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General Motors' Initial Public Offering: Review of Issues and Implications for TARP

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Summary

In the fourth quarter of 2010, General Motors Company (GM) is planning to issue an initial public offering (IPO) of stock to investors, seeking to become a publicly traded company and shed its image as "Government Motors."

General Motors Corporation (Old GM) was a publicly traded company from 1916 until its bankruptcy in 2009. As part of restructuring, GM and Old GM combined received over $50 billion in federal assistance through the federal Troubled Asset Relief Program (TARP). In exchange for this financial support, most of Old GM's assets were sold to General Motors Company, a new corporation owned by the U.S. Treasury (60.8%), the United Autoworkers (UAW) retiree health care trust fund (17.5%), the governments of Canada and Ontario (11.7%), and a group of bondholders (10%).

GM is not the only company that received TARP funds as a result of the severe September 2008 financial panic. More than 700 institutions received support, with the federal government taking ownership stakes in five large companies: GM, Chrysler, GMAC (now called Ally Financial), AIG, and Citigroup. The federal government stake in GM is unusual, however, in that GM is both not publicly traded and is majority-owned by the federal government. The Obama Administration and GM have both indicated interest in reducing or eliminating the federal stake in GM. In October 2009, GM and its owners agreed that the federal government would launch an IPO in July 2010, unless GM had already begun such a process.

The success of the GM IPO largely hinges on two major factors: GM's internal restructuring changes and the performance and outlook of the U.S. economy, including U.S. retail auto sales. Since General Motors Company was created in 2009 with many of the assets of its predecessor company (General Motors Corporation), it has closed plants, cut its hourly and salaried workforce, shed three brands, reduced debt, introduced popular new vehicles, and implemented changes in retiree legacy costs that had been a major financial drain. In addition, the U.S. Treasury appointed new management at the company and new members to its board of directors. These management changes have arguably worked to reorient the GM corporate culture to be more responsive to the auto markets. Although GM acknowledged in a recent filing with the Securities and Exchange Commission (SEC) that more needs to be done, these benchmarks suggest to some that there will be a favorable response from potential shareholders.

For the first half of 2010, U.S. gross domestic product (GDP) was expanding, unemployment was very slowly dropping, and auto sales were rising from their 30-year low in 2009. In August 2010, however, the macroeconomic outlook became more uncertain. A number of economic indicators deteriorated: unemployment claims unexpectedly rose in mid-August, GDP growth estimates were revised down, and U.S. auto sales forecasts have been pared down. One relevant indicator of the overall health of the U.S. economy—sales of existing homes—hit a 15-year low in July 2010.

GM has filed the necessary registration paperwork with the SEC to issue an IPO, which is tentatively scheduled for November 18, 2010. This report discusses the IPO process, the factors that will affect its success, the size of the initial IPO, the IPO's possible stock price, and the IPO's impact on TARP. The report will be updated when these key elements are determined or upon other major developments.

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Introduction

In the fall of 2008 and well into 2009, collapsing world credit markets and a slowing global economy combined to create the worst market in decades for production and sale of motor vehicles in the United States and other industrial countries. U.S. auto *production* fell by more than 34% in 2009 over 2008 levels, but the year-over-year fall-off was more acute for General Motors (Old GM)—production dropped by 48%—and for Old Chrysler, whose production fell by 57%.[1] A similar pattern was reflected in U.S. motor vehicle *sales*, as the seasonally adjusted annual rate (SAAR) fell from just over 16.5 million units in 2007 to only 10.4 million units in 2009.[2]

Terminology:
General Motors Corporation and General Motors Company

As a result of bankruptcy proceedings, there are two companies commonly referred to as "GM." Both are discussed in this report. General Motors Corporation filed for bankruptcy in June 2009, and many of its assets and liabilities remain under the jurisdiction of the U.S. Bankruptcy Court for the Southern District of New York as part of the bankruptcy estate. In this report, that company is referred to as "Old GM." In July 2009, the majority of Old GM's assets and some of its liabilities were purchased by a new entity that was subsequently renamed "General Motors Company." The U.S. Treasury Department is its majority shareholder, and it is an entirely new legal entity. In this report, it is referred to as "GM."

While not the focus of this report, Chrysler also went through bankruptcy in 2009, and the pre-bankruptcy entity is referred to as "Old Chrysler." The company created in June 2009 is referred to in this report as "Chrysler."

The production and sales slides were serious business challenges for all automakers, and rippled through the large and interconnected motor vehicle industry supply chain, touching suppliers, auto dealers, and the communities where auto-making is a major industry. Old GM and Old Chrysler were in especially precarious positions.[3] The immediate crisis that brought these two companies to bankruptcy was a loss of financial liquidity as the banking system's credit sources froze and neither company had enough internal reserves to weather the economic storm. Their liabilities exceeded their assets, and they turned to the federal government for assistance in November 2008.

In December 2008 and the early months of 2009, both automakers received federal financial assistance from the Bush and Obama Administrations. As discussed later in this report, that funding was a lifeline that enabled them to begin restructuring their operations, a process that was ultimately completed in bankruptcy court.

Alone among the world's major automakers, Old GM and Old Chrysler filed for bankruptcy in the summer of 2009 and, with oversight from the Obama Administration as well as the bankruptcy court, restructured their operations in an attempt to become more competitive

[1] Other automakers' U.S. production fell as well: Toyota's by 28%, Honda's by 27%, and Ford's by 13%. Source: "North American Car and Truck Production," *Automotive News*, January 11, 2010. GM and Chrysler sales in 2008 were made by Old GM and Old Chrysler; 2009 sales include sales made by both entities before they filed for bankruptcy as well as sales made by new GM and new Chrysler after bankruptcy.

[2] U.S auto sales for most of the decade 2000-2009 were above 16 million SAAR. Ward's, *Ward's Motor Vehicle Facts & Figures 2009*, "U.S. Retail Sales of Cars and Trucks." SAAR is a rate adjustment used for business data that attempts to remove the seasonal variations in the data. Most data will be affected by the time of the year. Adjusting for the seasonality in data means more accurate relative comparisons can be drawn from month to month all year. Sourced from "Investment Dictionary," http://www.answers.com/topic/seasonally-adjusted-annual-rate-saar.

[3] For a full analysis of the decline in U.S. and other industrial country auto manufacturing during the recent recession, see CRS Report R41154, *The U.S. Motor Vehicle Industry: A Review of Recent Domestic and International Developments*, by Bill Canis and Brent D. Yacobucci.

companies. Both companies are now governed by newly constituted boards of directors. GM's new board members and chairman were chosen by the U.S. Treasury Department. Both companies have sizable ownership stakes by the federal government and the United Auto Workers (UAW).[4]

As the economy and auto markets improved in 2010, so too did GM's balance sheet and its outlook. GM paid off a $6.7 billion federal loan ahead of time, and the new management team indicated that it would like to float stock so GM would be a publicly traded company.

This report analyzes the progress General Motors Company has made since it was created from the sale of the bankrupt Old GM in July 2009 and the major issues related to its anticipated 2010 initial public offering (IPO).[5]

General Motors' Search for Capital

General Motors Corporation was a publicly traded company from 1916 until it filed for bankruptcy in June 2009.[6] The immediate crisis that led it to seek federal assistance was a shortage of capital. Returning to the capital markets to issue an initial public offering is the path GM intends to take to reduce dependence on the federal government. The IPO may allow the federal government to divest its assets in the company, although the Treasury Department estimates an overall loss of $17 billion to the government from federal support of GM, Chrysler, and GMAC/Ally Financial, so there may be an overall loss on the government's GM investment.[7]

Old GM Faced a Capital Crisis in 2008-2009

Old GM faced a capital crisis in 2008 and 2009 because the normal avenues for raising capital were unavailable: auto sales were plummeting; the company had limited success in selling off assets; its efforts to cut costs were affected by the long timeline required to determine the efficacy of such steps; and sources of capital in the open market were frozen by the financial meltdown. As a consequence, the company's executives tried to arrange federal bridge loans beginning in the fall of 2008.[8] As Old GM's then-Chief Executive Officer (CEO) Fritz Henderson stated in the company's bankruptcy court filing:

> By the fall of 2008, [Old GM] was in the midst of a severe liquidity crisis, and its ability to continue operations grew more and more uncertain with each passing day. The Company previously has recognized the need for bold action to modify and transform its operations and balance sheet to create a leaner, more efficient, productive and profitable business; and

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[4] The federal government owns 60.8% of GM and 9.85% of Chrysler. The Voluntary Employee Beneficiary Association (the UAW's retiree health care plan) owns 17.5% of GM and 67.7% of Chrysler.

[5] Chrysler is not expected to seek an IPO until 2011 or later; this report does not discuss Chrysler's turnaround.

[6] William J. Holstein, *Why GM Matters: Inside the Race to Transform an American Icon* (Walker & Company, 2009), p. 4.

[7] U.S. Treasury, *Troubled Asset Relief Program: Two Year Retrospective*, October 2010, available at http://www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf.

[8] A bridge loan is a temporary, short-term loan made to a borrower, with the expectation that it will be repaid quickly. At *Investorwords.com*, http://www.investorwords.com/581/bridge_loan.html.

