

# The Detroit News

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## GM-investor proxy battle heads to vote

Greenlight Capital plan would split shares, unseat and replace three board members

BY MELISSA BURDEN (excerpt)

For two months, nearly 600 General Motors Co. institutional shareholders and thousands of smaller shareholders have been barraged with letters, proposals, rebuttals, dueling proxy websites – and green and white voting cards.

It's all part of a battle between the Detroit automaker and activist investor Greenlight Capital Inc. and its president, billionaire David Einhorn. Greenlight and Einhorn want to split GM's stock into two equities because they say it will create tens of billions of dollars in shareholder value. They also want to unseat three members of the board of directors and replace them with their own candidates.

The proxy fight comes to a culmination Tuesday at GM's annual shareholders meeting in Detroit. Shareholders will choose to vote a white proxy card in favor of GM's position, or a green card to support Greenlight's proposal and slate of board candidates, unseating three current GM board members. GM declined to provide a tally on voting while votes are still being cast. ...

### Risks to credit rating

At the end of May, two proxy advisory-service companies, Glass Lewis and Institutional Shareholder Services, issued reports supporting GM's position to vote against Greenlight's proposal.

Earlier, Moody's Investors Service said that if the proposal is adopted it would hurt credit ratings for GM and subsidiaries, cut its financial flexibility and boost credit risk. S&P Global Ratings said if GM created two classes of stock, it would lower GM's credit ratings to below investment grade

GM Chairman and CEO Mary Barra, in a question-and-answer with shareholders last month, said from 2012 through the end of 2017, GM expects to have delivered

\$25 billion in dividends and stock repurchases to shareholders. GM agrees its stock is undervalued but says the Greenlight proposal is too risky. ...

### 'Cure...is pretty iffy'

David Kudla, CEO and chief investment strategist of Mainstay Capital Management LLC in Grand Blanc, thinks Einhorn is looking for a short-term bump in the stock price and doesn't think the proposal – which Kudla described as “financial tomfoolery” – will be approved by shareholders.

“He's talking about the stock like it's a product,” Kudla said. “It's not a product. GM should not be in the business of financial engineering. GM should be in the business of engineering, building and selling great cars and trucks. That's what matters for the long term of the company.”

Erik Gordon, professor at the University of Michigan's Ross School of Business, said a vote in favor of Greenlight's proposal would be a vote of “no confidence” in Barra.

“His cure for the stock moving is pretty iffy,” Gordon said. “Splitting into these two kinds of stock might unlock value, (but) it actually might hurt GM and therefore hurt the value of the stock.”

All 11 current GM board members are up for re-election to one-year terms. Shareholders also will vote on executive compensation; GM's 2017 short-term incentive plan for executive compensation and 2017 long-term incentive plan for executive pay; and a shareholder proposal to have an independent board member serve as chair of the board.

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