

GM's restructuring officer a veteran of the game

By HARRY R. WEBER – 33 minutes ago

He was one of the architects during Kmart's bankruptcy reorganization of a multiyear business plan and helped revitalize a health insurer and a manufactured-home builder. Now, turnaround specialist Albert Koch is in for perhaps his biggest challenge yet as GM's chief restructuring officer.

He'll be GM's primary representative while it is in bankruptcy court protection, working to streamline units, sell unprofitable assets and build consensus among management, debt holders, employees, customers and communities. GM has said its Pontiac, Saturn, Hummer and Saab operations will be either sold or closed.

While Fritz Henderson is GM's chief executive and the government has a major stake in the future of the company, Koch will be in charge of the restructuring, said bankruptcy expert Jerry Reisman, a lawyer in Garden City, N.Y.

"He got the job through the government, the government is a 60 percent shareholder, the government has put up \$30 billion. I would say he calls the shots," Reisman said.

The position is "an area which has developed over the last 15 years to allow these consultants who specialize in reorganization and restructuring of companies to make plans that will allow the company to emerge as a successful, profitable company," Reisman said.

The federal government has said it will act as a "reluctant shareholder" and won't get involved with the day-to-day operations of GM, which will still be Henderson's responsibility though restructuring decisions would be delegated to Koch, experts said.

Koch's task is especially difficult because of the short timeframe for the case: the government expects GM to be out of court in under 90 days.

"I believe he has complete government support — I would go so far as saying carte blanche — to make this happen," said Michael Williams, dean of Touro College's Graduate School of Business.

His goal will be to help get the company back on a solid footing. Whether he can do that in two to three months is an open question.

"I think 120 days is probably more accurate," Williams said. "The government is not going to waste time or give time to people who don't want to get on board."

Some bondholders might still fight GM's plan, which involves the federal government taking a 60 percent ownership stake in the new company, the Canadian government taking 12.5 percent and the United Auto Workers getting a 17.5 percent share. Unsecured bondholders would receive only 10 percent.

Prior to the filing, GM sought to get bondholders to swap the \$27 billion in debt they are owed for shares in a post-bankruptcy GM. Only 54 percent supported the debt-for-equity offer, though the Treasury Department hopes they can convince the judge it is a fair deal.

Koch, 67, is vice chairman and managing director at AlixPartners LLP, a global business advisory firm.

At Kmart, which emerged from bankruptcy protection in 2003 and is now part of Sears Holdings Corp., he led the development of an operating business plan.

Koch was interim president and chief executive of Champion, leading a major financial and operational overhaul and boosting market capitalization and operating results. He was interim chief financial officer of Oxford Health Plans during a crisis brought on by financial and accounting problems.

He formerly was a partner with accounting firm Ernst & Young and, perhaps key for his role at GM, is well known around the Detroit area, having served as a trustee of the Bloomfield Hills, Mich., board of education. He also has held various roles at Detroit hospitals.

Koch does have some auto industry experience. He is chairman of Polar Corporation, a privately held trucking products and services company.

But S. David Cohen, a professor at Pace Law School who specializes in bankruptcy issues, said it wouldn't be important whether Koch had a lot of auto experience. "He would need to be smart and have the ability to make decisions quickly, sometimes difficult decisions," Cohen said.

Joe Sarachek, a veteran New York restructuring expert, described Koch as the "bankruptcy mechanic" whose job at GM will be to merge bankruptcy law and business practices and achieve a positive result.

"He's an experienced professional and at the end of the day folks who have been doing this for a long period know how to deal with disparate creditor interests," Sarachek said. "But it's really not that relevant when you have the power of Uncle Sam. Because every argument is going to end with, 'That's just the way it is.'"

The real challenge will be whether consumers start buying cars again, Sarachek said.

Koch did not respond Monday to an e-mail from The Associated Press seeking comment. An AlixPartners spokesman said the firm would have no comment.

GM, meanwhile, will follow a similar course taken by smaller rival Chrysler LLC, which filed for Chapter 11 protection in April. A judge gave Chrysler approval to sell most of its assets to Italy's Fiat, moving the U.S. automaker closer to a quick exit from court protection.

Experts in corporate restructuring who are familiar with the tasks facing GM and Koch said they believe GM will be able to move swiftly through bankruptcy court, though not all agree on the exact length the case will take.

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