> it had expended a tremendous amount of resources and effort, on operational, strategic partnering, and financial fronts, to accomplish this task. Unfortunately, because of the continuing and deepening recession, aggravated by the collapse of Lehman Brothers Holdings on September 15, 2008, GM was not able to achieve its objective. As a result of the economic crisis, the Company was compelled to seek financial assistance from the federal government.[9]

When capital markets are functioning normally, companies might arrange for debt financing through a major investment bank such as Goldman Sachs or J.P. Morgan Chase. In 2007, Ford Motor Company's then-new president and CEO, Alan Mulally, prompted Ford to borrow $23.5 billion to finance a restructuring of the company, which was then seen to be in financial peril. Capital was still available at that time, allowing Ford to mortgage all of its assets to obtain a large loan. An article in *Fortune* described the precarious position that led Ford to refinance its operations:

> When Mulally arrived in September 2006, he took over a company on the verge of collapse. Ford lost $12.6 billion that year and another $2.7 billion in 2007. Mulally put up every asset, including the blue-oval trademark, as collateral to borrow $23.5 billion to keep the company afloat. Then he set about his mission of creating a global Ford, both in terms of the vehicles it produces and how it produces them.
>
> Mulally is gambling that by globalizing the Ford brand, which covers everything from $15,000 subcompacts like the Fiesta to $60,000 diesel-powered pickup trucks, he can raise margins, which are now less than zero: The company is losing money on every car and truck it sells in North America. "We know [this strategy] works," he says, "because this is the way Toyota grew up."[10]

As Old GM's bankruptcy filing indicated, these avenues for raising capital were not available in the late fall of 2008. There were a number of long-simmering issues, both internal and external to GM, however, that lay behind its financial difficulties.

- **Steady loss of U.S. market share.** Old GM, once the largest automaker in the world, lost that 77-year-old title in 2009 as Toyota's sales eclipsed it. As shown in **Table 1**, Old GM—which at its peak sold 51% of all autos in the United States—has seen its market share slide for many years, dropping from over 28% in 2000 to under 20% in 2009.

[9] Affidavit of Frederick A. Henderson Pursuant to Local Bankruptcy Rule 1007-2, U.S. Bankruptcy Court, Southern District of New York, filed June 1, 2009.

[10] Alex Taylor III, "Can This Car Save Ford?," *Fortune,* April 22, 2008.

Table 1. Top Five U.S. Automakers

Sales of cars and light trucks, U.S. market share

Company	2000	2009
General Motors	28.1%	19.8%
Toyota	9.3%	17.0%
Ford	23.1%	16.1%
Honda	6.6%	11.0%
Chrysler	11.7%	8.9%

Source: "U.S. Light Vehicle Sales," *Market Data Book*, *Automotive News*, 2002, and "U.S. Car and Light Truck Sales by Make, 12 Months, 2009," *Automotive News*, January 5, 2010.

Notes: Ford data do not include Volvo, Land Rover, and Jaguar; GM data do not include Saab. Sales in 2000 are for Old GM and Old Chrysler. Sales in 2009 are the combined sales of Old GM/GM and Old Chrysler/Chrysler.

- **Break-even point for car making was too high.** The break-even point is the volume of sales at which net sales (i.e., gross sales after discounts, returns, and freight are deducted) equal its costs.[11] For Old GM, that point required a higher level of U.S. motor vehicle sales that is not likely to be seen for many years. In 2009, Old GM said that the U.S. market would need to hit a seasonally adjusted annual rate of 11.5 million to 12 million vehicle sales a year for it to break even.[12] Yet U.S. sales in 2009 were only 10.4 million units, and are forecast by IHS Global Insight and others to be about 11.5 million units in 2010.[13]

- **Exceptional labor and retiree health care costs.** The Detroit 3 automakers (Old GM, Ford, and Old Chrysler) negotiated contracts with the UAW over the years that expanded health care to unionized workers at a level the companies could not sustain when imported vehicles began to take large shares of the U.S. market. Old GM estimated that its retiree health care and pension costs added $1,500 to the cost of every U.S.-made vehicle, and exceeded the cost of the steel used in the vehicles.[14] Old GM had obligations of nearly $30 billion to fund the retiree health care and pension funds.[15]

[11] *InvestorWords.com*, http://www.investorwords.com/575/break_even_point.html.

[12] Jeff Green and Caroline Salas, "GM Said to Speed Cutbacks to Lower Break-Even Point," *Bloomberg*, April 22, 2009, at http://www.bloomberg.com/apps/news?sid=aOloQhPHrqX0&pid=newsarchive.

[13] U.S. auto sales forecast, "Forecast and Analysis: Latest Developments," *IHS Global Insight*, July 28, 2010.

[14] Julie Appleby and Sharon Silke Carty, "Ailing GM Looks to Scale Back Generous Health Benefits," *USA Today*, June 23, 2005.

[15] Bill Visnic, "UAW Cornered on VEBA?," *Edmunds*, February 27, 2009, at http://www.autoobserver.com/2009/02/uaw-cornered-on-veba.html.

- **Corporate culture.** It has been alleged that Old GM's corporate executives were too insulated from the above factors and not in tune with U.S. customers' changing auto needs. The Obama Administration's Auto Task Force at the Treasury Department, which oversaw restructuring of Old GM (and Old Chrysler), repeatedly said that changing its senior executive corps and the internal corporate culture would be one of the most important steps in Old GM's transformation to a more competitive company. It was a factor in the Obama Administration firing of Old GM's then-chairman and CEO, Rick Wagoner, in 2009.

  In addition, one auto industry observer said that Old GM's top executives were insulated from the auto-buying customers, and that they "have traditionally been finance men who look at vehicles themselves as the end result of a great enterprise, rather than critical products to which the utmost attention should be paid. There has long been a saying in Detroit that General Motors, with its huge credit, financing and mortgage operations, is less of a car company than a bank that builds cars."[16]

- **Decline in the U.S. auto market.** In 2008 and the first half of 2009, U.S. auto sales were in a freefall, ultimately dropping further than at any time in three decades. The 2009 combined sales of Old GM and GM fell by 30% (compared with 2008 sales), a much steeper decline than any other automaker, except the combined sales of Old Chrysler and Chrysler.[17] The decline in sales further dried up financial resources that Old GM could have utilized.

- **Erratic gasoline prices.** In 2008, gasoline prices rose to over $4 a gallon in many parts of the United States, raising questions in many consumers' minds about vehicles with lower mileage capabilities, such as the pickup trucks and SUVs produced by the Detroit 3. As Old GM's then-CEO Fritz Henderson said in a filing before the U.S. bankruptcy court, there were "substantial increases in the price of crude oil to nearly $150 per barrel in 2008, which precipitated a sharp downturn in driving and sales in the large vehicle segments in which GM was dominant and most profitable."[18]

Federal Loans and Bankruptcy

The first federal loans to Old GM were made by the Bush Administration in December 2008, after efforts to pass special legislation for Old GM and Old Chrysler failed to clear Congress.[19] At that time, Old GM received $13.4 billion from the U.S. Treasury, the first of several loans made through the Troubled Asset Relief Program (TARP), which was authorized by the Emergency

[16] Micheline Maynard, *The End of Detroit* (New York: Doubleday, 2003), pp. 11-12.

[17] *Automotive News*, "US Car and Light Truck Sales by Make—12 Months 2009," January 5, 2010, and "US Car and Light Truck Sales by Make—12 Months 2008," January 12, 2009.

[18] Affidavit of Frederick A. Henderson, part of General Motors filing in the U.S. Bankruptcy Court, Southern District of New York, June 1, 2009, pp. 18-19.

[19] In December 2008, the House of Representatives passed H.R. 7321, authorizing the use of certain Department of Energy funds as bridge loans to GM and Chrysler. Passed 237-170, the bill was not acted upon in the Senate. For a complete description of Congress's consideration of auto industry loan legislation in the fall of 2008, see CRS Report R40003, *U.S. Motor Vehicle Industry: Federal Financial Assistance and Restructuring*, coordinated by Bill Canis.

Economic Stabilization Act[20] (EESA) in the fall of 2008 to address the ongoing financial crisis. The TARP statute specifically authorizes the Secretary of the Treasury to purchase troubled assets from "financial firms," the definition of which did not mention manufacturing companies.[21] According to the U.S. Treasury Department,

> The overriding objective of EESA was to restore liquidity and stability to the financial system of the United States in a manner which maximizes overall returns to the taxpayers. Consistent with the statutory requirement, Treasury's four portfolio management guiding principles for the TARP are: (i) protect taxpayer investments and maximize overall investment returns within competing constraints; (ii) promote stability for and prevent disruption of financial markets and the economy; (iii) bolster market confidence to increase private capital investment; and (iv) dispose of investments as soon as practicable, in a timely and orderly manner that minimizes financial market and economic impact.[22]

The authorities within TARP are very broad, and when Congress did not pass any specific auto industry loan legislation, the Bush Administration turned to TARP for funding, arguing that to not provide any assistance to Old GM (and Old Chrysler) would make the recession much worse. At the time, President Bush reportedly said:

> Under ordinary economic circumstances, I would say this is the price that failed companies must pay, and I would not favor intervening to prevent the auto makers from going out of business. But these are not ordinary circumstances. In the midst of a financial crisis and a recession, allowing the U.S. auto industry to collapse is not a responsible course of action.[23]

When the Obama Administration took office, it built on this loan precedent and made additional loans from TARP for Old GM of $2 billion in April and $4 billion in May 2009. These loans kept Old GM's operations alive as it went through a drastic restructuring prompted by the Obama Administration's Auto Task Force.[24] (A detailed list of the approximately $50 billion in federal assistance for combined GM can be found in the **Appendix**.)

Old GM's Viability Plan of February 2009, which was a U.S. Treasury requirement to obtain additional loans after the initial loan of December 2008, laid out a plan of recovery based on changes in operations, labor costs, and other factors. President Obama rejected that plan at the end of March 2009, saying it was insufficient for a total recovery of the company. The Administration gave Old GM two months—until June 1—to devise a more thorough restructuring and thereby qualify for more federal aid.

