



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

April 27, 2010

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

Thank you for your letter dated April 22, 2010 to the Secretary regarding General Motors' (GM) repayment of its loan from the Department of the Treasury. He asked me to respond on his behalf.

Your letter states that the repayment of the loan was made with funds from "an escrow account at Treasury" and that it constituted a "debt-for-equity" swap. These statements are not accurate.

On April 20, GM repaid the Treasury loan with cash in an escrow account that it owns. The escrow account was created last summer in connection with the restructuring of GM. The money used to fund the escrow account came from a portion of the proceeds of a loan made by both the Treasury and the Canadian government. The escrowed funds were expected to be used for extraordinary expenses, and a portion of the funds were so used. Treasury retained approval rights over GM's use of funds from the escrow account in order to protect the taxpayer, but the cash was still the property of GM.

In making its April 20 loan repayment, GM determined that it did not need to retain the escrowed funds for expenses. The fact that GM made that determination and repaid the remaining \$4.7 billion to the U.S. government now is good news for the company, our investment, and the American people. Consistent with Treasury's goal of recovering funds for the taxpayer and exiting TARP investments as soon as practicable, we approved GM's loan repayment.

It has long been public knowledge that GM would use these specific funds to repay the Treasury and Canadian loans, if it did not otherwise need them for expenses. Under GM's loan agreement with Treasury, any funds in the escrow account on June 30, 2010 had to be used to repay the Treasury and Canadian loans. We have highlighted the repayment requirement in our monthly Section 105(a) reports to Congress. During a meeting last fall, we also informed the staff of the Special Inspector General of TARP (SIGTARP), Neil Barofsky, that we expected GM to use these funds to repay these loans. In fact, according to the SIGTARP Report on the Use of Funds (released on December 10, 2009), "GM officials stated that it intends to seek release of additional escrow funds to repay its outstanding \$6.7 billion loan to Treasury and \$1.3 billion loan to the Canadian Government."

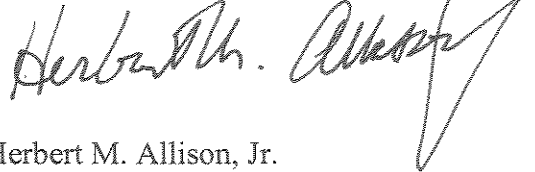
After the full repayment of the Treasury loan, approximately \$6.6 billion remained in GM's escrow account. These funds became unrestricted on April 20 and available for GM's general use.

In addition, it is not correct that the timing of the repayment was motivated by concurrent Senate hearings. In fact, GM's Board of Directors approved the loan repayment at its monthly meeting on April 13, 2010.

As is widely known, Treasury continues to hold \$2.1 billion in preferred stock and 60.8% of the GM's common equity that it received in the restructuring in July 2009. Treasury will begin selling equity once GM makes an initial public offering.

Thank you again for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Herbert M. Allison, Jr.", with a large, stylized flourish extending from the end of the signature.

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability