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United States: Department of the Treasury

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Treasury Converts Nearly Half of Its Ally Preferred Shares to Common Stock

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\$5.5 Billion Transaction Accelerates Treasury's Ability to Exit Ally Investment

WASHINGTON - The U.S. Department of the Treasury today announced that it is converting \$5.5 billion of preferred stock in Ally Financial into common stock – a move designed to accelerate Treasury's ability to exit its investment in the company.

"Ally has made substantial progress in restructuring its operations and improving its financial performance during 2010, and this transaction will position us to begin to exit the investment," said Treasury Acting Assistant Secretary for Financial Stability Tim Massad.

Today's transaction does not involve any new investment by Treasury. Instead, Treasury is converting a portion of the \$11.4 billion in Mandatorily Convertible Preferred stock it already received, which is designed to be converted into common stock in certain circumstances, including at the election of Treasury.

The conversion strengthens Ally's capital structure by increasing the proportion of equity in the form of common stock. This should help Ally raise equity in the capital markets in the future. It may also improve Ally's ability to raise debt financing.

The conversion will increase Treasury's common equity stake in Ally from 56 percent to 74 percent of total common shares outstanding. Treasury is converting its preferred stock at 1.0 times the book value of tangible common equity balance as of September 30, 2010, subject to certain adjustments.

"Our action today parallels the actions we took in converting Citigroup preferred stock and in the pending conversion of AIG preferred stock to common stock," Massad noted. "Our ultimate goal in all these investments is to exit as quickly as possible on terms that realize the most value for the taxpayer, and this transaction will facilitate that."

After the conversion, Treasury will also hold an additional \$5.9 billion of Mandatory Convertible Preferred Stock in Ally, as well as \$2.7 billion of Trust Preferred securities (TruPs). Ally also agreed to assist Treasury in the sale of a portion of its holdings of TruPs on terms acceptable to Treasury and Ally as soon as practical subject to certain conditions.

\$ Millions		
USG Capital Outstanding in Ally	Before	After
	12/29/10	12/29/10
8% Trust Preferred Securities (includes	\$2,667	\$2,667

	\$127MM of exercised warrants)	
9% Mandatory Convertible Preferred Stock	11,438	5,938
(includes \$688MM of exercised warrants)		
Common Equity Ownership	56%	74%

Treasury acquired its stake in Ally Financial through the Troubled Asset Relief Program's (TARP) [Automotive Industry Financing Program \(AIFP\)](#). The AIFP was implemented to provide stability to the American auto industry and protect American jobs. Treasury invested a total of \$17.2 billion in Ally and has already received \$2.0 billion in dividends and interest in return to date.