Throughout the spring of 2009, Old GM worked with a variety of stakeholders, including the UAW, bondholders, creditors, dealers, and suppliers to devise a new restructuring plan that would be approved by the Auto Task Force and avert bankruptcy. While the company succeeded in

[20] P.L. 110-343, 122 Stat. 3765.

[21] P.L. 110-343, Division A, Section 3.

[22] TARP, "Monthly 105(a) Report to Congress," U.S. Department of the Treasury, July 2010, p. 10.

[23] John D. McKinnon and John D. Stoll, "U.S. Throws Lifeline to Detroit," *Wall Street Journal*, December 20, 2008.

[24] The Auto Task Force is a formal body chaired by Treasury Secretary Geithner and composed of officials from a wide range of federal agencies, including Labor, Commerce, and Transportation. On a day-to-day basis, the task force was managed for most of 2009 by Steven Rattner, the cofounder of a private equity firm. Since Steven Rattner left the task force, it has been managed by Ron Bloom, a former investment banker and one-time adviser to the United Steelworkers Union.

reaching tentative agreements with most stakeholders, a group of creditors would not agree to the terms offered, thus prompting GM to file for bankruptcy on June 1, 2009.

During the bankruptcy proceedings, the government provided a final installment from TARP: a $30 billion loan to facilitate the transformation to a new, smaller company, bringing total federal loans related to GM to more than $50 billion. While much of this $30 billion was expended through the restructuring process, a majority of it was not, with $16.4 billion in liquid cash remaining in an escrow account on September 30, 2009.[25]

Post-Bankruptcy General Motors

A new company emerged from the federal bankruptcy proceedings in July 2009. As shown below, the General Motors Company was a smaller version of the General Motors Corporation that entered bankruptcy. Many of the agreements that had been reached with stakeholders prior to bankruptcy were accepted by the bankruptcy court judge and thus accelerated the court's review and decision-making. GM was established just 40 days after the Old GM entered the court proceedings.[26] GM differed in a number of important ways from the Old GM:

- *Employment was cut.* Old GM had 91,000 U.S. employees in 2008; the new GM had 75,000 after bankruptcy.
- *Plants were closed.* Old GM announced that, of its 47 plants (in 2008), 13 would close by 2010. The closed plants and machinery remained with Old GM.
- *Brands were shed.* Pontiac, Saturn, and Hummer brands were terminated, and Saab was sold to a Dutch company.
- *Retiree health care costs were transferred to the UAW.* Old GM reached agreement with the UAW in 2007 to transfer the financial responsibility for UAW retiree health care to the union's VEBA (Voluntary Employee Beneficiary Association), thus removing $30 billion in obligations. Similar agreements were reached with Ford and Old Chrysler. The Detroit 3 agreed to fund the VEBAs with cash or stock. The union made additional concessions in 2009 negotiations. The restructuring agreement gave the VEBA a significant ownership stake in GM to aid in the funding of the VEBA because the company did not have the financial resources to provide cash.
- *Many expensive liabilities were jettisoned.* Left with Old GM were environmental liabilities estimated at $350 million for polluted properties, including Superfund sites; certain tort liability claims, including those for some product defects and asbestos; and contracts with suppliers with whom GM would not be doing business.

Although GM was smaller and leaner than its predecessor, the federal government became its majority owner. Through the bankruptcy process, the majority of the TARP loans made to GM were converted into a 60.8% government ownership stake in GM; $6.7 billion of the TARP loans

[25] General Motors Company, *Form 10-Q Quarterly Report*, April 7, 2010, p. 37.

[26] Old GM—General Motors *Corporation*—remains in bankruptcy and is officially the Motors Liquidation Company, with the assets and liabilities that were not attached to the new General Motors *Company*.

remained outstanding after the bankruptcy and the federal government received $2.1 billion in preferred stock.[27] Following positive financial results in the quarters after emerging from bankruptcy, GM used cash in the escrow account that originated from TARP during the bankruptcy process to pay off the $6.7 billion in loans outstanding by April 2010.[28] The $2.1 billion in preferred stock remains outstanding.

Elements of Federal Ownership

In addition to its ownership of GM, the government has acquired large ownership stakes in Chrysler, GMAC/Ally Financial Citigroup, and AIG through TARP funds and other assistance during the financial crisis. **Table 2** details the government ownership stakes in these companies.

Table 2. Companies with Large Government Ownership Stakes

(Data current through September 30, 2010)

Company	Current Government Ownership Share	Total TARP Funds Received[a]	Amount Recouped by the Treasury	TARP Outlays Still to Be Repaid to the Treasury	Outstanding TARP Funds Converted to Ownership Stakes
GM	60.8%	$50.2 billion	$8.1 billion[b]	$2.1 billion	$40.6 billion
Chrysler	9.9%	$10.9 billion	$2.8 billion[c]	$5.1 billion	$3.5 billion
GMAC/Ally FInancial	56.3%	$17.2 billion	$0	$13.3 billion	$3.9 billion
AIG	79.8%	$47.5 billion	$0	$47.5 billion	$0[d]
Citigroup	12.4%	$45 billion	$36.4 billion[e]	$0	$16.6 billion

Source: U.S. Treasury, *Troubled Asset Relief Program: Monthly 105(a) Report – September 2010*, October 10, 2010; U.S. Treasury, *Troubled Asset Relief Program: Dividends and Interest Report*, October 11, 2010; U.S. Department of the Treasury, *Troubled Asset Relief Program: Two Year Retrospective*, October 2010; Chrysler Group LLC, *Third Quarter 2010 Financial Statement*, November 8, 2010.

a. Some of these companies received commitments for funds greater than the reported amounts, or other TARP assistance. These figures are actual dollars received (by GM and Chrysler before and after their bankruptcies).

b. Includes repayments, interest, dividends and fees; see **Appendix** for detailed accounting.

c. $1.9 billion recouped from assets remaining after the bankruptcy of Old Chrysler; $403 million principal repaid for warranty and supplier support loans; and $484 million in interest, dividends, and fees.

d. Government ownership of AIG results from a Federal Reserve loan that predates TARP.

e. $20 billion was repaid directly by Citigroup; $16.4 billion has been recouped from government sales of Citigroup common stock, which are ongoing.

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[27] This preferred stock is an equity instrument, but it does not confer any control over the company and has a set dividend rate to be paid by the company; thus it is similar economically to debt.

[28] The SIGTARP report states, referring to GM's repayment of $6.7 billion in TARP loans, that "all of these payments were made, with Treasury's permission, using funds from the escrow account that held TARP funds provided to GM." "Quarterly Report to Congress," Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), July 21, 2010, p. 108.

Government operation of these companies has generally not been the goal of these acquisitions. Instead, the goal was to provide compensation to the taxpayers for the assistance given to the companies, while not hampering the companies going forward with large loan liabilities. The four core principles guiding the management of the ownership stakes in private companies expressed by the Obama Administration are as follows:

- The government has no desire to own equity stakes in companies any longer than necessary, and will seek to dispose of its ownership interests as soon as practicable.
- In exceptional cases where the U.S. government feels it is necessary to respond to a company's request for substantial assistance, the government will reserve the right to set up-front conditions to protect taxpayers, promote financial stability, and encourage growth.
- After any up-front conditions are in place, the government will protect the taxpayers' investment by managing its ownership stake in a hands-off, commercial manner.
- As a common shareholder, the government will only vote on core governance issues, including the selection of a company's board of directors and major corporate events or transactions.[29]

Compared with the other companies in which the government has a significant ownership stake, the federal government stake in GM is unusual, however, in that GM is not publicly traded and is majority-owned by the federal government. The size of the ownership stake gives the taxpayers the largest stake in the company's outcome, as well as the power to direct the company's actions, if it chooses to use this power. The fact that GM is no longer publicly traded complicates to some degree the eventual disposal of the ownership stake. With publicly traded companies, it is relatively straightforward to simply sell the government shares on the open market, although given the size of the stock sales, some strategy is likely called for to avoid flooding the market with more shares than would be demanded at a given time. An ownership share in a non-publicly traded company theoretically could be sold directly to a willing buyer. In the case of GM, however, the size of the company and future demands for capital suggest that an initial public offering is a logical course of action.

Issues Arising in the GM IPO

The GM stock offering is one of many such offerings in 2010, and it will compete with these for global investor capital. According to the *Detroit News*,

> so far this year, 86 IPOs have been launched in the United States, raising $13 billion, compared with 63 IPOs for all of last year that raised $21.9 billion, according to research firm Renaissance Capital. GM joins a crowded list of companies looking to raise money this year in IPOs, including Toys 'R' Us, consultant group Booz Allen Hamilton, restaurant

[29] U.S. Treasury, "FACT SHEET: Obama Administration Auto Restructuring Initiative," press release, June 1, 2009, http://www.financialstability.gov/latest/05312009_gm-factsheet.html.

> Logan's Roadhouse, car share service ZipCar and TV rating company Nielsen, filing to raise money later this year.[30]

The largest IPO in U.S. history was credit card company VISA, Inc., in 2008, at $19.7 billion.[31] As the U.S. Treasury begins to divest its 60.8% federal ownership stake in General Motors Company, a number of public policy and finance issues will arise.

IPOs in the U.S. Auto Industry

Although the IPO market has been a major source of funds for U.S. startups for decades, the auto industry in general has not been part of this Wall Street funding process. In the past 60 years, there have been only two U.S. automaker IPOs: Ford Motor Company in 1956 and Tesla Motors in June 2010.

