



OFFICE OF THE SPECIAL INSPECTOR GENERAL  
FOR THE TROUBLED ASSET RELIEF PROGRAM

1801 L STREET, NW

WASHINGTON, D.C. 20220

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August 30, 2010

The Honorable Charles E. Grassley, Ranking Member  
Committee on Finance  
United States Senate  
SD-219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senator Grassley:

Thank you for your July 22, 2010, and August 13, 2010 letters concerning recent announcements by General Motors ("GM"). On July 22<sup>nd</sup>, GM announced that it had agreed to purchase AmeriCredit Corp. ("AmeriCredit"), which is a leading automobile finance company, for approximately \$3.5 billion. Your July 22<sup>nd</sup> letter refers to press accounts that GM agreed to pay a 24% premium<sup>1</sup> over the then current stock price for AmeriCredit, and asks the Office of the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") to examine the acquisition decision.

On August 18, 2010, GM filed with the Securities and Exchange Commission a Form S-1 Registration Statement,<sup>2</sup> announcing its intention to offer to the public for purchase common and preferred shares of the reorganized GM. This announcement did not disclose, among other things, the sale date, the proposed share prices, or the volume of shares that Treasury would sell during the initial public offering ("IPO"). Based upon media reports presaging GM's IPO announcement, your August 13<sup>th</sup> letter requests information on the steps taken to ensure that GM's upcoming IPO results in the highest return to the American taxpayers. You specifically asked us to determine how much Treasury must obtain to avoid a taxpayer loss on its original \$49.5 billion investment in GM and what underwriting fees would be paid to the underwriters.

In response to your requests and as part of our continuing oversight of the Troubled Asset Relief Program, we will initiate a review of GM's acquisition of AmeriCredit and its planned IPO. The key questions we will address in this audit are:

1. What role did Treasury play in reviewing, approving, or otherwise participating in GM's decision to acquire AmeriCredit?
2. What measures did Treasury take to ensure that the disposition of its investments in GM results in the highest return for the American taxpayers?
3. What costs relating to the IPO were incurred, including underwriting costs?

<sup>1</sup> See <http://dealbook.blogs.nytimes.com/2010/07/22/g-m-to-buy-ameri-credit-for-3-5-billion/>.

<sup>2</sup> See <http://www.sec.gov/Archives/edgar/data/1467858/000119312510192195/ds1.htm>.

Regarding your question concerning how much Treasury needs to receive from the sale of GM stock in order to avoid a taxpayer loss on its investment, from December 31, 2008 through June 3, 2009—both before and during bankruptcy, Treasury provided \$49.5 billion in loans to support the continued viability of GM. Treasury provided GM these loans under Treasury's Auto Industry Financing Program. During bankruptcy, GM split into two independent companies: Motors Liquidation Company ("MLC") and General Motors Company ("New GM"). MLC retained \$1 billion of the \$49.5 billion debt obligation from Treasury to cover wind-down costs, and transferred substantially all of its assets and its remaining \$48.5 billion in Treasury loans to New GM. Also during bankruptcy, New GM signed an agreement with Treasury that converted the remaining \$48.5 billion in debt into a \$6.7 billion debt note, \$2.1 billion in preferred stock, and a 60.8% stake in New GM's common stock. The 60.8% stake amounts to 304,131,356 common shares.

Subsequent to emerging from bankruptcy, New GM retired the \$6.7 billion in debt, leaving Treasury with \$2.1 billion of preferred stock and 60.8% of the common stock, which has a cost basis of \$39.7 billion (\$48.5 billion less \$6.7 billion less \$2.1 billion). In order for Treasury to recoup its common stock investment in the New GM and the \$1 billion retained by MLC, New GM would need to receive an average of \$133.78 per share, before giving effect to any stock split that may occur. This figure does not include the underwriting, legal and other costs that Treasury will incur in connection with the IPO that SIGTARP's audit will cover. It also does not include the \$2.1 billion relating to Treasury's preferred shares. With respect to IPO costs, Treasury has already reserved up to \$7.5 million for financial advisory services provided by Lazard Frères & Co. Additionally, it has been reported in the press that the IPO underwriters will receive 0.75% of the value of the gross proceeds of the offering.<sup>3</sup>

To prevent unnecessary overlap and duplication of work, and to address the questions included in your letters, SIGTARP will coordinate with the Government Accountability Office. Once our audit is complete, we will issue a report on our findings to you, to our committees of jurisdiction, and to the public. We will also provide your staff with periodic updates on the status of our work. Thank you for your commitment to oversight transparency and for your requests for more information on GM's planned IPO and its acquisition of AmeriCredit. I am available to discuss these issues and any other matter at your convenience. Please do not hesitate to contact me if I can be of any further assistance.

Sincerely,



NEIL M. BAROFSKY  
Special Inspector General

<sup>3</sup> See <http://www.bloomberg.com/news/2010-08-16/goldman-sachs-undercuts-rivals-in-general-motors-ipo-as-it-sees-top-sale.html>. Treasury has informed SIGTARP that the underwriting agreements—and therefore the fees and expenses—have not been finalized.