March 22, 2009

The Hon. Timothy Geithner
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Hon. Lawrence Summers
Director
National Economic Council
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The Hon. Steven Rattner
Lead Advisor on Auto Issues
Department of the Treasury
1500 Pennsylvania Avenue, NW
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The Hon. Ron Bloom
Senior Advisor on Auto Issues
Department of the Treasury
1500 Pennsylvania Avenue, NW
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Dear Sirs:

On behalf of the ad hoc committee of General Motors (GM) bondholders, we write today to thank you for meeting with us on March 5 and for considering the welfare of the thousands of investors who own GM bonds.

GM bondholders comprise a wide range of individuals and institutions, including mutual funds, pension funds and a very significant number of retail holders. GM bondholders are not a collection of "Wall Street banks." Many of these bonds are owned by average citizens, who purchased them to support their own retirement and college expenses and other critical needs. Most of these bonds were issued when GM was an investment grade rated company as a safe way for individuals and conservative institutions to invest for the future.

The money these bondholders invested in GM was traditionally used by the company to fund its daily operations and, most recently, to satisfy GM's obligations to its retirees.

As you know, the basic framework for restructuring GM was set out by the previous administration in the UST bridge loan that remains in effect under the Obama administration. GM's bondholders were not asked to participate in creating this framework. Others determined what the bondholders should sacrifice in order to restructure GM.

As you also know, GM presented a five-year restructuring plan to the Treasury Department on Feb. 17 in which it outlined the steps it believes the company needs to take in order to become viable. While this plan is a step in the right direction, we are concerned that the company is putting too much faith in a near-term turnaround in the economy that would enable annual car and truck sales to reach previous levels. We do not know if the plan would, in fact, keep the company out of bankruptcy (in which case the securities received by the bondholders in an exchange would likely be worthless and the retirement funds and others who counted on these securities would be left with nothing). However, we hope that as more details from the UAW agreement become available, including those relating to the restructuring of the voluntary

employee benefits association (VEBA), the necessary steps can be taken to ensure that GM is viable.

GM bondholders have been asked to make deeper cuts than other stakeholders: namely, to reduce two-thirds of our instruments' principal and trade it for speculative securities that may, if the currently planned cost reductions and sales projections prove inaccurate, end up having little or no value. It appears a purely arbitrary decision was made in December as to what bondholders would receive. All other parties involved in the restructuring process will walk away with far more. Many will be paid in full. It is unclear why it was decided that GM's bondholders should bear the greatest risk here. Consequently, it is not surprising that others may be ready to accept a deal that severely disadvantages bondholders who had no role in crafting it.

On March 5, advisors to the ad hoc bondholder committee presented a framework for constructing a successful debt-to-equity exchange to the Presidential Task Force on the Auto Industry. The framework presented at the meeting meets two important objectives. First, it is consistent with the government's restructuring objectives under the terms of the UST bridge loan. Second, it provides the best chance, working within the restructuring parameters set forth in the bridge loan, of completing the out-of-court restructuring desired by all parties by securing the necessary high level of acceptance among a diverse group of GM bondholders. It is only with this high level of acceptance from the thousands of holders of $28 billion of GM debt that GM can successfully be restructured out of court.

Remember, even if we as advisors negotiate a structure for a debt swap, such terms must be presented to each individual bondholder for approval. We believe the framework we presented earlier this month would receive a high level of approval both from institutional investors, who hold roughly 80 percent of GM's unsecured debt, and from retail investors, who hold the remaining 20 percent and who bought GM bonds in small blocks ranging from $25 to $1,000. By contrast, regardless of the position the ad hoc bondholder committee may take, we believe that, unless the framework we suggested is utilized, the restructuring currently contemplated will not achieve the required level of acceptance to succeed on an out-of-court basis. The result of such a failed exchange would likely be a bankruptcy that would have dire consequences for the company, the tens of thousands of hard-working Americans that GM employs and the economy as a whole.

While we believe that the framework we presented is the best chance for a successful out-of-court exchange, we look forward to discussing the merits of any proposal that GM or the auto task force suggests that brings about the fundamental changes necessary to position GM, its workers and American taxpayers for long-term success. We would of course be open to discussing proposals that utilize alternative frameworks that might garner the high acceptance level necessary for an out-of-court exchange. We continue to believe bondholders' interests - and the interests of the country at large - are best served by a successful out-of-court restructuring from which GM emerges a stronger, more competitive entity.

Keeping lines of communications open is the only way we all can meet the March 31 deadline for a debt-to-equity exchange. We are disappointed that we have had no response to our proposal from either GM or the auto task force. We are ready and willing to engage in active negotiations with all parties and work around the clock to reach a solution that is best for GM, its workers and taxpayers. We remain willing to play a constructive role in GM's restructuring and are open to proposals whose terms may differ from those set by the Bush administration but have the objective of turning the company around. We hope that others involved in this process believe that beginning a real dialogue with the bondholders is more likely to lead to a successful restructuring of GM than engaging in public criticism of the bondholders' legitimate concerns.

On behalf of the ad hoc committee of GM's bondholders, we appreciate the opportunity to explain our concerns and look forward to an equitable resolution.

Sincerely,

(bondholder committee sig)