Ford Motor Company. When it moved to become a publicly traded company in 1956, Ford had been in business for 53 years as a privately held company controlled by members of the Ford family. Henry Ford, the company's founder, strongly opposed making his company publicly held. He believed he would surrender too much control over the company's operations to the vagaries of the stock market and that such financing relieved the company of the need to cut internal waste and costs.[32]

Nine years after Henry Ford's death, Ford Motor Company issued what was then the largest stock issue ever offered. According to one author who has chronicled the company and the Ford family, "it was the biggest stock issue ever. People stood in lines outside brokerage houses to buy Ford stock, thus owning a piece of the company that still had an almost magical quality for the average American." The 1956 IPO represented 22% ownership in the company at the time. Offered publicly at $64.50, Ford shares closed at $69.50 on the first day of trading.[35]

A Different View of Publicly Traded Stock

The founders of Old GM did not have the same reservations as Henry Ford about publicly traded stock: it has been owned by stockholders for most of its existence. The original General Motors Company, founded in 1908, included Buick and Oldsmobile; Cadillac Company was purchased in 1909. The company reorganized in 1916 and changed its name to General Motors Corporation;[33] the name it held until it filed for bankruptcy in 2009. Its stock was traded continuously during that period, falling to a low of 71 cents per share on the last day it traded publicly.[34]

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[30] Robert Snell and David Shepardson, "GM Faces Rocky 'Road Show' on Stock Offering," *Detroit News*, August 20, 2010.

[31] The largest IPO in the world is the Agricultural Bank of China, at just over $22 billion, which was launched in August 2010. "GM Files for IPO; Could Raise $10 Bln," *Wall Street Journal*, August 18, 2010; "Agricultural Bank of China Sets IPO Record as Size Raised to $22.1 Billion," http://www.Bloomberg.com, August 15, 2010.

[32] Henry Ford discussed his views on ownership in his autobiography, *My Life and Work*, printed by Doubleday, 1922. See chapter XII, "Money—Master or Servant?," p. 169 *et seq.* Also see "Henry Ford Never Wanted His Company to Go Public," *Automotive News*, June 15, 2003.

[33] Flink, James J. and Niemeyer, Glenn A., "The General of General Motors," *American Heritage Magazine*, August 1973.

[34] On Friday, May 29, 2009, GM stock in after-hours trading sold for 71 cents per share. Source: "After 93 Years, G.M. Shares Go Out on a Low Note," *New York Times*, May 29, 2009, http://dealbook.blogs.nytimes.com/2009/05/29/after-93-years-gm-shares-go-out-on-a-low-note/.

[35] Quote and information on the IPO are from "Henry Ford Never Wanted His Company to Go Public," *Automotive News*, June 15, 2003. The article cites information on the IPO which is taken from *Henry: A Life of Henry Ford II*, by (continued...)

Tesla Motors. The most recent automaker to have issued an IPO was Tesla Motors in June 2010. Tesla is a new entrant to the auto-making industry, founded in 2003 by a group of engineers in California's Silicon Valley who wanted to produce all-electric vehicles. Its first product, the Tesla Roadster, debuted in 2008, with a retail price of $109,000. The company has sold about 1,000 of these two-seater sports cars in the two years since production began. The Model S, a four-door sedan planned for 2012—at less than half the price of the Roadster—will be built at the former GM-Toyota NUMMI[36] plant in Fremont, CA, which Tesla purchased in May 2010.

Having yet to turn a profit in its seven years, Tesla Motors needed capital to fund its expansion and research and development (R&D) in electric vehicles. It raised capital from three sources:

- A $465 million federal loan[37] from the U.S. Department of Energy for building the Model S sedan.
- A joint agreement with Toyota in which Tesla hopes to learn modern manufacturing techniques from Toyota while Toyota learns more about electric vehicle technology. Toyota invested $50 million in the venture.[38]
- An IPO that raised $226 million by pricing its IPO at $17 a share (above the anticipated range of $14 to $16) and selling a total of 13.3 million shares on June 29, 2010.[39] Of this IPO, one analyst pointed out that Tesla may be applying its technology to existing Toyota models:

> … the Tesla IPO got off to a promising state [sic], rising to $30.24 in the early days of trading. It has dropped close to half since then to about $17. It has occurred to investors that the company's electric cars are expensive to build, hold a tiny niche market at best, and lack a dealer network or quality track record that helps sell cars in any volume. Tesla's lifeline may be to develop new electric versions of Toyota cars. Reuters reports that the two companies have signed a letter of understanding to cover joint development of two or three new vehicles for the world's largest car company. On July 10, [2010,] Tesla stated "Toyota will receive two prototypes this month…." While Toyota also aims to test an electric Corolla, the RAV4 and RX are better suited to the weight of Tesla's battery pack.[40]

(...continued)

Walter Hayes, Grove Publishing, June 1990.

36 The GM-Toyota joint venture—NUMMI—stood for New United Motor Manufacturing, Inc.

37 Loans have been available from the Energy Department to companies making cars and components in U.S. factories that increase fuel economy at least 25% above 2005 fuel economy levels. The Energy Independence and Security Act (P.L. 110-140, sec. 136) authorized up to $25 billion for these loans. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act (P.L. 110-329, sec. 129), appropriated $7.51 billion to cover the subsidy ($7.5 billion) and administrative costs ($100 million) of the loans. For more information on this program, see CRS Report RL34743, *Federal Loans to the Auto Industry Under the Energy Independence and Security Act*, by Bill Canis and Brent D. Yacobucci.

38 Tesla Motors, "Tesla Motors and Toyota Motor Corporation Intend to Work Jointly on EV Development, TMC to Invest in Tesla," press release, May 20, 2010.

39 Eric Wesoff, "Update: Tesla Stock Price Falls Below IPO Price," *Greentechmedia*, July 6, 2010, http://www.greentechmedia.com/articles/read/tesla-ipo-gentlemen-start-your-drivetrains/.

40 Douglas A. McIntyre, "Toyota: Tesla's Savior," *24/7 Wall Street*, July 12, 2010, http://247wallst.com/2010/07/12/toyota-teslas-savior/?utm_source=nrelate&utm_medium=related&utm_campaign=related.

What Is an IPO?

This section discusses the basics of an IPO, the attendant Securities and Exchange Commission (SEC) new securities registration process, and the potential contours of the emerging GM IPO.

The Basics of an Initial Public Offering

An IPO occurs when a company sells common shares to investors in the public for the first time. GM officials cite several reasons for conducting their IPO, including reducing the negative stigma that some reportedly attach to GM ownership by the U.S. government. However, historically, the central benefit from an IPO is the increased access to financial markets that it affords the corporate issuer.

When a company decides to conduct an IPO, it selects an intermediary or intermediaries to facilitate such a transaction. Intermediaries are usually investment banks who have experience in helping firms "go public." The investment banks that lead an IPO are known variously as managing underwriters, lead underwriters, or bookrunners.

Key duties performed by the lead underwriters in the facilitation of an IPO include (1) helping the issuing company to prepare and file the necessary securities public offering registration statements with the SEC; (2) providing advice on the valuation of the company and the pricing of the securities issue; and (3) helping to assemble (as well as participate in) a group of investment banks and brokerage firms—the underwriting syndicate—whose aim is to sell shares from the IPO offering to the investing public.

Led by Morgan Stanley and JP Morgan, other bookrunners in the GM IPO also include Bank of America/Merrill Lynch, Goldman Sachs, Barclays Capital, Credit Suisse, Deutsche Bank, RBC Capital Markets, Citigroup Global Markets, Barclays Capital, Banco Bradesco BBI S.A., CIBC World Markets, Commerz Markets, BNY Mellon Capital Markets, ICBC International Securities Limited, Itau BBA USA Securities, Lloyds TSB Bank, China International Capital Corporation Hong Kong Securities, Loop Capital Markets, the Williams Capital Group, Soleil Securities Corporation, Scotia Capital (USA), Piper Jaffray, SMBC Nikko Capital Markets, Sanford C. Bernstein & Co., Cabrera Capital Markets, CastleOak Securities, GF Global Trading, C.L. King & Associates, CRT Investment Banking, FBR Capital Markets, and Gardner Rich. With a total of 35 bookrunners, the GM IPO will reportedly have one of the largest numbers of joint bookrunners to work on an IPO.[41]

Depending on the nature of their contract with an IPO issuer, bookrunners generally either (1) absorb some of the risk of the issue by guaranteeing an offer price on the securities issue, known as a "best effort deal" or (2) collectively purchase the shares from a company's IPO issue and then resell them to the investing public, known as a "bought deal."

Based on the language in its August 2010 new securities registration filing with the SEC, GM appears to have a "bought deal" contract with its 10 bookrunners.[42] Various media reports also indicate that each bookrunner will be compensated by an underwriting fee or gross underwriting

[41] Shanny Basar, "Record Bookrunner Club Prepares GM Float," *Financial News*, August 19, 2010, available at http://www.efinancialnews.com/story/2010-08-19/gm-ipo-bookrunners.

[42] Available at http://www.sec.gov/Archives/edgar/data/1467858/000119312510192195/ds1.htm.

spread (a percentage discount on the eventual per share offer price for the issued securities) of 0.75%. The figure, which U.S. Treasury officials reportedly played a major role in negotiating, would represent a steep discount from the 2% to 3% underwriting fee that is often charged for large IPOs.[43] (As a general rule, the fees tend to be inversely related to a deal's size, with smaller deals being subject to higher percentage fees.)[44]

Although it is not yet decided, various analysts predict that the current GM stakeholders are likely to sell their stakes in a series of offerings whose combined value is likely to range between $10 billion and $20 billion, which would make the GM offering one of the world's largest IPOs.[45] According to the research firm Freeman Consulting, if the IPO raises about $20 billion, the investment banks could net roughly $150 million in underwriting fees.[46] Additional media reports indicate that the total membership of the GM IPO underwriting syndicate that is being assembled will probably not be finalized until late September 2010.[47]

The IPO Registration Process

With a few exceptions, the Securities Act of 1933 (subsequently referred to as the 1933 act) requires that before securities are sold to the public, an issuing company must register the issuance through a document filed with the SEC. That document is aimed at providing the investing public with reliable and timely financial and business information about the company. The most common registration statement is known as Form S-1, which bookrunners typically assist the issuer in preparing and filing.

[43] See, e.g., Aaron Lucchetti, et al., "GM Will Pay a Cut-Rate Price to Do Its New IPO," *Wall Street Journal*, June 12, 2010, available at http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748703509404575300430351563768.html. "Goldman Sachs Undercuts Rivals in GM IPO as It Loses Top Role," *Businessweek*, August 16, 2010, available at http://www.businessweek.com/news/2010-08-16/goldman-sachs-undercuts-rivals-in-gm-ipo-as-it-loses-top-role.html, and "Taxpayers on GM Off Ramp with IPO," *The Windsor Star*, August 19, 2010, available at http://www.driving.ca/windsor/Taxpayers+ramp+with/3417484/story.html?cid=megadrop_story. There are reports that one of the underwriters, Goldman Sachs, offered to take the cut-rate 0.75% underwriters fee, which was lower than those proffered by other banks who became bookrunners, and that subsequently U.S. Treasury officials imposed those terms on the other bookrunners who originally were going to get heftier fees. Nick Bunkley and Bill Vlasic, "General Motors Files for an Initial Public Offering," *The New York Times*, August 18, 2010. In a joint bookrunner IPO like that being conducted by GM, bookrunners typically receive 30% to 40% of the revenue from the gross spread. Yunchun Hu, "Multiple Bookrunners in IPOs," *University of Florida PHD Dissertation*, 2007.

[44] Some explain the underwriters' willingness to accept such comparatively low fees in terms of the prestige it affords them in being part of such a highly visible deal and how it is likely to place them in a favorable position to take part in anticipated follow-on GM stock offerings.

[45] See, e.g., Tom Krisher and Ken Thomas, "After Turbulent Year Following Bankruptcy, GM Lays Groundwork to Sell Stock to Public Again," *Associated Press*, August 19, 2010, and General Motors files for an IPO, August 18, 2010, *Renaissance Capital: IPO Home*. Available at http://www.renaissancecapital.com/ipohome/news/General-Motors-files-for-an-IPO-8396.html. According to some sources, the largest four global IPOs were the Agricultural Bank of China in 2010, at $22.1 billion; the Industrial and Commercial Bank of China in 2006, at $19.1 billion, NTT Mobile Communications (Japan) in 1998, at $18.1 billion, and Visa (United States) in 2008, at $19.7 billion. Available at http://www.renaissancecapital.com/IPOHome/Rankings/biggest.aspx and "GM Road Show to Begin After Elections: Sources," *Reuters*, September 1, 2010.

[46] Clare Baldwin and Soyoung Kim, "From Fear to Greed, Banks Jostle for GM Deal," *Reuters*, August 13, 2010.

[47] Soyoung Kim, "GM Completes IPO Paperwork, Filing Expected," *Reuters*, August 16, 2010, Available at http://www.reuters.com/article/idUSTRE67B4JW20100816.

There are two parts to Form S-1. The initial part of it is known as the prospectus, which contains information on the issuer, the securities being offered, the manner of distribution, and the issuer's audited and unaudited financial statements as required by the 1933 act's disclosure rules. The prospectus is the primary marketing document for an IPO and is also known as a preliminary prospectus or a red herring. A preliminary prospectus can only be issued for information purposes to prospective investors while the SEC is reviewing Form S-1.

The remaining part of Form S-1 contains additional information on the issuing company and the offering. This includes other expenses associated with the securities issuance, recent sales of unregistered securities, information on the indemnification of the issuer's directors and officers, various exhibits, and financial statement schedules. This section does not have to be provided to prospective investors.

The SEC's review of an IPO registration statement may result in its immediate approval, but issuers and their underwriters may need to amend the registration statement in response to SEC deficiency memoranda that request that additional information be included. This back and forth often means that SEC approval of an IPO registration statement can take several months. This process ends when the SEC declares a company's registration statement as "effective." The company may then be considered a public entity that is entitled to offer securities.

After this final SEC approval, an issuer's management and underwriters mount a "road show," a weeks-long IPO promotional tour in which an issuer's prospects are touted to prospective institutional investor buyers of the offering, such as mutual funds, hedge funds, and pension funds. (GM's senior management, especially CEO Dan Akerson, would normally be prominently featured in the road show.) During and after a road show, the issue's underwriters also endeavor to "build the book" on the offering—the process of gauging the level of investor interest and investor pricing sentiment on an upcoming issue. Generally, issuers and underwriters strive for a share price that results in an IPO being significantly oversubscribed, meaning that there is much more demand than there are available shares. However, this pricing involves a balancing act of sorts: if it is too low and the offer is heavily over-subscribed, then an issuer can "leave a lot of money on the table"—but if it is too high and the offer is greatly undersubscribed, the underwriters can take substantial financial hits.[48]

After arriving at an overall valuation for the issuer, and assessing the nature of an offering's potential supply and demand, bookrunners then arrive at a share price level for the IPO. Members of an IPO syndicate generally offer certain allocations of the shares to institutional investor clients. Historically, IPOs have tended to be underpriced, meaning that they tend to exhibit large jumps in share price from the initial IPO price when they start their first day of trading on the secondary markets.

Typically in an IPO, the last share orders are due the afternoon of the day before the stock is set to be offered, which is usually the day in which an IPO's final pricing is also announced. GM has tentatively scheduled the IPO for November 18, 2010.[49]

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[48] During the road show, investors begin to place orders for the stock with each willing investor offering a price for a specific amount of stock: While one investor may offer to buy 40,000 shares at $29 a share, another may offer to acquire 70,000 shares at $26 a share. Chrissie Thompson, "Ins and Outs of the Stock Sale," *Detroit Free Press*, November 4, 2010, at http://www.freep.com/article/20101104/BUSINESS01/11040618/First-GM-execs-will-make-their-pitch-then-investors-will-help-set-a-price.

[49] Chrissie Thompson, "Ins and Outs of the Stock Sale," *Detroit Free Press*, November 4, 2010.

The Contours of GM's Emerging IPO

On August 18, 2010, GM filed a Form S-1 registration statement with the SEC. The document indicates that the offering will entail (1) common shares of GM stock, which will be sold by its existing owners, including the U.S. Treasury Department; and (2) preferred shares of GM stock, whose proceeds will go directly to GM. Reports suggest that one reason GM may have opted for the preferred stock was that the stock (with the attributes of both common stock and debt) will later be convertible to GM common stock. This option is thought to have particular appeal to certain types of potential investors such as hedge funds.[50] GM later filed amendments to the initial Form S-1 registration statement.

The initial registration document indicated that a total of 500 million shares of GM common stock would ultimately be available. Among other things, an amendment filed on November 3, 2010,[51] indicated that GM's initial IPO would involve 365 million common shares, 60 million Series B preferred shares with an additional 54.75 million shares of common stock, and 9 million shares of preferred stock that could be used for overallotment (additional shares that are sold to accommodate a strong demand). GM also estimated that the IPO's common stock would "be between $26.00 and $29.00 per share" and that its Series B preferred stock would probably be offered at a maximum of $50 a share.[52]

The amendment also indicated that the common stock had been approved for listing on the New York Stock Exchange and the Toronto Stock Exchange, the leading Canadian exchange, meaning that the common will likely be dual-listed.[53]

The GM IPO is, however, taking place in the midst of a historically weak IPO market. According to some sources,[54] between 2004 and 2007, there were more than 200 annual IPOs in the United States. However, 2008 recorded only 43 such deals, and 63 were reported in 2009. That pace continued to pick up in 2010, with 86 IPOs being recorded through early August. In addition, according to press reports, Hoovers, a business data service, reported in October 2010 that the number of U.S. IPOs increased 76% for the third quarter of 2010 compared with the third quarter of 2009.[55] Still, some analysts[56] characterize the current IPO market as being in a state of recovery. Two-thirds of the firms that went public between January and August 2010 reportedly

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[50] David Welch, Jeff Green, and Jeffrey McCracken, "GM Said to Consider Sale of Preferred Stock With IPO," *Bloomberg*, August 18, 2010.

[51] General Motors, *S-1/A 1 ds1a.htm Amendment No. 5 to the Form S-1*, November 3, 2010, available at http://www.sec.gov/Archives/edgar/data/1467858/000119312510246019/ds1a.htm#rom45833_19.

[52] Ibid.

[53] It is likely that GM intends to also be listed on the Toronto Exchange because of its large Canadian ownership and manufacturing presence in Canada. There are reports that GM gave serious consideration to listing also on the Hong Kong Stock Exchange as a way to underscore its expanding business interest in the booming Chinese auto market and to enhance its attractiveness to the region's growing investor pool. Observers, however, note that down the road, GM could opt for a follow-on listing on the Hong Kong exchange. Vincent Fernando, "GM's Using Its IPO To Replace U.S. Government With Strategic Asian Investors," *Business Insider*, August 21, 2010, http://www.businessinsider.com/gm-ipo-hong-kong2010-8#ixzz0xSqK68kP.

