?

Simply put quantitative easing means printing money. That is the new plan behind QE2 where the Fed intends to print over half a trillion dollars of fresh money and buy investments in our economy over the next several months. The news report we recently heard announcing QE2 was sandwiched in between mortgage banker ads announcing "historically" low rates of between 3 and 4 percent. If rates are low why do we need QE2 one might ask? Quantitative easing is supposed to forestall deflation. That may be a solution in search of a real problem. The biggest problem with everything G'ment does is that it disrupts markets. Investors have already bid up some assets expected to be purchased in the QE2 experiment. Cash for clunkers resulted in increased used car prices due to lower inventory and higher prices for poor used car purchasers. The shovel ready jobs construction frenzy will merely take demand for construction projects next year out of the economy this year resulting in future problems. Will QE2 lead to jobs, the true end target? It certainly won't do anything for businesses looking for long term stability; it will only increase the already present specter of inflation.

More Sovereign Debt Problems

Investors are bailing out of Irish and Portuguese bonds after the Eurozone proposed that sovereign debt investors take larger losses. Ireland saw the premium it has to pay over German benchmarks increased to over 4.5%. Ireland's bond yield is up to 7.14% while Portugal's is 6.11%. This will date us, but it's too bad Michael Milken isn't around to trade this stuff. A Goldman Sachs economist mused that this should not have been a surprise to anyone who knew that Germany would not continue subsidizing profligate governments indefinitely. Some criticized Germany's willingness to let a member state restructure its debt. The European Central Bank has not been buying European debt recently and Greece's yields have risen more than a percentage point in the last week. Nonetheless, Moody's predicts that none of Greece, Ireland, or Portugal will suffer a sovereign bond default since local banks, pension funds and other indigenous investors would continue buying their sovereign's debt even in times of "stress". Of course the higher yields, as much as patriotism, won't hurt in spurring those purchases. One commentator called it "bail out poker." Only they are gambling with their citizens' money.

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Baseball

A Dallas lawyer brought an emergency motion for a continuance in a matter so that he could attend to, "A very important baseball matter." The motion read, "Since 1972, when Darrell was but a lad of 13, he has been a fan of the Texas Rangers baseball club (hereinafter referred to as "Rangers")...As such he has developed a love of the Rangers that has generally gone unrequited for thirty-eight (38) years." "The whole town is crazy about the Rangers," Darrell said. "I just hoped the judge was too." Darrell's emergency motion was granted and he twittered: "The Judge just granted my motion to continue. Go #Rangers." We hope Darrell enjoyed his stay in Baghdad by the Bay. We know the Giant's fans enjoyed the Rangers brief visit.

Res Ipsa Loquitur

Ted Sorenson

John Kennedy's speechwriter Ted Sorenson just died. He was called the "Poet of Camelot" and "JFK's shadow." Kennedy called him his "intellectual blood bank" and many believe that he ghost co-authored Kennedy's Pulitzer prize winning *Profiles in Courage*. Sorenson provided Kennedy with some Texas humor for his trip to that State, where Kennedy was killed. It was the last time they spoke. Sorenson is credited with Kennedy's "Ich bin ein Berliner" speech, and the famous "Ask not" inaugural address. About these famous speeches Sorenson maintained that if Kennedy was willing to speak the words and take the blowback, they were Kennedy's speeches.

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