

GM To Sell Shares Of Failed Former Financial Arm For \$1B

DETROIT (AP) — General Motors Co. said Tuesday it will sell all of its series A preferred shares in Ally Financial Inc., its former finance arm which was bailed out by the federal government, for \$1 billion.

The shares to be sold represent all of Ally's series A preferred stock outstanding, the automaker said. The sale, which is expected to close in the next few days, should bring a \$300 million gain for GM for the first quarter and leave it with a 9.9 percent stake in Ally's common stock, the company said.

The government owns 74 percent of Ally because of a bailout during the financial crisis. Ally is preparing for an IPO, which is expected to happen in the second quarter, to help repay the government.

GM received nearly \$50 billion in government bailout aid during the financial crisis and emerged from bankruptcy protection in July 2009. It said the sale of Ally shares is another step in its strategy to bolster its balance sheet.

GM had its own IPO in November, and recently recorded its first profitable year since 2004 after earning \$4.7 billion in 2010. It lost a total of \$80 billion in the five years leading up to its 2009 bankruptcy.

Ally received \$17.2 billion in bailout support. So far it has returned \$4.9 billion to the government.

Ally makes loans to GM customers and finances dealer inventories. The government first bailed out the company, then known as GMAC Inc., in late 2008 as part of the Bush administration's aid to the auto industry. The Obama administration provided additional funding in May and December 2009.

Treasury Department spokesmen declined to comment Tuesday on GM's announcement.

The Treasury Department has said that Ally has made good progress in restructuring its operations. But a congressional oversight panel in January criticized what it called Treasury's "hands-off" approach toward Ally. The panel noted that the department declined to block GM's purchase of Texas-based AmeriCredit even though that financial firm could end up competing against Ally.

The Treasury Department hopes to get back more taxpayer money through a public stock offering of Ally.

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The sale of Ally's preferred shares was underwritten by Credit Suisse, BofA Merrill Lynch, Deutsche Bank Securities and Barclays Capital.

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