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U.S. Must Sell GM Shares at \$133.78 to Break Even

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DETROIT —The U.S. government needs to sell all its stock in General Motors Co. at an average price of \$133.78 per share to fully recoup the \$49.5 billion it spent to rescue the auto maker, according to the Obama administration official overseeing the Troubled Asset Relief Program.

That price is \$39.15 greater than the highest level shares in the old GM ever reached, during the boom in sales of pickup trucks and sport-utility vehicles in 2000.

Neil Barofsky, special inspector general for the \$700 billion that was used to bail out GM and Chrysler Group LLC as well as Wall Street banks and other distressed companies last year, also said he will initiate a review of GM's acquisition earlier this year of subprime lender AmeriCredit Corp.

The comments, in a letter by Mr. Barofsky, came in response to an August letter from Republican Sen. Charles Grassley of Iowa, who asked for an analysis of GM's planned stock offering and the government's chances of getting back the money it put into the company. Mr. Grassley also requested details on GM's decision in July to buy AmeriCredit for \$3.5 billion in a move to bolster auto lending.

The car company was reorganized in bankruptcy court last year with the help of \$49.5 billion in federal aid. GM has paid back \$6.7 billion in cash and \$2.1 billion was converted to preferred shares. Another \$1 billion went to help wind down so-called Old GM. The remaining \$39.7 billion of the government's investment has been converted into a 61% stake in the auto maker. The stake amounts to 304 million shares in the new GM.

A portion of that equity stake will be offered to investors in November. Additional stakes are likely to be sold in later offerings. The entire stake could take years for the government to sell.

The price at which the government sells its stock in the November IPO could fall below \$133.78, said people familiar with the thinking of GM and the U.S. Treasury. The government could have a chance to break even if GM and the U.S. economy rebound and the company's stock fetches higher prices in follow-on offerings, these people said.

The break-even share price does not factor in IPO costs that include \$7.5 million to advisory firm [Lazard](#) Ltd. or underwriters' payments of 0.75% of the proceeds, Mr. Barofsky said in a letter that was dated Aug. 30 but first surfaced Wednesday.

The peak share price for old GM was \$94.63 on April 28, 2000, a time when the company was reaping billions of dollars in profit on pickups and SUVs, and its finance arm was raking in money on mortgages and auto loans.

GM would need to achieve a market value of about \$70 billion for the government to recoup its investment. [Ford Motor](#) Co., which sells fewer cars than GM globally but has been reporting strong profits, currently has a market capitalization of about \$43 billion. [Toyota Motor](#) Corp. is valued at about \$113 billion.

GM's is making money for the first time since 2004 and has a dramatically improved balance sheet after unloading billions in debt and other obligations through its bankruptcy reorganization. In addition, analysts expect the overall auto sector to begin delivering major profits once the U.S. auto market begins to rebound from multidecade lows.

Representatives from GM and the Treasury weren't immediately available for comment.

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