[54] See, e.g., Susan Tompor, "Bad Time for GM Stock Offering,?" *Detroit Free Press*, August 13, 2010.

[55] "U.S. IPOs Outpace Last Year in Hoover's Q3 2010 Scorecard," *Kansas City Star*, October 6, 2010, available at http://www.kansascity.com/2010/10/06/2281684/us-ipos-outpace-last-year-in-hoovers.html.

[56] Ibid.

sold shares of stock at prices below the proposed offering range. By contrast, companies in good IPO markets are said to generally expect their IPOs to sell at the offered price range or above.[57]

In a reflection of conventional IPO practices, many analysts expect that the initial allocations of GM shares will principally go to the syndicate underwriters' mutual fund, hedge fund, and pension fund clients. Some, however, predict that a number of smaller brokerage houses may also receive some share allocations.

Going forward, there are questions about the extent to which retail investors will have direct access to the initial offering. A number of analysts say that retail investors will not have access to the initial allocations if they do not have a brokerage account or have an account with a brokerage firm that lacks access to the GM IPO. Such potential investors will have to wait until the shares begin trading on the exchanges. Others, however, say that some sources at GM have told them that a sizable number of shares in the GM IPO are likely to be given directly to retail investors.[58]

As the GM IPO advances, other questions have arisen. It is not clear whether the share allocation protocol will involve solely the traditional mix of institutional investors discussed above, or whether it may also include some rather unconventional institutional investor allocations to so-called "cornerstone investors."[59]

Some sources report that GM officials have been considering a plan under which sovereign wealth funds or pension funds could be cornerstone investors in the IPO. Media reports indicate that discussions with potential investors could start after GM filed its registration statement with the SEC. Investment banks have sought out cornerstone investors for some recent Asian IPOs, most notably the Agricultural Bank of China's $22 billion IPO, which also involved the privatization of a large government-owned firm. It has been reported that prospective cornerstone investors could be asked to make a commitment of between 2% and 10% of the GM IPO, which could translate into cornerstone investors collectively holding 10% to 30% of the total GM IPO.[60] In early October 2010, some news reports were indicating that investment bankers had been meeting with several sovereign wealth funds and private investors in the Middle East and Asia to ascertain their potential interest in the IPO.[61]

In early October 2010, Treasury Department officials reportedly indicated that they would not be "directly" involved in GM IPO share allocation decision, leaving the area up to the underwriting syndicate.[62]

[57] Ibid.

[58] "GM Mulls 'Cornerstone' Sales in IPO," *Reuters*, August 16, 2010. In recent years, there have reportedly been instances in which some IPO shares were allocated to retail individual investors because of the general softness of the IPO market. Brian J. O'Connor, "Mass Pitch to Precede GM Stock Sale," *Detroit News*, August 19, 2010.

[59] Cornerstone investors are investors who commit to buying and holding major stakes in an IPO and who it is hoped will attract more investors to large IPOs on the strength of those large stakes.

[60] "GM Mulls 'Cornerstone' Sales in IPO," *Reuters*, August 16, 2010. A cornerstone investor strategy involving sovereign wealth funds could provoke potential controversy due to concerns that U.S. taxpayers effectively subsidized GM to benefit offshore investors.

[61] David Welch and Jeffrey McCracken, "GM Said to Approach Sovereign Wealth Funds to Boost Stock Sale," *Bloomberg Businessweek*, October 5, 2010.

[62] Soyoung Kim and Clare Baldwin, "GM's Coming IPO will be Priced to Entice Retail Investors, Sources Familiar with the Offering Say," *Reuters*, September 23, 2010.

Reasons for Issuing the IPO in Fall 2010

General Motors and the Treasury Department argue that this is a good time for the company to begin issuing shares of common stock. According to a Treasury Department report to Congress, GM, the federal government and other shareholders agreed on October 15, 2009, that the government would prompt the issuance of an IPO by July 10, 2010, "unless the Corporation is already taking steps and proceeding with reasonable diligence to effect an IPO." Moreover, the U.S. Treasury hired Lazard Frères & Co. in early 2010 as a paid adviser in exploring a GM IPO. On June 10, 2010, Treasury issued a press release stating "[The] exact timing of the offering will be determined by [New] GM in light of market conditions and other factors, but will not occur before the fourth quarter of this year."[63]

Aside from the desire of the federal government to begin selling its shares in the automaker in 2010, GM would like to eliminate the perception among potential vehicle buyers that its vehicles are not worth purchasing as long as it is a recipient of federal assistance or, as some have branded it, "Government Motors." Some auto industry observers and GM executives have stated that widespread consumer hostility has cut into GM sales since bankruptcy: "Just a week ago Whitacre told reporters that he would like the Treasury Department to sell its entire 61% stake in GM at the time of its initial public offering later this year. He said the company was being hurt by the stigma of being known as 'Government Motors.'"[64]

In addition to canceling negative consumer perceptions, GM has other reasons for issuing an IPO in the last half of 2010:

- *Profitability and cash flow are positive.* In the second quarter of 2010, GM posted its largest quarterly profit since 2004: a net income of $1.3 billion on sales of $33.2 billion, up from $865 million on $31.5 billion in sales in the first quarter of 2010. Its cash flow grew from $1 billion in Q1 to $2.8 billion in Q2. GM's chief financial officer (CFO) sees earnings growth continuing, however at a slower pace. In August 2010, he said, "I'm assuming the second half [of 2010] will be lower than the first half," and forecast "solid profitability for the year even though second half results will moderate."[65]
- *GM has achieved a new, lower break-even point.* Whereas Old GM needed a strong U.S. auto sales market to make a profit or break even, GM has lowered its cost structure. It can make money even in a low-volume car and truck market like the current U.S. market of an estimated 11.5 million units in 2010.[66] GM says its break-even point is now U.S. seasonally adjusted annual sales of 10.5 million to 11 million units.[67]

[63] "Quarterly Report to Congress," Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), July 21, 2010, p. 108.

[64] "GM Getting a New CEO—Again," *CNNMoney.com*, August 12, 2010.

[65] GM CFO Chris Liddell, quoted in "GM, Ford: No Double Dip Recession," http://www.theStreet.com, August 13, 2010.

[66] U.S. auto sales forecast, "Forecast and Analysis: Latest Developments," *IHS Global Insight*, July 28, 2010.

[67] "Our Competitive Strengths," *Form S-1 Registration Statement*, filed by General Motors Company with the Securities and Exchange Commission, August 18, 2010, p. 3.

- *North American operations have turned the corner.* Q2 2010 earnings in North American operations (before interest and taxes) were $1.6 billion, an increase from $1.2 billion in the first quarter and a turnaround from a $3.4 billion loss in Q4 2009. Old GM's North American operations had not turned in a strong performance. As one reporter noted, "in an ironic reversal of what had become common at GM in years past, North American operations are the engine of current corporate earnings."[68]
- *Growth in many foreign markets is strong.* GM notes that it is well positioned in a number of high-growth foreign markets, particularly China, where it is the top automaker and where a quarter of its worldwide sales originated in 2009.[69] Chinese auto sales for 2010 have recently been revised upward for the year, from 15 million to 16 million units.[70] GM expects its position in China, India, Brazil, and other overseas growth markets to help fuel its turnaround. (The one exception to this strong overseas performance is GM in Europe, where it continues to have negative earnings.)
- *GM's new motor vehicles are seen as high-quality.* Measurements of vehicle quality include average transaction prices (i.e., if consumers are willing to pay more for cars and trucks, the transaction prices rise), market share trends, and third-party customer satisfaction ratings. Data suggest that GM has improved on these benchmarks.

  GM's U.S. average car retail transaction prices in Q2 2010 averaged $25,900, compared with $23,800 in the same quarter a year ago; similar increases were seen in GM trucks and crossovers. In market share, GM's global deliveries amount to 11.6% of worldwide vehicle sales, up slightly from Q1 2010 and similar to Q4 2009. In North America, GM points out the market share for its four continuing brands (GM, Chevrolet, Buick, and Cadillac) grew from 18.6% in Q4 2009 to 19.3% in Q2 2010.[71]

  Some GM vehicles did well in a recent independent customer survey conducted by the American Customer Satisfaction Index (ACSI). In 2010, two U.S. car brands topped the list for the first time: Ford's Lincoln/Mercury in first place and GM's Buick in second. BMW, Mercedes-Benz, and GM's Cadillac were tied in third place; Toyota's Lexus was fourth; and Honda fifth. As ACSI said in its release of the results, "It was not long ago when Detroit's products were clustered at the bottom of the industry. Although very few automakers improved this year, the domestic ones are either steady or have lost less in customer satisfaction compared to international competition. In this sense, the near future looks good for Ford and General Motors. Satisfied customers tend to do more repeat business, generate good word-of-mouth and don't require greater price incentives to come back."[72]

[68] "Best of 2010 May Already Be Behind GM," *Edmunds Auto Observer*, August 12, 2010.

[69] In 2009, China surpassed the United States for the first time to become the world's largest retail auto market.

[70] "China Auto Industry Lifts 2010 Sales Target to 16 Million Units," *People's Daily Online*, August 11, 2010.

[71] Vehicle quality benchmarks are cited from GM Chart Set, "Q2 2010 Results," *General Motors Company*, August 12, 2010.

[72] Statement of Claes Fornell, founder of the ACSI, "ACSI: Detroit Tops Auto Industry for the First Time Ever," ASCI, August 17, 2010, http://www.theacsi.org/images/stories/images/news/aug2010_pressRelease.pdf.

- *New management has changed the direction of the company.* When the Treasury took the major ownership interest in GM in July 2009, it appointed five new directors to the board and selected a new chairman, Ed Whitacre Jr. (the retired chairman and CEO of AT&T). These changes at the top created an actively engaged board of directors that has often challenged GM staff initiatives. In 2009, the board replaced then-CEO Fritz Henderson, turning his management duties over to Whitacre, and reassigned Chief Financial Officer Ray Young, replacing him with Chris Liddell from Microsoft. The board has overseen the downsizing of both salaried and hourly employment.

  On September 1, 2010, Chairman and CEO Whitacre stepped down as CEO, and has said he plans to retire as chairman at the end of the year. The new CEO (and chairman-designee) is Daniel Akerson, a GM board member and former managing director at the Carlyle Group, a Washington, DC-based private equity firm. Steven Rattner, the former Treasury Department official who oversaw the government's role in GM's restructuring, said "Ed Whitacre put in place a very strong team of people around him with very, very complementary skills…. having Dan Akerson on hand, who's been involved in this for over one year, and is an incredibly strong and tough manager which is exactly what this company needs, is a great decision."[73]

- *Recent labor agreements have placed GM in near-parity with transplant labor costs*. Contracts negotiated with the UAW in 2007 and revised in 2009 have reduced labor costs, an input that for many years favored the lower-wage, non-union Japanese and European transplant auto manufacturers in the United States. According to the Center for Automotive Research (CAR), GM's total labor costs, including benefits, stand at $58.15 an hour in 2010, compared with Toyota's total labor costs of $56.16 an hour. CAR notes that when new skilled and entry-level workers are hired at GM in the next few years, the lower hourly pay and benefits required by the UAW contract will further reduce GM's total labor costs to just over $48 an hour, well under what Toyota, Honda, and other non-U.S. manufacturers pay.[74] In addition, as mentioned earlier in this report, GM has shifted many of the costs of the UAW retiree health care plan to the UAW's VEBA, further reducing GM's costs for supporting UAW retiree health care.

- *The economy and the stock market were relatively strong in the first half of 2010.* External factors affect the success of an IPO, in addition to the company's balance sheet. A strong economy and stock market are two such factors. For the first half of 2010, the economic signals seemed to favor an IPO: the U.S. economy was seen as gaining momentum and on its way out of recession; the U.S. retail motor vehicle sales market recovered from its 2009 low point; and the Dow Jones Industrial Average, a measure of stock market activity, rose by 70% from March 2009 to April 2010. First-half 2010 factors pointing to an economic recovery (that would be favorable to motor vehicle purchases) are shown in **Table 3**.

[73] "Steve Rattner on the Management Changes at GM," *Bloomberg Television* interview reported on WallStreetPit.com, August 12, 2010.

[74] McAlinden, Sean, Executive Vice President and Chief Economist, Center for Automotive Research, "Picking Up the Pieces: Restructuring of the North American Automotive Industry," presented at CAR Management Briefing Seminars, Acme, MI, August 4, 2010.

Table 3. Signs of U.S. Economic Recovery in the First Half of 2010

All data represent economic activity in the United States

Economic Indicator	Time Period	Measurement
Unemployment Rate	April 2008	5.0%
	April 2010	9.9%
	June 2010	9.5%
Change in Gross Domestic Product (GDP)	Q IV 2008	-6.8%
	Q III 2009	+1.6%
	Q IV 2009	+5.0%
	Q II 2010[a]	+1.6%
Motor Vehicle Sales	1st 6 months 2009	4.8 million units
	1st 6 months 2010	5.6 million units
Dow Jones Industrial Average	March 9, 2009	6,547
	April 29, 2010	11,167

Source: Unemployment data are from "Labor Force Statistics from the Current Population Survey," the Bureau of Labor Statistics; GDP data are from "National Income and Products Account Table," the U.S. Department of Commerce, Bureau of Economic Analysis; U.S. auto sales are from "U.S. Car and Light-Truck Sales by Make, June 2010 and YTD," *Automotive News*, July 1, 2010; DJIA data are from http://www.yahoo.com/finance.

a. Q II 2010 GDP growth was originally reported at 2.4%, but was revised downward by the Commerce Department to 1.6% in late August 2010. "US GDP Growth Revised Down to 1.6% As Economy Cools," *Christian Science Monitor*, August 27, 2010.

Risks in the Issuance of the IPO

There are economic and business factors that may negatively influence the success of the GM IPO, leading to a lower stock price and the likelihood, in such circumstances, that the U.S. Treasury would not recoup its full investment in GM. In its recent filing with the SEC, GM makes its case for the IPO and also provides an analysis of the factors that could adversely affect its stock performance. In the S-1, GM notes that "any of the following risks could materially adversely affect our business, financial condition, or results of operations. In such case, the trading price of our securities could decline, and you may lose all or part of your original investment."[75]

Among the internal and external risk factors GM cites in its prospectus are the following highlights. *Quotes below are taken from the discussion of risk factors in GM's SEC Registration (S-1 filing), unless otherwise noted.*

[75] General Motors Company, "Risk Factors," *Form S-1 Registration Statement*, August 18, 2010, p. 13.

Internal Risks

- **Perception of product quality and innovation.** "Our ability to achieve long-term profitability depends on our ability to entice consumers to consider our products when purchasing a new vehicle." The prospectus says GM has lost market share "in part, due to negative public perceptions of our products" and that changing consumer views will affect the company's operations and finances. Directly related to quality perceptions is the public's view of GM's innovations and new technologies. Its ability to successfully market smaller cars, hybrids, and electric and other energy-efficient vehicles, such as the Chevrolet Volt that debuts this fall, will affect GM's stock price.
- **Ability to further reduce costs.** Ongoing cost reduction and productivity improvement remain keys to sustained profitability, especially in North American and European operations. "Reducing costs may prove difficult due to our focus on increasing advertising and our belief that engineering expenses necessary to improve the performance, safety and customer satisfaction of our vehicles are likely to increase." In addition, the prospectus says costs could rise if dealer terminations and consolidations do not meet their targeted savings.
- **Generating adequate cash flow.** Automakers require substantial liquidity to invest in R&D and produce and market new vehicles. The prospectus states that GM has adequate liquidity now to operate its business, but that in the future, "inadequate cash flow could materially adversely affect our business operations."
- **Restructuring of GM European operations.** GM's European operations have not been restructured as the North American operations were last year. GM initially sought to sell its European operation; however, the board of directors then changed course and resolved to retain those operations, while cutting costs and increasing investments there. The European operations are a large part of GM, and the prospectus notes that "we cannot be certain that we will be able to successfully complete any of these restructurings."
- **Funding of the GM defined benefit pension plan.** According to the S-1 registration statement filed with the SEC, GM's pension plan for its U.S. and non-U.S. hourly and salaried employees is underfunded by $27.4 billion. The prospectus states that "we may need to make significant contributions to our U.S. pension plan in 2014" and that interest rates, benefits levels, and government requirements will have an impact on their performance.
- **Labor union resistance and additional VEBA payments.** Most hourly workers at GM facilities in the United States, Canada, and Europe are covered by collective bargaining agreements. The contract with the UAW expires in 2011, and "while the UAW has agreed to a commitment not to strike prior to 2015, any UAW strikes, threats of strikes, or other resistance in the future could materially adversely affect our business as well as impair our ability to implement further measures to reduce costs and improve production efficiencies."

  GM and the UAW agreed in the 2007 and 2009 contracts that the hourly workers' retiree health plan would be turned over to a VEBA and managed by a UAW trustee. GM is still obligated to make payments to the VEBA going forward, including $1.4 billion in each of 2013, 2015, and 2017.

- **New management team.** With the departure of Chairman and CEO Ed Whitacre Jr. this fall, GM will be faced with a new top executive who has limited auto industry experience. Incoming Chairman and CEO Dan Akerson has served on the GM board since July 2009; his previous experience was in the telecom industry and private equity management. If Akerson and other new management are unable to quickly learn about the auto industry, "and as a result are unable to provide effective guidance and leadership, our business and financial results could be materially adversely affected."
- **Other issues affecting the price of GM's common stock.** The perception that GM's new preferred stock could be converted to common stock could adversely affect the sale of common stock and hurt GM's ability to raise capital. In addition, GM does not have a plan to issue dividends on its common stock, which might adversely affect some potential investors.

External Risks

- **Auto sales volume and financing.** GM's business is sensitive to the pace of auto sales in the United States and its major markets. "Many of the economic and market conditions that drove the [2008-2009] drop in vehicle sales, including declines in real estate and equity values, increases in unemployment, tightened credit markets, depressed consumer confidence and weak housing markets, continue to impact sales. In addition, recent concerns over levels of sovereign indebtedness have contributed to a renewed tightening of credit markets."

  U.S. auto sales are stronger than in 2009, but considerably below the average sales of more than 16 million vehicles a year seen in the earlier part of this decade. The outlook for the near-term strength of the economic recovery has become uncertain, and some analysts have trimmed their U.S. retail sales forecast from more than 11.8 million vehicles to 11.5 million (for 2010) and from 13.6 million to 13.2 million (for 2011).[76] A weaker U.S. retail auto market could affect investors' views of GM's stock offering.

  In addition, GM's consumers and dealers depend on adequate capital to finance auto sales. GM recently purchased AmeriCredit so it would once again have a captive finance company, but it is not known if this new financing entity will close the gap in financing needs for GM dealers and consumers.[77]
- **Price of gasoline.** When gasoline sold for more than $4 a gallon in 2008, many consumers turned away from the larger, more profitable vehicles produced by GM, Ford, and Chrysler and toward cars produced by Japanese and Korean competitors. Should gasoline rise to higher levels in the future, GM's market share and profitability might be adversely affected again.
- **Supplier base and raw material pricing.** Some suppliers continue to have difficulty obtaining lines of credit to finance their material purchases. Further turbulence in the supplier base could affect GM's ability to produce cars in a

[76] "Forecast and Analysis: Latest Developments," *IHS Global Insight*, July 28, 2010.

[77] For dealer and consumer financing, GM intends to continue to utilize Ally Financial (formerly GMAC), the majority of which is owned by the federal government. According to the GM prospectus, Ally's credit rating has been downgraded in recent years.

timely way. In addition, substantial increases in the prices of raw materials such as steel, aluminum, and copper could reduce profitability.

- **Government-imposed costs.** GM foresees a wide range of new regulatory costs in major markets around the world, especially associated with government-mandated greenhouse gas emissions reductions, vehicle safety, and fuel economy.
- **Executive compensation limits.** Under federal law,[78] compensation to the top level of GM executives has been reduced since the company received TARP funds. According to the prospectus, the continuing salary caps may interfere with GM's ability to retain and hire employees "whose expertise is required to execute our business plan while at the same time developing and producing vehicles that will stimulate demand for our products."
- **Increased competition and slower economic growth in China.** A quarter of GM's sales originated in China in 2009, and the company is the largest auto company in that country. But competition is intensifying, and "increased competition may result in price reductions, reduced margins and our inability to gain or hold market share." According to some analysts, because of slow growth in the United States and Europe, and due to the "Chinese government's expected further pullback on stimulus, China's growth is likely to moderately decelerate. As such, IHS Automotive expects China's growth to accelerate to 11.0% y/y in 2010 before pulling back to 8.6% y/y in 2011."[79]
- **U.S. and world economic trends.** The majority of GM's sales take place outside the United States, so its future financial success hinges on global economic trends, especially in China, Brazil, and India. Economic downturns, costly new government mandates, and political and economic instability in overseas markets will affect GM's financial standing.

  Within the United States, renewed concern about the strength of the recovery may affect investors' views on purchasing large blocks of GM stock. For the week ending August 14, 2010, unemployment claims unexpectedly rose to more than 500,000 for the first time since November 2009. Other economic indicators have turned less positive as well: "A regional business survey by the Federal Reserve Bank of Philadelphia found a sharp drop in its manufacturing index—a disappointment in that the manufacturing sector had been adding jobs in recent months. And a report from The Conference Board said its index of leading economic indicators rose a scant 0.1 percent in July after dipping a revised 0.3 percent in June. The lack of job growth fits in an economy that grew at a 3.7 percent annual pace in the first quarter this year, but sagged to a 2.4 percent growth rate in the April-June period."[80]

  Adding to the economic concerns was a late August report by the National Association of Realtors saying that July 2010 home sales were at a 15-year low[81]

[78] Required of TARP-assisted companies by Section 111 of the Emergency Economic Stabilization Act of 2008, P.L. 110-343.

[79] "Forecast and Analysis: Economic Summary for Asia-Pacific," *IHS Global Insight*, July 7, 2010.

[80] The 2.4% GDP growth rate for the second quarter of 2010 was later revised downward to 1.6%. "Rise in Jobless Claims Darkens the Economic Landscape," *Kansas City Star*, August 19, 2010.

[81] Lucia Mutikani, "US Home Sales at Multiyear Lows," *Reuters*, August 25, 2010.

> and remarks by the president of the Chicago Federal Reserve that the risks of a double-dip recession have increased.[82]
>
> Putting the summer economic news into perspective, one news report cited the views of an auto industry analyst: "'This is going to be harder than it would have been if the economy and the auto market were in better shape,'" said Joe Phillippi, principal of AutoTrends Inc., a consulting firm in Short Hills, New Jersey. "'Every week, people are ratcheting down their outlook for the economy and that will affect the price of this deal.'"[83]

Recouping Federal Funds Invested in GM

As detailed in the **Appendix**, the government through TARP has aided the combined Old GM and GM with more than $50 billion in loans since December 2008. Of this amount, $7.4 billion was repaid in installments, completed in April 2010, and approximately $0.8 billion has been paid in interest, dividends, and fees. An additional $2.1 billion of the loans was converted into shares of preferred stock, which are held by the U.S. Treasury. The approximately $40.7 billion remaining was effectively converted into a 60.8% equity stake. The TARP authorization to purchase new assets or make new commitments expired on October 3, 2010, but Treasury has continuing authority to manage the equity in GM and other TARP assets.

For federal taxpayers to break even on the investments in GM, the company's market capitalization would have to be approximately $67 billion.[84] **Table 4** presents the market value of GM stock for the past 10 years.

[82] Jeff Cox, "Economy Caught in Depression, Not Recession: Rosenberg," http://www.CNBC.com, August 24, 2010.

[83] "GM Offering Tests Investor Confidence in Market Share, Earnings," *Bloomberg Business Week*, August 19, 2010.

[84] 60.8% of $67 billion approximately equals the $40.7 billion in loans that were converted to common stock. Treasury would still own the $2.1 billion outstanding in preferred shares.

Table 4. Market Value of General Motors Corporation (Old GM), 2000-2009

Date	Market Capitalization (nominal value, $ billions)	Market Capitalization (real value, $ billions in 2010)
2009	$2.2	$2.2
2008	$10.6	$10.7
2007	$18.1	$19.0
2006	$11.9	$12.9
2005	$16.0	$17.9
2004	$27.3	$31.5
2003	$17.9	$21.2
2002	$47.5	$57.6
2001	$48.1	$59.2
2000	$63.8	$80.1

Source: *Fortune* magazine, annual rating of Fortune 500 firms, 2000-2009. Inflation adjustment by CRS using the Consumer Price Index from the Bureau of Labor Statistics.

Notes: Market capitalization reflects the outstanding number of shares of common stock multiplied by the price per share. *Fortune* publishes their values in May of each year, based on market prices on particular dates in March.

Adjusted for inflation, the reported market value of Old GM in the past 10 years has exceeded $67 billion in only one year. Whether investors view the new company today as favorably as they did Old GM in the year 2000, however, is an open question.

Based on recent estimates, the outlook for the federal government recouping its investment in GM is not clear. In May 2010, the Treasury released estimates on the combined TARP support for the automakers, indicating a $24.6 billion combined loss on the government investment in GM, GMAC/Ally Financial, and Chrysler. In October 2010, new estimates placed the loss at $17 billion, primarily due to improvements in the outlook for GMAC/Ally Financial. The Treasury Department did not specify how it expected the losses to be apportioned among the three companies, but it seems likely that the projections include some losses from the government investments in GM.[85]

[85] Loss estimates from U.S. Treasury, *Summary Tables of Trouble Asset Relief Program (TARP) Investments as of March 31, 2010*, released May 25, 2010, available at http://financialstability.gov/docs/TARP%20Cost%20Estimates%20-%20March%2031%202010.pdf., and *Troubled Asset Relief Program: Two Year Retrospective*, October 2010, available at http://www.financialstability.gov/docs/TARP%20Two%20Year%20Retrospective_10%2005%2010_transmittal%20letter.pdf. The combined assistance outstanding for two of the three companies—GMAC and Chrysler—totals approximately $25.4 billion, that is, just $800 million more than the combined estimated loss in May 2010 for all three companies.

Appendix. Federal Financial Support for General Motors Through the Troubled Asset Relief Program

Table A-1. Chronology of Federal Aid Through August 10, 2010

Date	Recipient/Source	Amount ($ in billions)
December 2008	Old GM	$13.40
April 2009	Old GM	$2.00
May 2009	Old GM	$4.00
	GM Warranty Program	$0.36
June 2009	Old GM/GM	$30.10
April 2009-April 2010	Old GM Supplier Receivables[a]	$0.29
Total Funds Loaned		$50.15
Repayment of Principal		
July 2009	Repayment for Warranty Program	$0.36
November 2009	Partial repayment of Supplier Receivables loans	$0.14
December 2009/January 2010	Partial debt repayment	$1.03
February 2010	Partial repayment of Supplier Receivables loans	$0.10
March 2010	Partial debt repayment	$1.00
April 2010	Final debt repayment	$4.68
	Final repayment of Supplier Receivables loans	$0.06
Total Repaid		$7.37
Interest, Dividends, and Fees Paid		
December 2008-April 2009	Interest on Old GM loans	$0.14
April 2009-April 2010	Interest for GM Supplier Receivables	$0.01
March 2010	Additional Note for GM Supplier Receivables Program	$0.05
October 2009-April 2010	Interest on GM loans	$0.34
September 2009-September 2010 (ongoing quarterly payments)	Dividends on Preferred Stock	$0.22
Total		$0.76

Sources: U.S. Department of the Treasury, *Troubled Asset Relief Program (TARP), Transactions Reports*, various dates, and *Troubled Asset Relief Program (TARP), Dividends and Interest Report*, various dates.

Note: In December 2008, the U.S. Treasury provided $884 million to assist GM in GMAC's rights offerings, separate from the $13.4 billion loaned for GM's operations. While this was provided to GM, it assisted GMAC and is generally tallied as GMAC assistance.

a. The original April 2009 Automotive Supplier Support Program commitment was $3.5 billion for use with GM suppliers. This commitment was reduced to $2.5 billion in July 2009. Ultimately approximately $290 million of the $2.5 billion commitment was used.

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